

TOWN OF DUSTIN, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P. O. Box 1015
BRISTOW, OKLAHOMA 74010-1015
(918) 367-2208
FAX (918) 367-1034

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Dustin, Oklahoma

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dustin, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Town of Dustin, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Dustin, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

As discussed in Note A, Town of Dustin, Oklahoma prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Town failed to maintain sufficient support for expenditures. We were unable to obtain sufficient support from other sources. Additionally, the Town did not utilize a proper and consistent purchase order system of controls for documenting approval of expenses paid. The Town also did not adopt a budget or control expenditures within a budget as required by the *Municipal Budget Act*.

Because of the significance of the matters discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the Town of Dustin, Oklahoma.

The Town of Dustin, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2014, on my consideration of Town of Dustin, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 26, 2014

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

	Primary Government		
	Business		
	Governmental	Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 72,009	\$ 73,466	\$ 145,475
Investments	15,335	3,335	18,670
Due from other funds	(2,000)	2,000	-
Total current assets	<u>85,344</u>	<u>78,801</u>	<u>164,145</u>
Non-current assets:			
Capital assets			
Other capital assets net of accumulated depreciation	<u>13,330</u>	<u>596,558</u>	<u>609,888</u>
Total non-current assets	<u>13,330</u>	<u>596,558</u>	<u>609,888</u>
Total assets	<u>98,674</u>	<u>675,359</u>	<u>774,033</u>
LIABILITIES			
Current liabilities:			
Utility deposits	<u>-</u>	<u>13,350</u>	<u>13,350</u>
Total current liabilities	<u>-</u>	<u>13,350</u>	<u>13,350</u>
Total liabilities	<u>-</u>	<u>13,350</u>	<u>13,350</u>
NET ASSETS			
Nonspendable	13,330	585,208	598,538
Restricted	53,200	58,192	111,392
Assigned	19,487	18,609	38,096
Unassigned	<u>12,657</u>	<u>-</u>	<u>12,657</u>
Total net assets	<u>\$ 98,674</u>	<u>\$ 662,009</u>	<u>\$ 760,683</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Function/Programs					
Governmental activities					
General government	\$ 76,977	\$ -	\$ 20,557	\$ -	\$ (56,420)
Cemetery	2,207	3,195	-	-	988
Street & Alley	47,386	30,978	2,996	-	(13,412)
Public Safety	31,358	9,774	-	-	(21,584)
Total governmental activities	<u>157,928</u>	<u>43,947</u>	<u>23,553</u>	<u>-</u>	<u>(90,428)</u>
Business-type activities					
Public Works Authority	<u>99,561</u>	<u>90,827</u>	<u>-</u>	<u>-</u>	<u>(8,734)</u>
Total business-type activities	<u>99,561</u>	<u>90,827</u>	<u>-</u>	<u>-</u>	<u>(8,734)</u>
Total primary government	<u>\$257,489</u>	<u>\$134,774</u>	<u>\$ 23,553</u>	<u>\$ -</u>	<u>\$ (99,162)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (90,428)	\$ (8,734)	\$ (99,162)
General revenues			
Taxes			
Sales tax	39,092	-	39,092
Franchise	4,932	-	4,932
Restitution	600	-	600
Gain on sale of assets	670	-	670
Other	4,301	-	4,301
Interest	21	5	26
Transfers	<u>(202,472)</u>	<u>202,472</u>	<u>-</u>
Total general revenue	<u>(152,856)</u>	<u>202,477</u>	<u>49,621</u>
Change in net assets	(243,284)	193,743	(49,541)
Net assets - beginning	<u>341,958</u>	<u>468,266</u>	<u>810,224</u>
Net assets - ending	<u>\$ 98,674</u>	<u>\$ 662,009</u>	<u>\$ 760,683</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,170	\$ 53,200	\$ 12,639	\$ 72,009
Investments	<u>6,487</u>	<u>-</u>	<u>8,848</u>	<u>15,335</u>
TOTAL ASSETS	<u>\$ 12,657</u>	<u>\$ 53,200</u>	<u>\$ 21,487</u>	<u>\$ 87,344</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 2,000	\$ 2,000
FUND BALANCES				
Restricted	-	53,200	-	53,200
Assigned	-	-	19,487	19,487
Unassigned	<u>12,657</u>	<u>-</u>	<u>-</u>	<u>12,657</u>
TOTAL FUND BALANCES	<u>12,657</u>	<u>53,200</u>	<u>19,487</u>	<u>85,344</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,657</u>	<u>\$ 53,200</u>	<u>\$ 21,487</u>	<u>\$ 87,344</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Total fund balance	\$ 85,344
--------------------	-----------

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	23,471	
Accumulated depreciation	<u>(10,141)</u>	<u>13,330</u>
Total net assets		<u>\$ 98,674</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Funds	Grant Funds	Other Governmental Funds	Total Governmental Funds
Revenue				
Sales tax	\$ 39,092	\$ -	\$ -	\$ 39,092
Franchise tax	4,932	-	-	4,932
Other tax	4,227	-	2,996	7,223
Restitution	600	-	-	600
Garbage	-	-	30,978	30,978
Miscellaneous income	4,189	-	112	4,301
Intergovernmental	3,000	12,600	-	15,600
Donations	730	-	-	730
Fines	-	-	9,774	9,774
Sale of Assets	550	-	3,000	3,550
Lot sales	-	-	3,195	3,195
Interest	21	-	-	21
Total revenue	<u>57,341</u>	<u>12,600</u>	<u>50,055</u>	<u>119,996</u>
Expenditures				
Current				
General government	64,377	12,600	-	76,977
Cemetery	-	-	2,207	2,207
Street & Alley	-	-	47,386	47,386
Public Safety	-	-	25,473	25,473
Total expenditures	<u>64,377</u>	<u>12,600</u>	<u>75,066</u>	<u>152,043</u>
Excess (deficiency) of revenue over expenditures	<u>(7,036)</u>	<u>-</u>	<u>(25,011)</u>	<u>(32,047)</u>
Other financing sources (uses)				
Transfer in	7,640	-	25,488	33,128
Transfer out	-	(219,100)	(16,500)	(235,600)
Total other financing sources (uses)	<u>7,640</u>	<u>(219,100)</u>	<u>8,988</u>	<u>(202,472)</u>
Net change in fund balances	604	(219,100)	(16,023)	(234,519)
Fund balances, beginning	<u>12,053</u>	<u>272,300</u>	<u>35,510</u>	<u>319,863</u>
Fund balances, ending	<u>\$ 12,657</u>	<u>\$ 53,200</u>	<u>\$ 19,487</u>	<u>\$ 85,344</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net changes in fund balances - total governmental funds	\$ (234,519)
---	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(5,885)	
Sale of Assets	(2,880)	
Capital outlay	-	(8,765)

Change in net assets	\$ <u>(243,284)</u>
----------------------	---------------------

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 73,466
Investments	3,335
Due from other funds	<u>2,000</u>
Total current assets	<u>78,801</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>596,558</u>
Total non-current assets	<u>596,558</u>
Total assets	<u>675,359</u>
LIABILITIES	
Current liabilities:	
Utility deposits	<u>13,350</u>
Total liabilities	<u>13,350</u>
NET ASSETS	
Nonspendable	585,208
Restricted	58,192
Assigned	<u>18,609</u>
Net assets of business-type activities	<u><u>\$ 662,009</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Public Works Authority</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 90,208
Other	<u>619</u>
Total operating revenues	<u>90,827</u>
<u>OPERATING EXPENSES</u>	
Salaries and taxes	34,411
Water Purchases	28,800
Maintenance and Operations	16,601
Depreciation	<u>19,749</u>
Total operating expenses	<u>99,561</u>
Operating income (loss)	<u>(8,734)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	<u>5</u>
Total non-operating revenue (expenses)	<u>5</u>
Transfer in	224,828
Transfer out	<u>(22,356)</u>
Total transfers	<u>202,472</u>
Change in net assets	193,743
Total net assets, beginning	<u>468,266</u>
Total net assets, ending	<u><u>\$ 662,009</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2012

	Public Works <u>Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 90,687
Cash payments to employees	(34,411)
Cash payments to suppliers for goods and services	<u>(45,401)</u>
Net cash provided (used) by operating activities	<u>10,875</u>
Cash flows from non-capital financing activities	
Transfer in	224,828
Transfer out	<u>(22,356)</u>
Net cash provided (used) by non-capital financing activities	<u>202,472</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	<u>(219,100)</u>
Net cash provided (used) by capital and related financing activities	<u>(219,100)</u>
Cash flows from investing activities	
Interest revenue	<u>5</u>
Net cash provided by investing activities	<u>5</u>
Net increase in cash and cash equivalents	(5,748)
Cash and cash equivalents, beginning	<u>82,549</u>
Cash and cash equivalents, ending	<u><u>\$ 76,801</u></u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ (8,734)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	19,749
Changes in assets and liabilities:	
Increase in utility deposits	<u>(140)</u>
Net cash provided by operating activities	<u><u>\$ 10,875</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Dustin, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, utilities, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria the Dustin Public Works Authority (the Authority) is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of the Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 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.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Dustin Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2012 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Improvements, other than buildings	20-50
Furniture , machinery, and equipment	5-10
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2012, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$164,145 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$173,890.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2012.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2012, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

Note C - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2012 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 2,000	Street	Public Works Authority
<u>\$ 2,000</u>		

Note E - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	<u>Land</u>
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2011	\$ -	\$ -	\$ 28,471	\$ 28,471	\$ -
Increases	-	-	-	-	-
Decreases	-	-	(5,000)	(5,000)	-
Balance, June 30, 2012	-	-	23,471	23,471	-
Accumulated Depreciation					
Balance, June 30, 2011	-	-	6,376	6,376	-
Increase	-	-	5,885	5,885	-
Decreases	-	-	(2,120)	(2,120)	-
Balance, June 30, 2012	-	-	10,141	10,141	-
Governmental activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,330</u>	<u>\$ 13,330</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2011	\$ -	\$ 662,472	\$ 81,432	\$ 743,904	\$ -
Increases	-	219,100	-	219,100	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	-	881,572	81,432	963,004	-
Accumulated Depreciation					
Balance, June 30, 2011	-	278,884	67,813	346,697	-
Increase	-	11,534	8,215	19,749	-
Decreases	-	-	-	-	-
Balance, June 30, 2012	-	290,418	76,028	366,446	-
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 591,154</u>	<u>\$ 5,404</u>	<u>\$ 596,558</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ -</u>	<u>\$ 591,154</u>	<u>\$ 18,734</u>	<u>\$ 609,888</u>	<u>\$ -</u>

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ -	Utilities Authority	\$ 19,749
Street	-		
Police	5,885		

Note M - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Provisions for:

Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

Fiscal <u>Year</u>	Required <u>Contribution</u>	Percentage <u>Contributed</u>
2012	\$ 600	100%

Note E - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

Note F - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note G - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE Q - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through June 26, 2014, the date which financial statements were available. The Town believes there are no items needing disclosure.

TOWN OF DUSTIN, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>Street Fund</u>	<u>Police Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,819	\$ 515	\$ 7,305	\$ 12,639
Investments	<u>-</u>	<u>-</u>	<u>8,848</u>	<u>8,848</u>
TOTAL ASSETS	<u><u>\$ 4,819</u></u>	<u><u>\$ 515</u></u>	<u><u>\$ 16,153</u></u>	<u><u>\$ 21,487</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>
FUND BALANCES				
Assigned	<u>2,819</u>	<u>515</u>	<u>16,153</u>	<u>19,487</u>
TOTAL FUND BALANCES	<u>2,819</u>	<u>515</u>	<u>16,153</u>	<u>19,487</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,819</u></u>	<u><u>\$ 515</u></u>	<u><u>\$ 16,153</u></u>	<u><u>\$ 21,487</u></u>

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

TOWN OF DUSTIN, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Street Funds</u>	<u>Police Funds</u>	<u>Cemetery Funds</u>	<u>Total Nonmajor Funds</u>
Revenue				
Other tax	\$ 2,996	\$ -	\$ -	\$ 2,996
Garbage	30,978	-	-	30,978
Miscellaneous income	-	112	-	112
Fines	-	9,774	-	9,774
Sale of Assets	-	3,000	-	3,000
Lot sales	-	-	3,195	3,195
Total revenue	<u>33,974</u>	<u>12,886</u>	<u>3,195</u>	<u>50,055</u>
Expenditures				
Current				
Cemetery	-	-	2,207	2,207
Street & Alley	47,386	-	-	47,386
Public Safety	-	25,473	-	25,473
Total expenditures	<u>47,386</u>	<u>25,473</u>	<u>2,207</u>	<u>75,066</u>
Excess (deficiency) of revenue over expenditures	<u>(13,412)</u>	<u>(12,587)</u>	<u>988</u>	<u>(25,011)</u>
Other financing sources (uses)				
Transfer in	17,948	7,540	-	25,488
Transfer out	<u>(11,000)</u>	<u>(500)</u>	<u>(5,000)</u>	<u>(16,500)</u>
Total other financing sources (uses)	<u>6,948</u>	<u>7,040</u>	<u>(5,000)</u>	<u>8,988</u>
Net change in fund balances	(6,464)	(5,547)	(4,012)	(16,023)
Fund balances, beginning	<u>9,283</u>	<u>6,062</u>	<u>20,165</u>	<u>35,510</u>
Fund balances, ending	<u>\$ 2,819</u>	<u>\$ 515</u>	<u>\$ 16,153</u>	<u>\$ 19,487</u>

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

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*

To the Honorable Mayor and Members of the Board of Trustees
Town of Dustin
Dustin, Oklahoma

I was engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dustin, Oklahoma, as of and for the year ended June 30, 2012, and have issued my report thereon dated June 26, 2014 which did not include Management's Discussion and Analysis or budgetary comparison and contained a disclaimed opinion. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 identified deficiencies in internal control over financial reporting that I consider to be material weaknesses.

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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2, and 2012-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Dustin, Oklahoma'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and question costs as items 2012-1, 2012-2, and 2012-3.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities 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 "Ralph Osborn".

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 26, 2014

TOWN OF DUSTIN, OKLAHOMA
DUSTIN, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

2012-1 Missing support for expenses paid.

Finding: The Town does not utilize a proper and consistent purchase order system. It was also noted that the invoices and/or other acceptable forms of support for purchases were missing or insufficient.

Recommendation: The Town should develop a proper and consistent purchase order system of controls which includes having the purchase order requested and approved prior to the expense being incurred and retain all proper support for expenses until it is deemed acceptable to destroy them in accordance with an acceptable records retention policy.

2012-2 Transfer of funds to the Dustin New Age Nutrition

Finding: The Town transferred \$3,000 in COEDD grant funds to Dustin New Age Nutrition. The transfer was not supported by documentation of board approval or proper expenditure support such as purchase orders and invoices from vendors or payment requests from recipients.

Recommendation: The board should approve all transfers and expenditures. All expenditures should be supported by purchase orders approved by the board and invoices from vendors or payment requests from recipients.

2012-3 Failure to file an annual budget

Finding: The Town failed to adopt an annual budget as per the *Municipal Budget Act*.

Recommendation: The Town should adopt an annual budget according to the requirements found in the *Municipal Budget Act* and control expenditures in order not to exceed the budget and any revisions to the budget.