REPORT OF AUDIT

TOWN OF DOUGLAS

INCLUDING

DOUGLAS PUBLIC WORKS AUTHORITY

GARFIELD COUNTY – OKLAHOMA

JULY 1, 2012 TO JUNE 30, 2013

TOWN OF DOUGLAS
DOUGLAS PUBLIC WORKS AUTHORITY
GARLIELD COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

OFFICERS

MINTON MAEGER	MAYOR/CHAIRMAN
JOYCE DUNN	MEMBER/TRUSTEE
CAROLYN BOWLING	MEMBER/TRUSTEE
KAREN BOWLING	CLERK/TREASURER/SECRETARY

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

TOWN OF DOUGLAS
DOUGLAS PUBLIC WORKS AUTHORITY
GARFIELD COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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Chas. W. Carroll, P.A.

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements-modified cash basis of the Town of Douglas, Garfield County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements-modified cash basis, which collectively comprise the Town's basis 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, 2013, 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 pages --- which are 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 Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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. Our 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 3, 2013 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.

Chas. W. Carroll, P.A.
December 3, 2013

BASIC FINANCIAL STATEMENTS

- STATEMENT OF NET POSITION AND ACTIVITIES -

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Asset:			
Pooled Cash and Cash Equivalents	$18,156.58	$15,473.76	$33,630.34
Investments	2,516.34	0.00	2,516.34
TOTAL ASSETS	$20,672.92	$15,473.76	$36,146.68
LIABILITIES:			
Current Liabilities:			
Accounts Payable	$40.00	$328.81	$368.81
Total Current Liabilities	40.00	328.81	368.81
NET POSITION			
Restricted	7,211.03	0.00	7,211.03
Unrestricted	13,421.89	15,144.95	28,566.84
Total Net Position	$20,632.92	$15,144.95	$35,777.87

The accompanying notes are an integral part of these financial statements.

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

		PROGRAM REVENUES			NET(EXPENSE)REVENUES AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	$2,749.03	$0.00	$0.00	$0.00	($2,749.03)	$0.00	($2,749.03)
Public Safety	6,889.48		4,484.35		(2,405.13)		(2,405.13)
Public Works	0.00				0.00		0.00
Culture and Recreation	0.00				0.00		0.00
Street Maintenance	1,698.87				(1,698.87)		(1,698.87)
TOTAL GOVERNMENT ACTIVITIES	11,337.38	0.00	4,484.35	0.00	(6,853.03)	0.00	(6,853.03)
BUSINESS-TYPE ACTIVITIES:							
Administration	5,150.20	0.00	0.00	0.00	0	(5,150.20)	(5,150.20)
Water	15,252.42	18,267.38				3,014.96	3,014.96
Sanitation	5,316.73	7,509.82				2,193.09	2,193.09
Other	0.00	559.00				559.00	559.00
TOTAL BUSINESS-TYPE ACTIVITIES	25,719.35	26,336.20	0.00	0.00	0.00	616.85	616.85
TOTAL PRIMARY GOVERNMENT	37,056.73	26,336.20	4,484.35	0.00	(6,853.03)	616.85	(6,236.18)
General Revenues:							
Taxes:							
Sales and Use					10,133.79	0.00	10,133.79
Franchise					1,474.75		1,474.75
Unrestricted Investment Income					22.00	14.16	36.16
Services					0.00		0.00
Donations and Other					187.60		187.60
Total General Revenues					11,818.14	14.16	11,832.30
Change In Net Position					4,965.11	631.01	5,596.12
Net Position - Beginning					15,667.81	$14,513.94	30,181.75
Net Position - Eniding					$20,632.92	$15,144.95	$35,777.87

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

- GOVERNMENTAL FUNDS-

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	VOLUNTEER FIRE DEPARTMENT FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	$13,461.89	$4,694.69	$18,156.58
Investments	0.00	2,516.34	2,516.34
TOTAL ASSETS	$13,461.89	$7,211.03	$20,672.92
LIABILITIES AND FUND BALANCES:			
Liabilities-			
Accounts Payable	$0.00	$0.00	$0.00
Total Liabilities	0.00	0.00	0.00
Fund Balances-			
Restricted	0.00	7,211.03	7,211.03
Committed	40.00	0.00	40.00
Assigned	0.00	0.00	0.00
Unassigned	13,421.89	0.00	13,421.89
Total Fund Balances	13,461.89	7,211.03	20,672.92
TOTAL LIABILITIES AND FUND BALANCES	$13,461.89	$7,211.03	$20,672.92

The accompanying notes are an integral part of these financial statements.

TOTAL NET ASSETS	$20,672.92
Amounts reported for governmental activities in the statement of net assets are different because:	
Some expenses reported do not require the use of current financial resources	40.00
Net Assets of Governmental Activities	$20,632.92

The accompanying notes are an integral part of these financial statements.

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	VOLUNTEER FIRE DEPARTMENT FUND	TOTAL GOVERNMENTAL FUNDS
CASH RECEIPTS:			
Services	$0.00	$0.00	0.00
Taxes	11,608.54	0.00	11,608.54
Fines, Penalties & Permits	0.00	0.00	0.00
Interest Earned	9.14	12.86	22.00
Royalties,Rents & Other	55.85	131.75	187.60
Intergovernmental	0.00	4,484.35	4,484.35
Total Cash Receipts	11,673.53	4,628.96	16,302.49
CASH DISBURSEMENTS:			
Current-			
General Government	2,749.03	0.00	2,749.03
Public Safety	0.00	6,889.48	6,889.48
Public Works	0.00	0.00	0.00
Street Maintenance	1,698.87	0.00	1,698.87
Capital Outlay	0.00	0.00	0.00
Total Cash Disbursements	4,447.90	6,889.48	11,337.38
Net Change in Fund Balances	7,225.63	(2,260.52)	4,965.11
Fund Balances - Beginning	6,196.26	9,471.55	15,667.81
Fund Balances - Ending	$13,421.89	$7,211.03	$20,632.92

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

- PROPRIETARY FUNDS-

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
AS OF JUNE 30, 2013

	BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUNDS
	PUBLIC WORKS AUTHORITY FUND
ASSETS:	
Cash and Cash Equivalents	$15,473.76
Investments	0.00
TOTAL ASSETS	$15,473.76
LIABILITIES:	
Current Liabilities:	
Accounts Payables	$328.81
Total Liabilities	328.81
NET POSITION:	
Restricted	0.00
Unrestricted	15,144.95
Total Fund Balances	15,144.95
TOTAL LIABILITIES AND FUND BALANCE	$15,473.76

The accompanying notes are an integral part of these financial statements.

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	PUBLIC WORKS AUTHORITY FUND
OPERATING REVENUES:	
Charges for services	
Water	$18,826.38
Sanitation	7,509.82
Penalties	0.00
Other	0.00
Total Operating Revenues	26,336.20
OPERATING EXPENDITURES:	
General and administration	1,427.34
Water and Sewer	22,396.01
Total Operating Expenditures	23,823.35
Operating Income(Loss)	2,512.85
NONOPERATING REVENUES(EXPENDITURES):	
Debt service	(1,896.00)
Miscellaneous revenues	0.00
Grant income	0.00
Interest income	14.16
Bank charges	0.00
Total Nonoperating Revenues (Expenditures)	(1,881.84)
Net Change in Assets	631.01
Balance at 7/01/12	14,513.94
Balance at 6/30/13	$15,144.95

The accompanying notes are an integral part of these financial statements.

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS
	Public Works Authority Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Reciepts from customers	$26,336.20
Payments to suppliers	(22,488.35)
Payments to employees	(1,335.00)
Net Cash Provided(used)by Operating Activities	2,512.85
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous revenues	0.00
Operating transfers in/(out)	0.00
Net Cash Provided (used) by noncapital activities	0.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(718.99)
Interest paid and fiscal charges	(1,177.01)
Decrease(increase) in restricted assets	0.00
Net Cash Provided(Used) by Capital and Related Financing Activities	(1,896.00)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	14.16
Net Cash Provided(Used) by Investing Activities	14.16
Net Increase(Decrease) in Cash and Cash Equivalents	631.01
Cash and Cash Equivalents, July 1, 2012	14,513.94
Cash and Cash Equivalents, June 30, 2013	$15,144.95
RECONCILIATION OF OPERATING INCOME(LOSS)TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES:	
Operating Income(Loss)	$631.01
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	0.00
Change in assets and liabilities:	0.00
Total Adjustments	0.00
Net Cash Provided by(used in) Operating Activities	$631.01

The accompanying notes are an integral part of these financial statements.

-FIDUCIARY FUNDS-

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2013

	AGENCY FUNDS		
	R E C D RESERVE FUND	WATER METER DEPOSIT FUND	TOTAL AGENCY FUNDS
ASSETS:			
Current Assets -			
Cash and Cash Equivalents	$3,567.33	$2,466.12	$6,033.45
TOTAL ASSETS	$3,567.33	$2,466.12	$6,033.45
LIABILITIES:			
Current Liabilities -			
Deposits	$3,567.33	$2,466.12	$6,033.45
Total Liabilities	$3,567.33	$2,466.12	$6,033.45

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

The accounting and reporting of the Town of Douglas, Garfield County, Oklahoma, relating to the funds included in the combined financial statements demonstrates conformity with a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The more significant of the municipalities' policies are described below.

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 Douglas - that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities.

The Douglas Public Works Authority - that operates the water and sanitation services of the Town through a public trust of which the Town is the beneficiary. The Town 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:

- cash-based interfund 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. However, information about long-term debts is disclosed in Note 1-J.

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 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).

Fund Description

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

Governmental Fund Types	Proprietary Fund Types	Fiduciary Fund Types
General Fund (Major)	Public Works Authority (Major)	Water Meter Deposit Fund
Special Revenue Funds		RECD Reserve Fund

Debt Service Types
RECD Fund

Governmental Funds

The General Fund accounts for all financial transactions not accounted for in any other fund. The revenues include taxes, fees, licenses and permits, fines and forfeits, etc. Expenditures are for personal services, maintenance and operations and capital outlay. The primary revenue source is tax collections.

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.

Proprietary Fund

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

Douglas Public Works Authority: • accounts for the operation of the water and sanitation activities.

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

For 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.

Fiduciary Fund

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Town. When these assets are held under the terms of a formal trust agreement, either a permanent fund or an expendable trust fund is used. The terms "permanent" and "expendable" refer to whether or not the Town is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the Town holds on behalf of others as their agent and do not involve measurement of results of operations.

Permanent Funds

Water Meter Deposit Fund
RECD Reserve Fund

Fund Balance and Net Position:

Fund Statements

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.

Fund Statements (continued)

- 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.
- 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.

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.

Net Position:

Net position is displayed in two components:
a. Restricted net position - Consists of net position with constraints placed on the use either by 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 position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In addition, the Town has restricted net position for streets.

It is the Towns' 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.

C. Internal and Interfund Balances and Transfers

The Towns' policy is to eliminate interfund 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 made.

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 that at the time the related fund liability is incurred.

The Town of Douglas, 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.

Restricted Cash and Investments

The Douglas Public Works Authority has set aside certain resources in debt service and reserve accounts for repayment of loans, in accordance with loan indentures. These funds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants.

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.

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.

	Category			
	(A)	(B)	(C)	Bank Balance
Cash/Investments	$ 42,180.13	$ 0.00	$ 0.00	$ 42,180.13

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.

G. 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 2012-13 period.

H. 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.

I. Operating Leases

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

J. Long Term Debt

The Douglas Public Works Authority received an FmHA Loan (42-024-736179793), which established a Promissory Note in the amount of $35,000.00. By accepting the proceeds of the loan, the Trust agrees to repay the principal of $35,000.00 plus interest on the unpaid balance at the rate of 4.5% per annum. The principal and interest shall be paid in installments of $158.00 beginning the 28th day of September, 1995 and on or before the 28th day of each month thereafter until the principal and interest are paid in full. The final installment of the entire indebtedness shall be due and payable (40) years from August 31, 1995, the date of the notes.

Promissory Note Performance	
Principal balance at 07/01/12	$26,481.07
Principal paid during FY 13	718.99
Principal balance at 06/30/13	$25,762.08

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 titles 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

The Town maintains a Public Employee Position Schedule Bond, with Western Surety Company, in the amount of $2,000.00. The bond number is 18258610, dated September 28, 2012 to September 28,2013.

3. Consumers and Service Rates

Consumers:	
Residential	17
Commercial	8
Agriculture	5
Total Consumers	30

Monthly Service Rates:

Water- All Customers -	$18.00 For first 1,000 gallons
	8.00 Per 1,000 gallons over thereafter
Maintenance Fee -	2.00 Per dwelling
Sewer – N/A	
Sanitation -	15.00 Per month (Residential)
	30.00 Per month (Commercial) (Dumpster)
Deposits -	150.00 Residential Rentals
	75.00 Residential Owner
	75.00 Commercial

4. Employee Retirement System – Pensions Plan

The Town did not contribute to any type of retirement system, as of June 30, 2013, for any employees of the Town.

The firemen are covered under the Oklahoma State Firefighters Pension and Retirement System.

Oklahoma Statutes provide that any municipality with an income of less than $25,000.00 to its General Fund, during a fiscal year shall be exempt from making contributions to the Oklahoma State Firefighters Pension and Retirement System.

OFPRS Description of Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS).

The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

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 3, 2013, which is the date the financial statements were available to be issued.

7. Public Works Authority

The Douglas Public Works Authority was created under a Trust Indenture dated July 17, 1992. The Trustor and Trustees created and established the Trust for the use and benefit of the Beneficiary, the Town of Douglas, for the public purposes as set forth in the Trust Indenture, under the provisions of Title 60, Oklahoma Statutes 1991, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma.

SUPPLEMENTAL INFORMATION

TOWN OF DOUGLAS
GARFIELD COUNTY - OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND
FUND BALANCES - BUDGET TO ACTUAL - MODIFIED CASH BASIS
GENERAL FUND ONLY
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE/ (UNFAVORABLE)
REVENUES:				
Taxes	$5,296.84	$5,296.84	$11,608.54	$6,311.70
Interest	0.00	0.00	9.14	9.14
Rentals/Royalties/Other	0.00	0.00	55.85	55.85
Intergovernmental	0.00	0.00	0.00	0.00
Total	5,296.84	5,296.84	11,673.53	6,376.69
EXPENDITURES:				
Personal Services	4,000.00	4,000.00	2,126.33	1,873.67
Maintenance and Operation	5,493.10	5,493.10	2,321.57	3,171.53
Capital Outlay	2,000.00	2,000.00	0.00	2,000.00
Bank Fees	0.00	0.00	0.00	0.00
Total	11,493.10	11,493.10	4,447.90	7,045.20
Excess of Revenue Over/ (Under) Expenditures	(6,196.26)	(6,196.26)	7,225.63	13,421.89
Fund Balance - Beginning	6,196.26	6,196.26	6,196.26	0.00
Fund Balance - Ending	$0.00	$0.00	$13,421.89	$13,421.89

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 financial statements. The Town utilizes an appropriated budgetary system and all unexpended appropriations lapse at year end.

Chas. W. Carroll, P.A.

Hiland Tower - Suite 406
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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 Douglas
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 Douglas, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Douglas, Oklahoma's basic financial statements-modified cash basis and have issued my report thereon dated December 3, 2013. As described in Note 1D, the Town of Douglas, Oklahoma 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

Management of the Town of Douglas, Oklahoma, is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing my audit, I considered the Town's internal control over financial reporting 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.

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 any 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 item 13-01. 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.

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.

I noted other matters that I reported to management of the Town of Douglas, Oklahoma, in the accompanying Schedule of Other Matters as item B-1.

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,

Chas. W. Carroll, P.A.

Chas. W. Carroll, P.A.
December 3, 2013

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2013

12-01 Financial Statement Presentation

The Town had not presented government-wide financial statements to display the modified cash basis financial position and changes in modified cash basis financial position of its governmental activities in the prior year and did not present in the current fiscal year.

12-02 Required Supplemental Information

The Town had not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements in the prior year, and did not provide the Discussion and Analysis in the current fiscal year.

12-03 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.

SCHEDULE OF FINDINGS
JUNE 30, 2013

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

13-01 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.

TOWN OF DOUGLAS
DOUGLAS PUBLIC WORKS AUTHORITY
GARFIELD COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

SCHEDULE OF OTHER MATTERS
JUNE 30, 2013

Specific Administrative Controls

Internal Control

B-1 Purchasing Procedures / Invoice Documentation

During my review of the Town's expenditure procedures I found that not all purchase orders were dated prior to making an obligation. A purchase order is to be prepared and approved prior to the commitment of purchase for all Town Funds.

TOWN OF DOUGLAS
DOUGLAS PUBLIC WORKS AUTHORITY
GARFIELD COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

SCHEDULE OF OTHER MATTERS – PRIOR YEAR
JUNE 30, 2013

All other matters of the prior year have since been resolved unless they are presented in the current year Schedule of Other Matters followed by "A similar exception was presented in the Schedule of Other Matters in the previous year audit report".