

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS

TOWN OF BOSWELL
For the Years Ended
JUNE 30, 2013 and 2012

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Net Position	4
Statement of Activities.....	5
Balance Sheet – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	7
Statement of Fund Net Position – Proprietary Funds	9
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds.....	10
Statement of Cash Flows – Proprietary Funds	11
Notes to the Financial Statements	12
Independent Auditor's Report on the Internal Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Schedule of Findings and Responses	22
Schedule of Grants and Awards	29
Combining Statement of Proprietary Funds Net Position	30
Combining Statement of Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position	31

dwg, inc. Certified Public Accountant and Consultant

Independent Auditor's Report

To the Town Council
Town of Boswell, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Boswell, Oklahoma as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town of Boswell's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Boswell, Oklahoma, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has elected not to include a Management's Discussion and Analysis as part of this report and did not include budgetary comparison information.

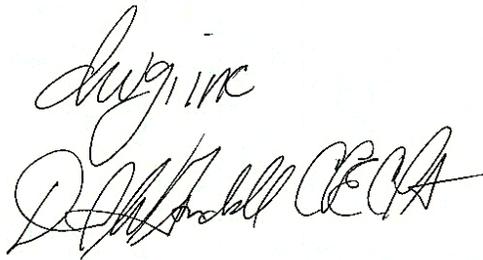
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Expenditures of Awards and combining proprietary fund statements as required by the grantor agencies and statute are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report through the audit report date on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Handwritten signature of David W. Gandall, CFE, CPA. The signature is written in black ink and includes the initials 'dwg, inc' above the main signature.

dwg, inc.
David W. Gandall, CFE, CPA
October 31, 2014

Town of Boswell
Statement of Net Position
As of June 30, 2013 and 2012

	<u>2013</u>			<u>2012</u>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Current Assets						
Cash and investments	\$ 57,766	\$ 25,317	\$ 83,083	\$ 26,113	\$ 8,422	\$ 34,535
Cash and investments - restricted	-	153,105	153,105	-	225,318	225,318
Accounts receivable	5,267	34,842	40,109	5,662	22,241	27,903
Allowance for doubtful accounts	-	(802)	(802)	-	(802)	(802)
Net accounts receivable	5,267	34,040	39,307	5,662	21,439	27,101
Taxes receivable	15,233	-	15,233	15,039	-	15,039
Due from other funds	4,889	3,188	8,077	2,509	1,636	4,145
Other assets	-	-	-	2,218	1,773	3,991
Total current assets	83,155	215,650	298,805	51,541	258,588	310,129
Capital Assets						
Non-depreciable capital assets	-	53,380	53,380	-	53,380	53,380
Depreciable capital assets	1,953,198	2,854,904	4,808,102	1,938,198	2,823,854	4,762,052
Accumulated depreciation	(1,608,272)	(845,761)	(2,454,033)	(1,562,599)	(764,687)	(2,327,286)
Net capital assets	344,926	2,062,523	2,407,449	375,599	2,112,547	2,488,146
TOTAL ASSETS	428,081	2,278,173	2,706,254	427,140	2,371,135	2,798,275
LIABILITIES						
Current Liabilities						
Accounts payable	15,758	20,629	36,387	7,953	13,818	21,771
Due to other funds	8,077	-	8,077	4,364	-	4,364
Accrued liabilities	2,418	13,908	16,326	3,449	14,151	17,600
Current portion of long-term debt	4,718	15,000	19,718	-	15,000	15,000
Total current liabilities	30,971	49,537	80,508	15,766	42,969	58,735
Noncurrent Liabilities						
Meter deposits refundable	-	41,349	41,349	-	32,693	32,693
Long-term debt, less current portion	8,352	725,000	733,352	-	740,000	740,000
Total noncurrent liabilities	8,352	766,349	774,701	-	772,693	772,693
TOTAL LIABILITIES	39,323	815,886	855,209	15,766	815,662	831,428
NET ASSETS						
Invested in capital assets, net of debt	331,856	1,284,143	1,615,999	375,599	1,319,167	1,694,766
Restricted for:						
Debt service	-	108,719	108,719	-	106,235	106,235
Unrestricted	56,902	69,425	126,327	35,775	130,071	165,846
TOTAL NET POSITION	\$ 388,758	\$ 1,462,287	\$ 1,851,045	\$ 411,374	\$ 1,555,473	\$ 1,966,847

**Town of Boswell
Statement of Activities
For the Years Ended June 30, 2013 and 2012**

2013		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Activities
Functions/Programs	Expenses						
Governmental activities:							
General fund	\$ (127,517)	\$ 3,176	\$ -	\$ -	\$ (124,341)	\$ -	\$ (124,341)
Nutrition program fund	(60,785)	-	42,039	-	(18,746)	-	(18,746)
Police Department fund	(87,729)	39,687	-	-	(48,042)	-	(48,042)
Fire Department operating fund	(23,810)	14,120	4,484	-	(5,206)	-	(5,206)
Fire Department equipment fund	(6,652)	-	-	-	(6,652)	-	(6,652)
Total governmental activities	(306,493)	56,983	46,523	-	(202,987)	-	(202,987)
Business-type activities:							
Water and sewer	(364,168)	229,980	20,000	-	-	(114,188)	(114,188)
Sanitation	(45,306)	53,681	-	-	-	8,375	8,375
Industrial Park	(25,555)	7,997	-	-	-	(17,558)	(17,558)
Other fees and charges	(1,045)	3,793	-	-	-	2,748	2,748
Total business-type activities	(436,074)	295,451	20,000	-	-	(120,623)	(120,623)
Total all activities	(742,567)	352,434	66,523	-	(202,987)	(120,623)	(323,610)
Interest expensed in:		General revenues:					
General government	2,034	Sales and use taxes		173,606	21,251	194,857	
Water and sewer	42,453	Franchise taxes		11,097	-	11,097	
Industrial Park	-	Other income (loss)		1,798	56	1,854	
Total	44,487	Transfers in		-	6,130	6,130	
		Transfers(out)		(6,130)	-	(6,130)	
Total general revenues and transfers				180,371	27,437	207,808	
Change in net assets				(22,616)	(93,186)	(115,802)	
Beginning net assets				411,374	1,555,473	1,966,847	
Ending net assets				\$ 388,758	\$ 1,462,287	\$ 1,851,045	

2012		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Activities
Functions/Programs	Expenses						
Governmental activities:							
General fund	\$ (131,910)	\$ 6,077	\$ -	\$ -	\$ (125,833)	\$ -	\$ (125,833)
Nutrition program fund	(74,953)	-	41,548	-	(33,405)	-	(33,405)
Police Department fund	(58,124)	20,678	-	-	(37,446)	-	(37,446)
Fire Department operating fund	(26,827)	12,815	9,413	-	(4,599)	-	(4,599)
Fire Department equipment fund	(6,652)	-	-	-	(6,652)	-	(6,652)
Total governmental activities	(298,466)	39,570	50,961	-	(207,935)	-	(207,935)
Business-type activities:							
Water and sewer	(326,772)	219,256	-	-	-	(107,516)	(107,516)
Sanitation	(44,657)	53,380	-	-	-	8,723	8,723
Industrial Park	(25,756)	14,152	-	-	-	(11,604)	(11,604)
Other fees and charges	(1,588)	3,866	-	-	-	2,278	2,278
Total business-type activities	(398,773)	290,654	-	-	-	(108,119)	(108,119)
Total all activities	(697,239)	330,224	50,961	-	(207,935)	(108,119)	(316,054)
Interest expensed in:		General revenues:					
General government	-	Sales and use taxes		151,276	17,932	169,208	
Water and sewer	43,180	Franchise taxes		12,921	-	12,921	
Industrial Park	-	Other income (loss)		4,790	185	4,975	
Total	43,180	Transfers in		-	846	846	
		Transfers(out)		(846)	-	(846)	
Total general revenues and transfers				168,141	18,963	187,104	
Change in net assets				(39,793)	(89,156)	(128,950)	
Beginning net assets				427,537	1,647,437	2,074,974	
Prior period adjustments				23,630	(2,808)	20,822	
Ending net assets				\$ 411,374	\$ 1,555,473	\$ 1,966,847	

**Town of Boswell
Balance Sheet
Governmental Funds
As of June 30, 2013 and 2012**

2013

	Major Funds			Non-Major Fund		Total Governmental Funds
	General Fund	Nutrition Program Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	
ASSETS						
Cash and investments	\$ 31,251	\$ 6,591	\$ 373	\$ 19,558	\$ (7)	\$ 57,766
Taxes receivable	15,233	-	-	-	-	15,233
Accounts receivable	844	4,423	-	-	-	5,267
Due from other funds	-	1,487	1,701	1,701	-	4,889
TOTAL ASSETS	47,328	12,501	2,074	21,259	(7)	83,155
LIABILITIES						
Accounts payable	7,614	1,750	5,157	1,237	-	15,758
Accrued payroll payable	1,510	487	421	-	-	2,418
Due to other funds	8,077	-	-	-	-	8,077
TOTAL LIABILITIES	17,201	2,237	5,578	1,237	-	26,253
FUND BALANCES						
Unreserved	30,127	10,264	(3,504)	20,022	(7)	56,902
TOTAL FUND BALANCES	30,127	10,264	(3,504)	20,022	(7)	56,902
TOTAL LIABILITIES AND FUND BALANCES	47,328	12,501	2,074	21,259	(7)	83,155

Reconciliation of general fund balance to net assets of governmental activities:

Fund balance	\$ 56,902
Capital assets	1,953,198
Accumulated depreciation	(1,608,272)
Capital assets financed - net	(13,070)
Net assets of governmental activities	\$ 388,758

2012

	Major Funds			Non-Major Fund		Total Governmental Funds
	General Fund	Nutrition Program Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	
ASSETS						
Cash and investments	\$ 3,275	\$ 11,726	\$ (2,269)	\$ 13,388	\$ (7)	\$ 26,113
Taxes receivable	15,039	-	-	-	-	15,039
Accounts receivable	974	4,688	-	-	-	5,662
Prepaid insurance	444	1,330	443	-	-	2,217
Due from other funds	-	763	873	873	-	2,509
TOTAL ASSETS	19,732	18,507	(952)	14,261	(7)	51,541
LIABILITIES						
Accounts payable	3,315	1,586	1,073	1,979	-	7,953
Accrued payroll payable	2,173	609	667	-	-	3,449
Due to other funds	4,364	-	-	-	-	4,364
TOTAL LIABILITIES	9,852	2,195	1,740	1,979	-	15,766
FUND BALANCES						
Unreserved	9,880	16,312	(2,692)	12,282	(7)	35,775
TOTAL FUND BALANCES	9,880	16,312	(2,692)	12,282	(7)	35,775
TOTAL LIABILITIES AND FUND BALANCES	19,732	18,507	(952)	14,261	(7)	51,541

Reconciliation of general fund balance to net assets of governmental activities:

Fund balance	\$ 35,775
Capital assets	1,938,198
Accumulated depreciation	(1,562,599)
Net assets of governmental activities	\$ 411,374

Town of Boswell
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Years Ended June 30, 2013 and 2012

2013

	Major Funds			Non-Major Fund		Total Governmental Funds
	General Fund	Nutrition Program Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	
REVENUES						
Taxes	\$ 152,649	\$ 9,912	\$ 11,340	\$ 11,340	\$ -	\$ 185,241
Licenses, fees and permits	1,966	-	-	-	-	1,966
Fines and forfeitures	-	-	39,687	-	-	39,687
Sales and services	1,210	-	-	-	-	1,210
Grants and awards	-	42,039	-	4,484	-	46,523
Membership dues	-	-	-	14,120	-	14,120
Other revenues	1,179	500	-	100	-	1,779
Interest	10	-	-	9	-	19
TOTAL REVENUES	157,014	52,451	51,027	30,053	-	290,545
EXPENDITURES						
Salaries and wages	56,597	32,045	31,633	-	-	120,275
Payroll taxes	4,965	2,772	1,160	-	-	8,897
Food costs	-	509	-	-	-	509
Telephone and utilities	14,860	6,850	4,067	3,320	-	29,097
Repairs, maintenance and supplies	5,132	5,091	9,626	3,849	-	23,698
Insurance and bonds	5,092	3,616	3,608	2,698	-	15,014
Interest expense	1,763	-	271	-	-	2,034
Professional services	8,230	650	5,942	-	-	14,822
Elected officials expense	4,259	-	-	-	-	4,259
Office supplies and expenses	3,054	30	2,410	2,086	-	7,580
Vehicle diesel, gas and oil	-	-	3,786	9,264	-	13,050
Cemetery	2,839	-	-	-	-	2,839
Travel	-	1,511	-	-	-	1,511
Pest control	-	540	-	-	-	540
Dues, fees and licenses	2,167	-	-	-	-	2,167
Oklahoma Firefighter pension expense	-	-	-	1,440	-	1,440
Grant matching funds	-	5,400	-	-	-	5,400
Other expense	324	1,771	4,996	598	-	7,689
TOTAL EXPENDITURES	109,282	60,785	67,499	23,255	-	260,821
REVENUES OVER (UNDER) EXPENDITURES	47,732	(8,334)	(16,472)	6,798	-	29,724
OTHER FINANCING SOURCES (USES)						
Capital assets purchased	-	-	(14,500)	(500)	-	(15,000)
Capital assets financed	-	-	14,500	-	-	14,500
Transfers-in (out)	(32,962)	13,918	7,878	5,036	-	(6,130)
TOTAL OTHER FINANCING SOURCES (USES)	(32,962)	13,918	7,878	4,536	-	(6,630)
NET CHANGE IN FUND BALANCE	14,770	5,584	(8,594)	11,334	-	23,094
BEGINNING FUND BALANCE	15,357	4,680	5,090	8,688	(7)	33,808
ENDING FUND BALANCE	\$ 30,127	\$ 10,264	\$ (3,504)	\$ 20,022	\$ (7)	\$ 56,902

Reconciliation of the net change in fund balance to the change in net assets of governmental activities:

Net change in fund balance	23,094
Principl payments	463
Capital asset purchases capitalized	(15,000)
Funds borrowed recorded as revenue in the fund financial statements but recorded as long term liability in the government wide financial statements	14,500
Depreciation expense	(45,673)
Change in net assets of governmental activities	\$ (22,616)

Town of Boswell
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Years Ended June 30, 2013 and 2012

2012

	Major Funds			Non-Major Fund		Total Governmental Funds
	General Fund	Nutrition Program Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	
REVENUES						
Taxes	\$ 136,118	\$ 8,943	\$ 9,568	\$ 9,568	\$ -	\$ 164,197
Licenses, fees and permits	1,508	-	-	-	-	1,508
Fines and forfeitures	-	-	20,678	-	-	20,678
Sales and services	4,569	-	-	-	-	4,569
Grants and awards	-	41,548	-	9,413	-	50,961
Membership dues	-	-	-	12,815	-	12,815
Other revenues	3,219	213	-	1,335	-	4,767
Interest	7	-	-	16	-	23
TOTAL REVENUES	145,421	50,704	30,246	33,147	-	259,518
EXPENDITURES						
Salaries and wages	60,382	33,132	27,550	-	-	121,064
Payroll taxes	5,265	2,873	2,477	-	-	10,615
Telephone and utilities	16,648	7,655	4,048	3,175	-	31,526
Repairs, maintenance and supplies	5,040	4,716	2,502	3,570	-	15,828
Insurance and bonds	2,997	4,442	5,852	3,303	-	16,594
Professional services	13,200	600	5,121	1,100	-	20,021
Elected officials expense	3,155	-	-	-	-	3,155
Office supplies and expenses	2,107	212	1,216	144	-	3,679
Vehicle diesel, gas and oil	-	-	4,713	12,856	-	17,569
Cemetery	2,396	-	-	-	-	2,396
Travel	-	1,519	312	-	-	1,831
Pest control	-	540	-	-	-	540
Bank charges	20	-	-	100	-	120
Dues, fees and licenses	1,064	-	-	593	-	1,657
Oklahoma Firefighter pension expense	-	-	-	900	-	900
Other expense	1,198	-	4,333	547	-	6,078
TOTAL EXPENDITURES	113,472	55,689	58,124	26,288	-	253,573
REVENUES OVER (UNDER) EXPENDITURES	31,949	(4,985)	(27,878)	6,859	-	5,945
OTHER FINANCING SOURCES (USES)						
Capital assets purchased	-	-	-	-	-	-
Capital assets financed	-	-	-	-	-	-
Transfers-in (out)	(16,592)	-	15,746	-	-	(846)
TOTAL OTHER FINANCING SOURCES (USES)	(16,592)	-	15,746	-	-	(846)
NET CHANGE IN FUND BALANCE	15,357	(4,985)	(12,132)	6,859	-	5,099
BEGINNING FUND BALANCE	-	9,665	17,222	1,829	(7)	28,709
ENDING FUND BALANCE	\$ 15,357	\$ 4,680	\$ 5,090	\$ 8,688	\$ (7)	\$ 33,808

Reconciliation of the net change in fund balance to the change in net assets of governmental activities:

Net change in fund balance	5,099
Depreciation expense	(44,892)
Change in net assets of governmental activities	<u>\$ (39,793)</u>

Town of Boswell
Statement of Fund Position
Proprietary Funds
As of June 30, 2013 and 2012

	<u>Proprietary Fund</u>	
	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Unrestricted cash and cash equivalents	\$ 25,317	\$ 8,422
Utility billing receivables	33,540	21,439
Other accounts receivables	500	-
Due from other funds	3,188	1,636
Prepaid insurance	-	1,773
Restricted assets:		
Customer meter deposits	29,712	28,251
Cash and cash equivalents	123,393	197,067
Total current assets	<u>215,650</u>	<u>258,588</u>
Noncurrent Assets		
Non-depreciable capital assets	53,380	53,380
Depreciable capital assets	2,854,904	2,823,854
Accumulated depreciation	<u>(845,761)</u>	<u>(764,687)</u>
Net capital assets	<u>2,062,523</u>	<u>2,112,547</u>
TOTAL ASSETS	<u>2,278,173</u>	<u>2,371,135</u>
LIABILITIES		
Current Liabilities		
Accounts payable	20,629	13,818
Accrued interest	13,908	14,151
Current portion of long-term debt	15,000	15,000
Total current liabilities	<u>49,537</u>	<u>42,969</u>
Noncurrent liabilities		
Customer meter deposits refundable	41,349	32,693
Long-term debt, less current portion	725,000	740,000
Total noncurrent liabilities	<u>766,349</u>	<u>772,693</u>
TOTA LIABILITIES	<u>815,886</u>	<u>815,662</u>
NET POSITION		
Invested in capital assets, net of debt	1,284,143	1,319,167
Restricted for:		
Debt service	108,719	106,235
Unrestricted	69,425	130,071
TOTAL NET POSITION	<u>\$ 1,462,287</u>	<u>\$ 1,555,473</u>

Town of Boswell
Statement of Revenues, Expenses and Changes in Fund Position
Proprietary Funds
For the Years Ended June 30, 2013 and 2012

	<u>Proprietary Fund</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Water revenue	\$ 144,005	\$ 137,832
Sewer revenue	85,975	81,424
Sanitation revenue	53,681	53,380
Rental revenue	7,997	14,152
Grants and awards revenue	20,000	-
Interest revenue	56	185
Other fees and charges	3,793	3,866
TOTAL OPERATING REVENUES	<u>315,507</u>	<u>290,839</u>
OPERATING EXPENSES		
Water and Sewer	97,144	19,862
Sanitation	45,306	44,657
Materials, goods and services	169,052	205,330
Interest expense	42,453	43,180
Other expense	1,045	1,588
TOTAL OPERATING EXPENSES	<u>355,000</u>	<u>314,617</u>
OPERATING INCOME (LOSS)	(39,493)	(23,778)
OTHER INCOME (EXPENSE)		
Depreciation expense	(81,074)	(84,156)
TOTAL OTHER INCOME (EXPENSE)	(81,074)	(84,156)
INCOME BEFORE TRANSFERS	(120,567)	(107,934)
TRANSFERS IN	27,381	28,302
TRANSFERS (OUT)	<u>-</u>	<u>(9,524)</u>
CHANGE IN NET POSITION	(93,186)	(89,156)
NET POSITION, BEGINNING	1,555,473	1,647,437
PRIOR PERIOD ADJUSTMENTS	-	(2,808)
NET POSITION, ENDING	<u><u>\$ 1,462,287</u></u>	<u><u>\$ 1,555,473</u></u>

Town of Boswell
Statement of Cash Flows
Proprietary Funds
For the Years Ended June 30, 2013 and 2012

	<u>Proprietary Fund</u>	
	<u>2013</u>	<u>2012</u>
Cash flows from operations:		
Customers	\$ 271,560	\$ 274,507
Rental income	7,497	14,152
Grants and awards	20,000	-
Other fees and charges	3,793	3,866
Interest	56	185
Cash payments for:		
Salaries and wages	(113,890)	(136,845)
Goods and services	(191,848)	(138,933)
Interest paid on long term debt	(42,696)	(41,282)
Net cash provided from operations	<u>(45,528)</u>	<u>(24,350)</u>
 Cash flows from capital financing activities:		
Transfers from bond account	70,263	-
Capital expenditures	(27,100)	-
Long term debt payments	(15,000)	(15,000)
Net cash from capital financing activities	<u>28,163</u>	<u>(15,000)</u>
 Cash flows from non-capital financing activities:		
Certificate of deposit	(16)	14,871
Prepaid expenses	1,773	(787)
Customer deposits	7,195	1,982
Interfund transfers	25,308	17,142
Net cash from non-capital financing	<u>34,260</u>	<u>33,208</u>
 Net increase (decrease) in cash	16,895	(6,142)
Beginning cash	8,422	14,564
Ending cash	<u>\$ 25,317</u>	<u>\$ 8,422</u>
 Reconciliation of income from operations to net cash from operations:		
Operating income (loss) before transfers	\$ (120,569)	\$ (107,934)
Adjustments to income from operations:		
Depreciation and amortization	81,074	84,156
Change in assets and liabilities:		
(Increase) decrease in receivables	(12,601)	1,871
(Increase) decrease in prepaid expenses	1,773	2,022
(Increase) decrease in due from other funds	(1,552)	(3,629)
(Increase) decrease in restricted cash	-	(1,169)
Increase (decrease) in payables	(2,066)	(4,448)
Increase (decrease) in accrued expenses	(243)	1,898
Increase (decrease) in refundable deposits	8,656	2,888
Net cash provided by operations	<u>\$ (45,528)</u>	<u>\$ (24,345)</u>
 Restricted cash in certificates of deposit	\$ 26,326	\$ 26,310
Restricted cash in trust accounts	97,067	170,757
Total restricted cash	<u>123,393</u>	<u>197,067</u>
Operating Cash	25,317	8,422
Total cash and cash equivalents	<u>\$ 148,710</u>	<u>\$ 205,489</u>

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Boswell, Oklahoma is an incorporated town under the provisions of the State of Oklahoma. The Town provides the following services: public safety, nutrition program, streets and alley maintenance, sanitation, water and sewer department, fire protection, and administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, taxing authority, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2013, the Town had two component units: Boswell Economic Development Authority and Boswell Public Works Authority, which together make up the Town of Boswell Proprietary Funds.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

The Town's governmental funds are the general fund, which is the operating fund of the Town and used to account for all financial revenues and expenditures except those legally or administratively required to be accounted for in another fund; the Nutrition Program Fund, the Police Department Fund, the Fire Department Fund and the Fire Department Equipment Fund are used to account for the revenues and expenditures in those funds.

The Town's proprietary funds consist of the Boswell Economic Development Authority, which is accounted for in the Industrial Park Fund for revenues and expenses of rented buildings, and the Boswell Public Works Authority, which is accounted for in the Public Works Administration Fund for revenues and expenses of water, sewer and sanitation services.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects is accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, is recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2013.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town Council should formally adopt an annual budget which include substantially all funds. These annual budgets should be adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code. The Town Council declined to do so for the fiscal year ended June 30, 2013.

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Cash and cash equivalents restricted for debt service, meter deposits and other long term purposes are excluded from this definition.

Property, Plant and Equipment

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure, and capitalized at cost in the General Fixed Assets Account Group.

Property, plant and equipment acquired for proprietary funds are capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation. Estimated useful lives have been estimated as follows:

Buildings and improvements	25 - 30 years
Machinery and equipment	3 - 10 years
Vehicles	5 years
Streets	40 years
Water and sewer systems and improvements	40 years

Accounts Payable

The City is responsible for outstanding obligations to vendors and others for operating materials, services or other charges.

Long-term Debt

Long-term debt to be repaid from governmental funds is recorded in the general long-term debt account group. Long-term debt to be repaid from proprietary funds is recorded in the fund. The current portion of long-term debt to be repaid within one year is recorded in the fund.

2. Cash and Investments

Deposits and investments made by the Town are summarized below. The deposits are classified as to credit risk within the following three categories:

- Category 1 Insured or collateralized, with securities held by the Town or its agent in the Town's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3 Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Town's name).

Federal Deposit Insurance covers non-interest bearing deposits up to \$250,000 and interest bearing deposits for an additional \$250,000. First Texoma National Bank has pledged additional collateral and,

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

therefore, for the year ending June 30, 2013, the Town and its component units had all category one deposits up to the FDIC insurance limits.

3. Property, Plant and Equipment

Governmental Funds

As of June 30, 2013 and 2012 the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded amounts were not available. As of June 30, 2013, depreciation of \$45,673 for the governmental funds was recorded for the following: General Fund \$18,235; Police Department \$20,230; Fire Department - operations \$6,652; and Fire Department - equipment \$555. As of June 30, 2012 depreciation expense for the governmental funds recorded in total was \$44,892.

For the Year Ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
General Fund	\$ 1,758,025			\$ 1,758,025
Police Department	103,839	14,500		118,339
Fire Department-operating	72,524			72,524
Fire Department-equipment	3,809	500		4,309
Total	1,938,198	15,000	-	1,953,198
Accumulated Depreciation	(1,562,599)	(45,673)		(1,608,272)
Net Capital Assets	\$ 375,599	\$ (30,673)	\$ -	\$ 344,926

For the Year Ended June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
General Fund	\$ 1,780,175		22,150	\$ 1,758,025
Police Department	103,839			103,839
Fire Department-operating	72,524			72,524
Fire Department-equipment	3,809			3,809
Total	1,960,348	-	22,150	1,938,198
Accumulated Depreciation	(1,539,857)	(44,892)	22,150	(1,562,599)
Net Capital Assets	\$ 420,491	\$ (44,892)	\$ 22,150	\$ 375,599

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

Proprietary Funds

As of June 30, 2013 and 2012 the proprietary funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded amounts were not available. As of June 30, 2013, depreciation of \$81,074 for the proprietary funds was recorded for the following: Industrial Park \$21,229; and Public Works Authority \$59,845. As of June 30, 2012 depreciation expense for the proprietary fund recorded in total was \$84,156.

For the Year Ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Land	\$ 53,380			\$ 53,380
Industrial Park	607,315	3,950		611,265
Public Works Authority	2,216,539	27,100		2,243,639
Total	2,877,234	31,050	-	2,908,284
Accumulated Depreciation	(764,687)	(81,074)		(845,761)
Net Capital Assets	\$ 2,112,547	\$ (50,024)		\$ 2,062,523

For the Year Ended June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Land	\$ 53,380			\$ 53,380
Industrial Park	607,315			607,315
Public Works Authority	2,216,539			2,216,539
Total	2,877,234	-	-	2,877,234
Accumulated Depreciation	(680,531)	(84,156)		(764,687)
Net Capital Assets	\$ 2,196,703	\$ (84,156)		\$ 2,112,547

4. Long-term Debt

Governmental Funds:

On March 22, 2013 the Town of Boswell entered into a contract with Kansas State Bank – Manhattan, in the amount of \$14,500, with thirty-six monthly payments of \$425 beginning April 22, 2013 and ending March 16, 2016. The Police Department Fund makes the monthly payments as required. Total interest expense on governmental debt for the year ended June 30, 2013 total \$271. A summary of the year's debt activity and future debt service requirements to maturity by year is listed below:

Debt Service:

For the Year Ended June 30, 2013:

Balance 06/30/2012	Additions	Principal Payments	Balance 06/30/2013
\$ -	14,500	1,430	\$ 13,070

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

Maturity Schedule

For the One Years Ended:	Interest Payments	Principal Payments	Balance
June 30, 2014	385	4,718	8,352
June 30, 2015	214	4,889	3,463
June 30, 2016	45	3,463	-
	644	13,070	

Proprietary Funds:

On March 1, 2008 the Boswell Public Works Authority issued utility system revenue bonds, series 2008, in the total amount of \$800,000, with semi-annual interest payable on March 1 and September 1, beginning September 1, 2008. Bank of Oklahoma, NA, Oklahoma City, Oklahoma is the trustee bank and registrar for the bond issue. The Boswell Publics Works Authority makes monthly payments to a bond sinking fund at Bank of Oklahoma to pay bond interest and redemption as required. A maturity schedule by bond is listed below:

Maturity Schedule

Term Bond	Rate	Amount
Term bonds maturing March 1, 2018	4.850%	\$ 135,000
Term bonds maturing March 1, 2026	5.500%	170,000
Term bonds maturing March 1, 2033	5.750%	220,000
Term bonds maturing March 1, 2038	5.800%	275,000
		800,000

Cash reserves are required for the bonds and certain notes. For the year just ended, the Town complied with these requirements. Total interest expense on proprietary debt during the year ended June 30, 2013 and 2012 totaled \$42,453 and \$43,180, respectively. A summary of the year's debt activity and future debt service requirements to maturity by year is listed below:

Debt Service:

For the Year Ended June 30, 2013:

Balance 06/30/2012	Additions	Principal Payments	Balance 06/30/2013
\$ 755,000		15,000	\$ 740,000

For the Year Ended June 30, 2012:

Balance 06/30/2011	Additions	Principal Payments	Balance 06/30/2012
\$ 770,000		15,000	\$ 755,000

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

Future Debt Service:
Mandatory Redemption Dates

For the One Year Ended:	Interest	Principal	Balance
June 30, 2014	41,725	15,000	725,000
June 30, 2015	40,998	15,000	710,000
June 30, 2016	40,270	15,000	695,000
June 30, 2017	39,543	15,000	680,000
June 30, 2018	38,815	15,000	665,000
For the Five Years Ended:			
June 30, 2023	180,538	95,000	570,000
June 30, 2028	150,500	130,000	440,000
June 30, 2033	109,763	165,000	275,000
June 30, 2038	56,160	275,000	-
Totals	698,311	740,000	

5. Defined Benefit Pension Plans

The Town participates in one employee pension system as follows:

Oklahoma Firefighters Pension and Retirement System

Plan Description: The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System); a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 ET. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy: Paid firefighters are required to contribute 8% of covered payroll, with the Town contributing 13% of covered payroll. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the year ended June 30, 2013 and 2012 of \$1,400 and \$900, respectively, was equal to the required contribution for each year.

6. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There was no claims activity for the year just ended. The Town also participates in a workers compensation plan that carries a requirement for a self-funded retention level. The workers compensation plan purchases excess workers compensation insurance so the Town's liability is limited to their loss retention level.

Town of Boswell
Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

7. Commitments and Contingencies

The Town is recipient of various grants. Under the terms of the grants, the Town is subject to program compliance audits by the grantor or their representatives. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. If future compliance audits result in questioned or disallowed costs, reimbursements will be made to the grantor agencies. The amounts of expenditures that might be disallowed by the grantor agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

8. Subsequent Events

The Town of Boswell has adopted FASB ASC 855-10-50, *Subsequent Events*. The standard reflects the principles of current subsequent event accounting guidance and requires disclosure of the date through which the subsequent events have been evaluated. Management performed an evaluation of the Town's activity through the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

dwg, inc. Certified Public Accountant and Consultant

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

The Town Council,
The Town of Boswell

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Boswell, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Boswell, Oklahoma's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Boswell's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Boswell's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Boswell's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We

consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-2 through 2013-6 to be significant deficiencies.

Compliance and Other Matters

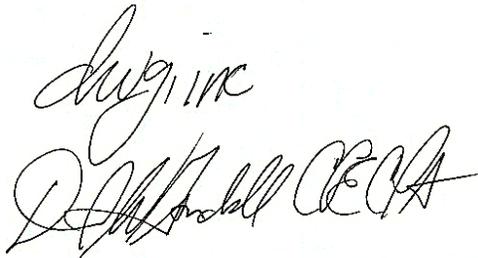
As part of obtaining reasonable assurance about whether The Town of Boswell's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Boswell's Response to Findings

The Town of Boswell's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Boswell's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows two handwritten signatures in black ink. The top signature is 'dwg, inc' and the bottom signature is 'David W. Gandall CFE, CPA'. Both are written in a cursive, flowing style.

dwg, inc.
David W. Gandall, CFE, CPA
October 31, 2014

Town of Boswell
Schedule of Findings and Responses
For the Year Ended June 30, 2013

Current Year Findings:

2013-1

Criteria

The Town Council should receive accurate financial statements prepared in accordance with accounting principles generally accepted in the United States.

Condition

The Town is not dedicating sufficient resources to properly maintain the financial accounting records of the Town's activities. During our audit we noted fund, inter-fund transfers, and expenses that were posted to incorrect general ledger accounts. For instance, sales tax transfers totaling \$10,511 from the General Fund to the Police Department Fund were classified as professional fees. Since this is not expense but an inter-fund transfer, it should be recorded as such in the Sales Tax Transfer to Police Fund account. Water meter purchases totaling \$27,100 by the Public Works Authority were classified as chemical expense. These purchases were for meter upgrades and replacements, and should be classified as assets, rather than as expense.

Effect

The Town Council and department heads are not being provided accurate financial statements. This compromises budget and actual comparisons and the integrity of financial information for both internal and external purposes.

Recommendation

Proper resources should be devoted to maintaining the Town's financial accounting records. In addition, department heads should review detailed financial information of their departmental activities on a monthly basis and provide input on necessary corrections.

2013-2

Criteria

The Town Council and the management of the Town are responsible for compliance with the requirements of the various grantor agencies that provide the Town with additional funds to enhance or improve the lives of its citizens.

Condition

The Town Council and management have accepted grant funds from grantor agencies and governments for projects that enhance and improve the lives of its citizens. The Town Council and management have not stayed informed of the origin of these funds.

Effect

The Town has received and expended funds from grantor agencies and governments, and is subject to compliance with the project management standards. When these grant funds are received from the United States Government, the financial reporting standards require that a separate schedule of Federal Awards be maintained and identified in the government financial

statements. This lack of accounting places the Town in a state of non-compliance with the grant compliance standards.

Recommendation

The Town Council should require that management maintain a current schedule of grant funds applied for, accepted and received by all departments. Department heads should be instructed to assist in maintaining this schedule.

2013-3

Criteria

Oklahoma statute requires city treasurers to report unclaimed intangible property to include, but not be limited to:

1. Outstanding treasury checks, vouchers or warrants that have remained outstanding and unclaimed for a period of one year or more.

Condition

The Town has sixty-nine checks that are outstanding and unclaimed for periods exceeding one year. As of June 30, 2013, of these outstanding checks, nine were issued in 2013, fourteen were issued in 2012, and forty-six were issued in 2011, 2010, 2009 and 2008.

Effect

The Town is not in compliance with Oklahoma law.

Recommendation

Management should be instructed to complete the unclaimed property reporting and remittance procedure in accordance with Oklahoma Statute.

2013-4

Criteria

Oklahoma Statute Title 68, Section 2483 requires Town Councils to formally adopt an annual budget which includes substantially all funds on a basis consistent with guidelines established by the Oklahoma Municipal Code.

Condition

The Town has not adopted a budget for the fiscal year ended June 30, 2013.

Effect

The Town is not in compliance with Oklahoma law.

Recommendation

Management should be instructed to adopt a budget in accordance with Oklahoma Statute.

2013-5

Criteria

The Town Council and management of the Public Works Authority are responsible for maintaining utility services provided to the town customers and accurate records of payments.

Condition

Utilities account receivables on the PWA general ledger isn't reconciled timely to the billing register. Posting errors are not corrected. A sales tax transfer deposit from the General Fund was posted to the accounts receivable account on the PWA general ledger for the month of March, 2013.

Effect

The Town has inaccurate financial records that compromise budgetary projections and monthly operations.

Recommendation

The account receivable ledger should be reviewed monthly and reconciled to the general ledger balance account. Deposits to bank should be traced from the accounts receivable ledger to the general ledger account.

2013-6

Criteria

The Town Council and management of the town are responsible for compliance with federal and state employment laws. Timely, accurate reporting of wage earnings, tax liabilities and tax payments is required by statute.

Condition

The Town is not dedicating sufficient resources to properly maintain the payroll accounting records of the Town's employees. During our audit we noted tax deposits that were made late. For instance, the payroll tax deposit of February was made in March for the Public Works Authority Fund, and additional interest and penalties were incurred.

Effect

The Town Council and department heads are not being provided accurate financial statements and are incurring avoidable expenses. This compromises operational budgets.

Recommendation

Proper resources should be devoted to maintaining the Town's financial accounting records. In addition, department heads should review detailed payroll reports and recommend necessary corrections.

The Town Council and the management of the Town are responsible for compliance with the requirements of the various federal and state employment laws. Failure to comply can result in avoidable and costly interest and penalties.

Due to the release of the audit for the prior year ending June 30, 2012 in close proximity to the release of the current year audit ending June 30, 2013, these issues brought to the attention of management are still in the corrective action stage:

Prior Year Findings:

2012-1

Criteria

The Town Council should receive accurate financial statements prepared in accordance with accounting principles generally accepted in the United States.

Condition

The Town is not dedicating sufficient resources to properly maintain the financial accounting records of the Town's activities. During our audit we noted fund, inter-fund transfers, and revenues that were posted to incorrect general ledger accounts. For instance, the deposit for a \$1,500 rental payment from Aldridge Electric and Encompass Healthcare was posted in the Accounts Payable account in the General Fund. Since this was a proprietary rental revenue item, it should not have been posted to a liability account in the General Fund but to a revenue account in the Industrial Park Fund. Sales tax transfers from the General Fund to the Police Department Fund were classified as Police Fines Income. Since this is not income but an inter-fund transfer, it should be recorded as such in the Sales Tax Transfer from General Fund account.

Effect

The Town Council and department heads are not being provided accurate financial statements. This compromises budget and actual comparisons and the integrity of financial information for both internal and external purposes.

Recommendation

Proper resources should be devoted to maintaining the Town's financial accounting records. In addition, department heads should review detailed financial information of their departmental activities on a monthly basis and provide input on necessary corrections.

2012-2

Criteria

The Town Council and the management of the Town are responsible for compliance with the requirements of the various grantor agencies that provide the Town with additional funds to enhance or improve the lives of its citizens.

Condition

The Town Council and management have accepted grant funds from grantor agencies and governments for projects that enhance and improve the lives of its citizens. The Town Council and management have not stayed informed of the origin of these funds.

Effect

The Town has received and expended funds from grantor agencies and governments, and is subject to compliance with the project management standards. When these grant funds are received from the United States Government, the financial reporting standards require that a separate schedule of Federal Awards be maintained and identified in the government financial statements. This lack of accounting places the Town in a state of non-compliance with the grant compliance standards.

Recommendation

The Town Council should require that management maintain a current schedule of grant funds applied for, accepted and received by all departments. Department heads should be instructed to assist in maintaining this schedule.

2012-3

Criteria

Oklahoma statute requires city treasurers to report unclaimed intangible property to include, but not be limited to:

1. Outstanding treasury checks, vouchers or warrants that have remained outstanding and unclaimed for a period of one year or more.

Condition

The Town has sixty-four checks that are outstanding and unclaimed for periods exceeding one year. As of June 30, 2012, of these outstanding checks, nine were issued in 2012, seventeen were issued in 2011, and thirty-eight were issued in 2010, 2009 and 2008.

Effect

The Town is not in compliance with Oklahoma law.

Recommendation

Management should be instructed to complete the unclaimed property reporting and remittance procedure in accordance with Oklahoma Statute.

2012-4

Criteria

Oklahoma Statute Title 68, Section 2483 requires Town Councils to formally adopt an annual budget which includes substantially all funds on a basis consistent with guidelines established by the Oklahoma Municipal Code.

Condition

The Town has not adopted a budget for the fiscal year ended June 30, 2012.

Effect

The Town is not in compliance with Oklahoma law.

Recommendation

Management should be instructed to adopt a budget in accordance with Oklahoma Statute.

2012-5

Criteria

The Town Council and management of the Public Works Authority are responsible for maintaining utility services provided to the town customers and accurate records of payments.

Condition

Utilities account receivables on the PWA general ledger isn't reconciled timely to the billing register. Posting errors are not corrected. Sales tax transfer deposits from the General Fund were posted to the accounts receivable account on the PWA general ledger for the months of November, 2011; January and June, 2012. Accounts receivable deposit in January, 2012 was posted to the sales tax transfer in from General Fund on the PWA general ledger.

Effect

The Town has inaccurate financial records that compromise budgetary projections and monthly operations.

Recommendation

The account receivable ledger should be reviewed monthly and reconciled to the general ledger balance account. Deposits to bank should be traced from the accounts receivable ledger to the general ledger account.

Town of Boswell
 Schedule of Expenditures of Grants and Awards
 For the Year Ended June 30, 2013

Program Title	Fund Type	Project Description	Revenues	Expenditures
Kiamichi Economic Development District of Oklahoma	Nutrition Fund	Nutrition program operational expenses	41,548	50,975
Oklahoma Department of Forestry	Fire Department Fund	Fire Department operational expenses	4,413	6,428
Oklahoma Department of Commerce - REAP	Proprietary Fund	Public Works Authority operational expenses	20,000	27,100
Total Awards and Grants			<u>\$ 65,961</u>	<u>\$ 84,503</u>

Town of Boswell
Combining Statement of Net Position
Proprietary Funds
As of June 30, 2013

	Industrial Park Fund	Public Works Authority Fund	TOTAL
ASSETS			
Unrestricted cash and cash equivalents	\$ 4,739	\$ 20,578	\$ 25,317
Utility billing receivables, net of allowance	-	33,540	33,540
Other receivables	500	-	500
Due from other funds	-	3,188	3,188
Customer meter deposits	-	29,712	29,712
Restricted:			
Certificates of deposit	-	26,326	26,326
Cash and cash equivalents	-	18,060	18,060
Bond reserve account	-	58,180	58,180
Bond trust account	-	20,827	20,827
Total restricted cash	-	123,393	123,393
Capital assets:			
Non-depreciable capital assets	25,500	27,880	53,380
Depreciable capital assets	611,265	2,243,639	2,854,904
Accumulated depreciation	(113,269)	(732,492)	(845,761)
Net depreciable capital assets	497,996	1,511,147	2,009,143
Total Assets	528,735	1,749,438	2,278,173
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	-	18,800	18,800
Payroll and deductions payable	-	1,829	1,829
Accrued interest	-	13,908	13,908
Current portion of long-term debt	-	15,000	15,000
Total current liabilities	-	49,537	49,537
Meter deposits refundable	-	41,349	41,349
Long-term debt, less current portion	-	725,000	725,000
Total noncurrent liabilities	-	766,349	766,349
Total Liabilities	-	815,886	815,886
NET POSITION			
Invested in capital assets, net of debt	497,996	786,147	1,284,143
Restricted for:			
Debt service	-	108,719	108,719
Unrestricted	30,739	38,686	69,425
Total Net Position	\$ 528,735	\$ 933,552	\$ 1,462,287

Town of Boswell
Statement of Revenues, Expenses and Changes in Fund Balance
Proprietary Funds
As of June 30, 2013

	Industrial Park Fund	Public Works Authority Fund	TOTAL
Operating revenues			
Water revenue	\$ -	\$ 144,005	\$ 144,005
Sewer revenue	-	85,975	85,975
Sanitation revenue	-	53,681	53,681
Rental revenue	7,997	-	7,997
Grants and awards	-	20,000	20,000
Other fees and charges	-	3,793	3,793
Interest revenue	3	53	56
Total Revenues	8,000	307,507	315,507
Operating expenses			
Water and Sewer	-	97,144	97,144
Sanitation	-	45,306	45,306
Personal services	-	111,634	111,634
Material and supplies	-	37,369	37,369
Other goods and services	4,326	15,723	20,049
Other expense	-	1,045	1,045
Debt Service Interest	-	42,453	42,453
Total operating expenses	4,326	350,674	355,000
Excess operating revenue (deficit)	3,674	(43,167)	(39,493)
Depreciation Expenses	(21,229)	(59,845)	(81,074)
Income before transfers	(17,555)	(103,012)	(120,567)
TRANSFERS IN	523	26,858	27,381
NET INCOME	(17,032)	(76,154)	(93,186)
BEGINNING NET ASSETS	545,767	1,009,706	1,555,473
ENDING NET ASSETS	528,735	933,552	1,462,287

See accompanying accountant's report