

REPORT OF AUDIT  
TOWN OF BRECKENRIDGE  
INCLUDING  
BRECKENRIDGE PUBLIC WORKS AUTHORITY  
GARFIELD COUNTY - OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

TOWN OF BRECKENRIDGE  
BRECKENRIDGE PUBLIC WORKS AUTHORITY  
GARFIELD COUNTY - OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

OFFICERS

HOWARD POWELL

MAYOR

JERE JOHNSON

MEMBER/TRUSTEE

GERALD ROGGOW

MEMBER/TRUSTEE

DIANA S. SHUMATE

CLERK/TREASURER

AUDIT

PATRICK W. CARROLL  
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

TOWN OF BRECKENRIDGE  
 BRECKENRIDGE PUBLIC WORKS AUTHORITY  
 GARFIELD COUNTY – OKLAHOMA  
 JULY 1, 2013 TO JUNE 30, 2014

TABLE OF CONTENTS

OFFICERS	PAGE 1
TABLE OF CONTENTS	PAGE 2
INDEPENDENT AUDITOR'S REPORT	PAGES 3 & 4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS -	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS	PAGE 5
STATEMENT OF ACTIVITIES - MODIFIED BASH BASIS	PAGE 6
GOVERNMENTAL FUNDS -	
BALANCE SHEET - MODIFIED CASH BASIS	PAGE 7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND	
BALANCE - MODIFIED CASH BASIS	PAGE 8
PROPRIETARY FUNDS -	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS -	PAGE 9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET	
POSITION - MODIFIED CASH BASIS	PAGE 10
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS	PAGE 11
FIDUCIARY FUND -	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS	PAGE 12
NOTES TO FINANCIAL STATEMENTS	PAGES 13 - 20
SUPPLEMENTAL INFORMATION:	
BUDGETARY COMPARISON - MODIFIED CASH BASIS -	
GENERAL FUND ONLY	PAGE 21
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	PAGES 22 & 23
DISPOSITION OF PRIOR YEAR FINDINGS	PAGE 24
SCHEDULE OF FINDINGS	PAGE 25
SCHEDULE OF OTHER MATTERS	PAGE 26

# Chas. W. Carroll, P.A.

Hiland Tower – Suite 406  
302 N. Independence

Enid, Oklahoma 73701  
Phone 580-234-5468  
Fax 580-234-5425

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Trustees  
Town of Breckenridge  
Garfield County, Oklahoma

I have audited the accompanying financial statements-modified cash basis of the Town of Breckenridge, Garfield County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements-modified cash basis, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1D; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position-modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1D.

**Basis of Accounting**

I draw attention to Note 1D of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

**Disclaimer of Opinion on Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information and combining schedules information on page 21, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Management has omitted the Management's Discussion & Analysis that accounting principles generally accepted in the United States of American require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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. My opinion on the basic financial statements is not affected by this missing information

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued a report dated December 8, 2014 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Sincerely,



Chas. W. Carroll, P.A.  
December 8, 2014

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30,2014

	<b>PRIMARY GOVERNMENT</b>		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Pooled cash and cash equivalents	\$15,773.24	\$14,691.97	\$30,465.21
Investments	12,703.85	10,084.30	22,788.15
	28,477.09	24,776.27	53,253.36
<b><u>LIABILITIES</u></b>			
Refundable deposits	0.00	0.00	0.00
Total liabilities	0.00	0.00	0.00
<b><u>NET POSITION</u></b>			
Restricted	25,930.86	0.00	25,930.86
Unrestricted	2,546.23	24,776.27	27,322.50
Total net position	28,477.09	24,776.27	53,253.36

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Net (Expense) Revenue
					Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General Government	\$5,433.23	\$0.00	\$0.00	\$0.00	(\$5,433.23)	\$0.00	(\$5,433.23)
Public Safety	4,954.42		4,473.98		(480.44)		(480.44)
Public Works	0.00				0.00		0.00
Capital Outlay	48,346.44		48,346.44		0.00		0.00
Total government activities	58,734.09	0.00	52,820.42	0.00	(\$5,913.67)	\$0.00	(5,913.67)
Business-type activities:							
Administration	20,669.77	0.00	0.00	0.00	0.00	(20,669.77)	(20,669.77)
Water and Sewer	17,031.71	34,976.10			17,944.39		17,944.39
Sanitation	12,141.76	12,921.04			779.28		779.28
Other	262.20				(262.20)		(262.20)
Total business-type activities	50,105.44	47,897.14	0.00	0.00	0.00	(2,208.30)	(2,208.30)
Total primary government	108,839.53	47,897.14	52,820.42	0.00	(5,913.67)	(2,208.30)	(8,121.97)
<b>General revenues:</b>							
Taxes:							
Sales and Use					3,223.51	0.00	3,223.51
Franchise					4,606.38	0.00	4,606.38
Unrestricted investment income					28.48	31.90	60.38
Miscellaneous					0.00	0.00	0.00
Total general revenues and transfers					7,858.37	31.90	7,890.27
Change in net position					1,944.70	(2,176.40)	(231.70)
Net position - beginning					26,532.39	26,952.67	53,485.06
Net position - ending					\$28,477.09	\$24,776.27	\$53,253.36

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
BALANCE SHEET (MODIFIED CASH BASIS)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash	\$227.88	\$15,545.36	\$15,773.24
Investments	2,318.35	10,385.50	12,703.85
Total assets	2,546.23	25,930.86	28,477.09
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	0.00	0.00	0.00
Total liabilities (Note 1D)	0.00	0.00	0.00
<b><u>Fund Balances</u></b>			
Restricted	0.00	25,930.86	25,930.86
Committed	0.00		0.00
Unassigned	2,546.23		2,546.23
Total fund balances	2,546.23	25,930.86	28,477.09
Total liabilities and fund balances	\$2,546.23	\$25,930.86	\$28,477.09

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Fire Department Fund	Total Governmental Funds
<b><u>CASH RECEIPTS</u></b>			
Taxes	\$7,829.89	\$0.00	\$7,829.89
Intergovernmental	48,346.44	4,473.98	52,820.42
Interest	8.14	20.34	28.48
Miscellaneous	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>
Total cash receipts	56,184.47	4,494.32	60,678.79
<b><u>CASH DISBURSEMENTS</u></b>			
Current:			
General Government	5,125.18	308.05	5,433.23
Public Safety	2,353.84	2,600.58	4,954.42
Capital Outlay	48,346.44	0.00	48,346.44
	<hr/>	<hr/>	<hr/>
Total cash disbursements	55,825.46	2,908.63	58,734.09
Net change in fund balances	- 359.01	1,585.69	1,944.70
Fund balances - beginning	<hr/>	<hr/>	<hr/>
	2,187.22	24,345.17	26,532.39
Fund balances - ending	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$2,546.23	\$25,930.86	\$28,477.09

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)  
PROPRIETARY FUNDS  
JUNE 30, 2014

Business-type Activities-Enterprise Funds

	<u>Public Works Authority</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$14,691.97
Investments	<u>10,084.30</u>
Total assets	<u>24,776.27</u>
 <u>LIABILITIES</u>	
Meter Deposits Liability	<u>0.00</u>
Total liabilities	<u>0.00</u>
 <u>NET POSITION</u>	
Restricted:	0.00
Unrestricted	<u>24,776.27</u>
Total net position	<u><u>\$24,776.27</u></u>

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

Business-type Activities-Enterprise Funds

	<u>Public Works Authority</u>
<u>OPERATING CASH RECEIPTS:</u>	
Charges for services	
Water	\$21,097.94
Sewer	13,878.16
Trash	12,921.04
	47,897.14
Total operating cash receipts	47,897.14
<u>OPERATING CASH DISBURSEMENTS</u>	
General and administration	20,669.77
Water and sewer	29,173.47
	49,843.24
Total operating cash disbursements	49,843.24
Operating income (loss)	(1,946.10)
<u>NONOPERATING RECEIPTS (DISBURSEMENTS):</u>	
Interest income	31.90
Fiscal charges	(262.20)
	(230.30)
Total nonoperating receipts (disbursements)	(230.30)
Change in net Position	(2,176.40)
Total net position - beginning	26,952.67
Total net position - ending	\$24,776.27

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

Business-type Activities-Enterprise Funds

	<u>Public Works Authority</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$47,897.14
Payments for supplies and maintenance	(30,874.84)
Payments to employees	<u>(18,968.40)</u>
Net cash provided (used) by operating activities	<u>(1,946.10)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Refunds	(121.90)
Operating transfers in (out)	<u>121.90</u>
Net cash provided (used) by noncapital financing activities	<u>0.00</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Interest expense and fiscal charges	(262.20)
Decrease (increase) in restricted assets	<u>0.00</u>
Net cash provided (used) by capital and related financing activities	<u>(262.20)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	<u>31.90</u>
Net cash provided (used) by investing activities	<u>31.90</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,176.40)</u>
Cash and cash equivalents, beginning of the year	<u>26,952.67</u>
Cash and cash equivalents, beginning of the year	<u><u>\$24,776.27</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating income (loss)	(1,946.10)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	(230.30)
Change in assets and liabilities:	<u>0.00</u>
Total adjustments	<u>(230.30)</u>
Net cash provided by (used in) operating activities	<u><u>(\$2,176.40)</u></u>

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>AGENCY FUNDS</u>
	Water & Sewer <u>Deposit Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and Cash Equivalents	<u>\$5,833.10</u>
Total current assets	<u>5,833.10</u>
Total assets	<u><u>5,833.10</u></u>
 <u>LIABILITIES</u>	
Current liabilities:	
Deposits	<u>5,833.10</u>
Total liabilities	<u><u>5,833.10</u></u>

See accompanying notes to the basic financial statements.

TOWN OF BRECKENRIDGE  
BRECKENRIDGE PUBLIC WORKS AUTHORITY  
GARFIELD COUNTY - OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

As discussed further in Note 1.D, these financial statements, for the Town of Breckenridge, Garfield County, Oklahoma, are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Reporting Entity

The municipality is a corporate body for public purposes created under Title II of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title II, Oklahoma Statutes. The governing body of the municipality is the Board of Trustees composed of elected members. The mayor is the executive officer of the municipality.

The Town's financial reporting entity includes two separate legal entities reported as the primary government.

The Town of Breckenridge - that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities.

The Breckenridge Public Works Authority - that operates the water, sewer, and sanitation services of the City through a public trust of which the City is the beneficiary. The City Council serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the City Council.

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Council Statement No. 14, as amended by Statement No. 61, The Financial Reporting Entity, and includes all component units for which the Town is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The Town, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Government-Wide Financial Statements

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted only for certain modifications stated below that have substantial support in generally accepted accounting principles (GAAP). These modifications include adjustments for the following balances arising from cash transactions:

Government-Wide Financial Statements (continued)

- cash-based inter-fund receivables and payables
- other cash-based receivables/payables
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

In addition, due to the use of this modified cash basis of accounting, capital asset and long-term debt transactions are excluded from reporting within the financial statements. Capital assets are expensed when purchased and long-term debts are reported as cash receipts when issued and received.

B. Fund Accounting

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management<sup>6</sup> by segregating transactions related to certain town functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into two categories; governmental and proprietary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

Fund Description

The following funds are utilized by the Town of Breckenridge, Oklahoma.

Governmental Fund Types

Proprietary Fund Types

General Fund (Major Fund)  
Special Revenue Funds

Public Works Authority (Major Fund)

The General Fund accounts for all financial transactions not accounted for in any other fund. The revenues include taxes, utility collections, fees, licenses and permits, fines and forfeits, etc. Expenditures are for personal services, maintenance and operations and capital outlay. The street and alley revenues and expenditures are considered a portion of the Town's General Fund operations and are utilized in accordance with regulations and restrictions.

Fund Description (continued)

Special Revenue Funds are funds which must be spent in accordance with special regulations and restrictions. There are major classifications to account for operating funds for which the use of revenues is restricted or designated by outside sources.

Special Revenue Fund -

Street and Alley Fund

Proprietary Fund

The Town's proprietary fund is comprised of the following:

Breckenridge Public Works Authority - accounts for the operation of the water, sewer, and sanitation activities.

The proprietary fund is reported on a modified cash basis, as defined above, and current financial resources measurement focus.

For the purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Fund Balance and Net Position Classifications

Fund Statements

Governmental Funds

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amount for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified Street and Alley revenue as being restricted because the use is restricted by State Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants. Capital project revenue from bond proceeds is restricted by State Statute and is legally segregated for funding of voter approved uses.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Fund Statements (continued)

- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has assigned interest earnings to the funds where earned for the purposes defined by the fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other government fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Government-Wide Statements

Net Position

- a. Restricted Net Position - consists of net position with constraints placed on the use by either 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position - all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In addition, the Town has restricted net positions for the Street and Alley Fund.

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position elements are available

Memorandum Only - Total Column

The total column on the modified cash basis financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

C. Internal and Inter-fund balances and Transfers

The Town's policy is to eliminate inter-fund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

D. Basis of Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and fiduciary funds are accounted for using a modified cash basis of accounting. Revenues, except for certain grant revenues, are recognized when they are received rather than earned. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized when the grant expenditure is made. Under this modified cash basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred.

The Town of Breckenridge, Oklahoma utilizes an appropriated budget system of accounting. This system has an approved budget appropriation for its General Fund. All expenditures are recorded against the appropriation on a ledger by classification.

E. Budgets and Budgetary Accounting

The Town is required by state law to prepare an annual budget. The Town must submit a budget by August 22 of each year according to Oklahoma Statutes, Title 68, Section 3002. The budget amount for the Town is the appropriated balance approved by the County Excise Board. The budget, as set by the governing board, constitutes the maximum funds that may be spent during the fiscal year by any department of the local government required to appropriate funds. The budget includes revenues which are collected by the Town or transfers into a specific fund from another fund. The Town's budget does not include an ad valorem tax levy.

A budget is legally adopted by the Board of Trustees for the General Fund that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the Town.

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

F. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits are maintained in NOW Checking Accounts or Savings Accounts.

Safeguard of Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Oklahoma and its agencies that have a market value of not less than the principal amount of the deposits. The Town Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

Safeguard of Deposits and Investments (continued)

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- (C) Uncollateralized.

	<u>Category</u>			<u>Bank</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>Balance</u>
Cash/Investments	\$ <u>59,032.51</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>59,032.51</u>

Pooled Cash

Receipts deposited in the General Fund include the state-shared gasoline motor vehicle taxes. While these revenues are separately classified on the Town's ledgers, they are combined with all other revenues and expenditures for a single fund balance. Expenditures of these funds shall be made as provided by statute.

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances. The Town does not maintain complete financial records of capital assets purchased which would include depreciation schedules.

Property Tax

The Town's property tax is levied each October 1, on the assessed value listed as of January 1, of the same year for all real and personal property located in the Town, except certain exempt property. Assessed values are established by the Oklahoma Tax Commission and the State Equalization Board. A revaluation of all property is required once every five (5) years.

The Town does not have a millage levy for the General Fund for the 2013-14 period.

Compensated Absences

The Town does not have a policy which would allow vacation leave or sick pay benefits to accrue to employees past the current year. Therefore, no liability is recorded in the accompanying financial statements for compensated absences.

Operating Leases

The Town had no operating leases during the current fiscal year; therefore, no liability is recorded in the accompanying financial statements.

2. Risk Management

Liability Protection Plan

The Town's Commercial Liability Insurance agreements cover claims against municipalities for all government functions, utilities, and services. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating Town pays all cost, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Surety Bonds

Diana Sue Shumate - Treasurer/Clerk, Town of Breckenridge, is bonded with the Western Surety Company in the amount of \$3,000.00. The bond number is 71413617, dated May 17, 2014 to May 17, 2015.

Diana Sue Shumate - Clerk/Treasurer/Minutes & Encumbrance Clerk, Breckenridge Public Works Authority is bonded with the Western Surety Company in the amount of \$4,000.00. The bond number is 18189845, dated October 4, 2012 to October 4, 2013.

3. Consumers and Service Rates

Consumers:

Residential	75
Commercial	<u>1</u>
Total Consumers	76

Monthly Service Rates:

Water - Residential	\$16.00 minimum per month for first 2,000 gallons
	.10 per 100 gallons for next 2,000 gallons
	.13 per 100 gallons for next 1,000 gallons
	.15 per 100 gallons for each 1,000 gallons over 5,000 gallons
	.16 per 100 gallons for each 1,000 gallons over 10,000 gallons

3. Consumers and Service Rates (continued)

Sewer - Residential	\$11.25 for first 2,000 gallons .20 per 1000 gallons for next 2,000 gallons .21 per 1000 gallons for next 1,000 gallons .22 per 1000 gallons for each 1,000 gallons over 5,000 gallons .23 per 1000 gallons for each 1,000 gallons over 10,000 gallons
Trash - Residential	16.50 per month
Water Deposits -	100.00

4. Employee Retirement Plans

The Town does not offer any type of retirement system for any employees.

5. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

6. Subsequent Events

Management has evaluated subsequent events through December 8, 2014, which is the date the financial statements were available to be issued.

7. Project Grants

- A. Northern Oklahoma Development Authority  
 Rural Economic Action Plan  
 Contract No.: 2013 REAP Fund GA13-4  
 Funding Period: 12/1/12 through 12/31/13  
 Street Resurfacing

AWARD

Original Allocation - 12/1/12	\$ 74,403.25
Expenditures 2013-14	48,346.44
Expenditures 2012-13	0.00
Remaining Allocation 6/30/14	<u>\$ 26,056.81</u>

TOWN OF BRECKENRIDGE  
GARFIELD COUNTY, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
MODIFIED CASH BASIS  
GENERAL FUND ONLY  
FOR THE FISCAL YEAR ENDING JUNE 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE <UNFAVORABLE>
<b>REVENUES:</b>				
Taxes	\$6,849.89	\$6,849.89	\$7,829.89	\$980.00
Services	0.00	0.00	0.00	0.00
Intergovernmental	0.00	0.00	48,346.44	48,346.44
Rentals/Royalties	0.00	0.00	0.00	0.00
Other	0.00	0.00	8.14	8.14
<b>TOTAL</b>	<b>6,849.89</b>	<b>6,849.89</b>	<b>56,184.47</b>	<b>49,334.58</b>
<b>EXPENDITURES:</b>				
Personal Services	3,000.00	3,000.00	3,152.14	(152.14)
Maintenance & Operatio	5,157.11	5,157.11	4,145.76	1,011.35
Capital Outlay	880.00	880.00	48,346.44	(47,466.44)
Other	0.00	0.00	0.00	0.00
Bank Fees	0.00	0.00	181.12	(181.12)
<b>TOTAL</b>	<b>9,037.11</b>	<b>9,037.11</b>	<b>55,825.46</b>	<b>(46,788.35)</b>
Excess of Revenues Over/ <Under> Expenditures	(2,187.22)	(2,187.22)	359.01	2,546.23
Operating Transfers	0.00	0.00	0.00	0.00
Excess of Revenue Over/ <Under> All Uses	(2,187.22)	(2,187.22)	359.01	2,546.23
Fund Balance 7/1/13	2,187.22	2,187.22	2,187.22	0.00
<b>#REF!</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$2,546.23</b>	<b>2,546.23</b>

Notes to Required Supplemental Information-Budgetary Comparison Schedule

Budgetary Accounting

The Town prepares its budget for the General Fund on the modified cash basis of accounting described in Note 1 to Financial Statements. This basis is consistent with the basis of accounting used in presenting the General Fund in the combining financial statements. The Town utilizes an appropriated budgetary system and all unencumbered appropriations lapse at year end.

# Chas. W. Carroll, P.A.

Hiland Tower – Suite 406  
302 N. Independence

Enid, Oklahoma 73701  
Phone 580-234-5468  
Fax 580-234-5425

## 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

The Honorable Mayor and Board of Trustees  
Town of Breckenridge  
Garfield County, Oklahoma

I have audited, in accordance with the 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-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Breckenridge, Garfield County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the Town's basic financial statements-modified cash basis and have issued my report thereon dated December 8, 2014. As described in Note 1D, the Town has elected to report on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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. 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify and deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that I consider to be significant deficiencies in internal control over financial reporting as items 14-01 and 14-02

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the federal awarding agencies and pass-through entities, management, others within the organization, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Chas. W. Carroll, P.A.".

Chas. W. Carroll, P.A.  
December 8, 2014

TOWN OF BRECKENRIDGE  
BRECKENRIDGE PUBLIC WORKS AUTHORITY  
GARFIELD COUNTY - OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2014

13-01 Lack of Segregation of Duties

The finding that inherent limitations resulting from a small number of employees performing functions, which would normally be divided among a larger number of employees, prevented a proper segregation of accounting functions which is necessary in order to assure adequate internal accounting controls continued in the current fiscal year.

13-02 Purchasing Procedures

The finding that instances of noncompliance with purchasing procedures continued in the current fiscal year.

TOWN OF BRECKENRIDGE  
BRECKENRIDGE PUBLIC WORKS AUTHORITY  
GARFIELD COUNTY - OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

SCHEDULE OF FINDINGS  
JUNE 30, 2014

Section 1 - Findings related to the financial statements required to be reported in accordance with GAGAS.

14-01 Lack Of Segregation Of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: Due to its limited population, the Town employs one individual who is responsible for certain duties that are incompatible with the objectives of effective internal control.

Cause: The Town's limited population and resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk increases that errors, fraud or illegal acts could occur and not be detected within a timely basis. For example, employees with access to cash and access to the accounting records could misappropriate cash and conceal the misappropriation through improper accounting entries or adjustment.

Recommendation and Benefit: Efficient segregation of duties is difficult in a small environment; however, this segregation of duties is an important one to seriously consider. We recommend the Town assess the feasibility of segregating the cash collection duties from those of posting and adjusting customer accounts and posting to the accounting ledgers, to the extent reasonably possible. The Town may want to consider the use of volunteer assistance on a monthly basis for the reconciliation duties to segregate those activities from asset custody and bookkeeping. Such duties segregation will significantly reduce the risk of undetected errors, fraud or illegal acts.

14-02 Purchasing Procedures

Criteria: State law (62 O.S. sec's 310.1-310.4) prescribe basic elements of the purchase order system such as authorized agents, encumbering the amount of purchase before issuing, tracking appropriations and expenditures and submission of adequate invoices.

Condition: In many instances encumbrances of purchase orders were not made prior to issuing them to insure unencumbered balances in the designated appropriations.

Cause: In some instances the Town's current purchasing policies and procedures, including encumbrance control, were not properly followed by employees and personnel.

Effect: Without a fulltime encumbrance clerk at the Town office, Town personnel have ordered or purchased items and submitted purchase orders at a later date. Personnel have not signed invoices when submitting purchase order.

Recommendation: Town officials should instruct and emphasize to all personnel the purchasing policies and procedures required on the state and local level. Compliance with purchasing procedures is important to internal control and limiting risk of legal action and potential liability.

TOWN OF BRECKENRIDGE  
BRECKENRIDGE PUBLIC WORKS AUTHORITY  
GARFIELD COUNTY - OKLAHOMA  
JULY 1, 2013 TO JUNE 30, 2014

SCHEDULE OF OTHER MATTERS

No material exceptions were noted or brought to my attention for the 2013-14 fiscal year.