

TOWN OF DUSTIN, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

RALPH OSBORN
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INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying 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, 2015, and the related notes to the financial statements, which collectively comprise Town of Dustin's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we 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 judgement, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Dustin as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dustin, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated August 18, 2016 on my consideration of Town of Dustin'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
August 18, 2016

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2015

	Primary Government		
	Business		
	Governmental	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,941	\$ 16,828	\$ 33,769
Investments	5,209	3,335	8,544
Due from other funds	1,530	(1,530)	-
Total current assets	<u>23,680</u>	<u>18,633</u>	<u>42,313</u>
Non-current assets:			
Capital assets			
Other capital assets net of accumulated depreciation	18,478	726,507	744,985
Total non-current assets	<u>18,478</u>	<u>726,507</u>	<u>744,985</u>
Total assets	<u>42,158</u>	<u>745,140</u>	<u>787,298</u>
LIABILITIES			
Current liabilities:			
Long-term debt, current	-	4,105	4,105
Utility deposits	-	16,888	16,888
Total current liabilities	<u>-</u>	<u>20,993</u>	<u>20,993</u>
Non-current liabilities:			
Long-term debt, non-current	-	43,051	43,051
Total non-current liabilities	<u>-</u>	<u>43,051</u>	<u>43,051</u>
Total liabilities	<u>-</u>	<u>64,044</u>	<u>64,044</u>
NET POSITION			
Invested in capital assets, net of related debt	18,478	679,351	697,829
Unrestricted	<u>23,680</u>	<u>1,745</u>	<u>25,425</u>
Total net position	<u>\$ 42,158</u>	<u>\$ 681,096</u>	<u>\$ 723,254</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, 2015

		Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Function/Programs					
Governmental activities					
General government	\$ 64,464	\$ -	\$ -	\$ -	\$ (64,464)
Street & Alley	49,681	34,538	-	-	(15,143)
Cemetery	198	2,590	-	-	2,392
Total governmental activities	114,343	37,128	-	-	(77,215)
Business-type activities					
Public Works Authority	122,319	106,676	-	-	(15,643)
Total business-type activities	122,319	106,676	-	-	(15,643)
Total primary government	<u>\$236,662</u>	<u>\$143,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92,858)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	\$ (77,215)	\$ (15,643)	\$ (92,858)
General revenues			
Taxes			
Sales tax	41,395	-	41,395
Franchise tax	5,108	-	5,108
Alcoholic Beverage Tax	4,532	-	4,532
Cigarette tax	465	-	465
Interest	12	2	14
Other revenue	2,769	-	2,769
Transfers	(369)	369	-
Total general revenue	53,912	371	54,283
Change in net position	(23,303)	(15,272)	(38,575)
Net position - beginning	65,461	696,368	761,829
Net position - ending	<u>\$ 42,158</u>	<u>\$ 681,096</u>	<u>\$ 723,254</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, 2015

	General Fund	Grant Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,082	\$ -	\$ 11,859	\$ 16,941
Investments	-	-	5,209	5,209
Due from other funds	-	-	1,530	1,530
TOTAL ASSETS	<u>\$ 5,082</u>	<u>\$ -</u>	<u>\$ 18,598</u>	<u>\$ 23,680</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Invested in capital assets, net of related debt	-	-	18,598	18,598
Unrestricted	5,082	-	-	5,082
TOTAL FUND BALANCES	<u>5,082</u>	<u>-</u>	<u>18,598</u>	23,680
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,082</u>	<u>\$ -</u>	<u>\$ 18,598</u>	

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation of \$44,835	<u>18,478</u>
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Net position of governmental civilities	<u>\$ 42,158</u>
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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, 2015

	General Funds	Grant Funds	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 46,968	\$ -	\$ -	\$ 46,968
Investment	12	-	-	12
Other revenue	<u>7,301</u>	<u>-</u>	<u>37,128</u>	<u>44,429</u>
Total revenue	<u>54,281</u>	<u>-</u>	<u>37,128</u>	<u>91,409</u>
Expenditures				
Current				
Administration	56,801	-	-	56,801
Street & Alley	-	-	42,399	42,399
Cemetery	<u>-</u>	<u>-</u>	<u>198</u>	<u>198</u>
Total expenditures	<u>56,801</u>	<u>-</u>	<u>42,597</u>	<u>99,398</u>
Net Operating income (loss)	<u>(2,520)</u>	<u>-</u>	<u>(5,469)</u>	<u>(7,989)</u>
Other financing sources				
Transfer in	333	-	-	333
Transfer out	<u>(369)</u>	<u>-</u>	<u>(333)</u>	<u>(702)</u>
Total other financing sources	<u>(36)</u>	<u>-</u>	<u>(333)</u>	<u>(369)</u>
Net change in fund balances	(2,556)	-	(5,802)	(8,358)
Fund balances, beginning	<u>7,638</u>	<u>-</u>	<u>24,400</u>	<u>32,038</u>
Fund balances, ending	<u>\$ 5,082</u>	<u>\$ -</u>	<u>\$ 18,598</u>	<u>\$ 23,680</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, 2015

Net changes in fund balances - total governmental funds	\$	(8,358)
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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 position 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	(14,945)		
Capital outlay	-		(14,945)

Change in net position	\$	<u>(23,303)</u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF DUSTIN, OKLAHOMA
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 16,828
Investments	<u>3,335</u>
Total current assets	<u>20,163</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>726,507</u>
Total non-current assets	<u>726,507</u>
Total assets	<u>746,670</u>
LIABILITIES	
Current liabilities:	
Due to other funds	1,530
Notes payable, current	4,105
Utility deposits	<u>16,888</u>
Total current liabilities	<u>22,523</u>
Non-current liabilities:	
Notes payable	<u>43,051</u>
Total non-current liabilities	<u>43,051</u>
Total liabilities	<u>65,574</u>
NET POSITION	
Invested in capital assets, net of related debt	679,351
Unrestricted	<u>1,745</u>
Net position of business-type activities	<u>\$ 681,096</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 POSITION
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Public Works Authority</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 106,676
Total operating revenues	<u>106 676</u>
<u>OPERATING EXPENSES</u>	
Salaries and taxes	31,009
Water Purchases	45,389
Maintenance and Operations	11,949
Professional fees	10,428
Testing	3,460
Depreciation	<u>19,232</u>
Total operating expenses	<u>121,467</u>
Operating income (loss)	<u>(14,791)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	2
Interest expense	<u>(852)</u>
Total non-operating revenue (expenses)	<u>(850)</u>
Net Operating income (loss)	<u>(15,641)</u>
<u>OTHER FINANCING SOURCES</u>	
Transfer in	<u>369</u>
Total other financing sources	<u>369</u>
Change in net position	(15,272)
Total net position, beginning	<u>696,368</u>
Total net position, ending	<u>\$ 681,096</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, 2015

	Public Works <u>Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 106,676
Cash payments to employees	(31,009)
Cash payments to suppliers for goods and services	(68,433)
Net cash provided (used) by operating activities	<u>7,234</u>
Cash flows from capital and related financing activities	
Loan proceeds	50,000
Principal paid on capital debt	(2,844)
Interest paid on capital debt	(852)
Purchase of capital assets	(50,000)
Net cash used in capital and related financing activities	<u>(3,696)</u>
Cash flows from investing activities	
Investment income	<u>2</u>
Net cash provided by investing activities	<u>2</u>
Net increase/(decrease) in cash and cash equivalents	3,540
Cash and cash equivalents, beginning	<u>13,288</u>
Cash and cash equivalents, ending	<u>\$ 16,828</u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ (14,791)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	19,232
Changes in assets and liabilities:	
Increase/(decrease) in due to other funds	70
Increase/(decrease) in utility deposits	2,723
Net cash provided by operating activities	<u>\$ 7,234</u>

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

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 position 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, 2015

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 Position 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 position (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 position.

Basis of Accounting

In the government-wide Statement of Net Position 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 position/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, 2015

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. For the fiscal year ending June 30, 2015, the Town failed to prepare and submit an annual budget as is required by the Oklahoma Municipal Budget Act.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015 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, 2015

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, 2015, 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 \$42,313 at June 30, 2015. The bank balance of the deposits at June 30, 2015 was approximately \$61,144.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2015.

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2015, 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, 2015 are as follows:

Reconciliation to Fund Financial Statements	Due From Other Funds	Due To Other Funds
Governmental Funds	\$ 1,530	\$ -
Enterprise Funds	-	1,530
Total	<u>\$ 1,530</u>	<u>\$ 1,530</u>

Note D - CAPITAL ASSETS

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				Capital Assets Not Depreciated
	Buildings	Infrastructure & Furniture, Improvements Other Than Buildings	Machinery, And Equipment	Totals	Land
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2015	\$ -	\$ 39,842	\$ 23,471	\$ 63,313	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2015	-	39,842	23,471	63,313	-
Accumulated Depreciation					
Balance, June 30, 2015	-	9,608	20,282	29,890	
Increase	-	4,804	10,141	14,945	
Decreases	-	-	-	-	
Balance, June 30, 2015	-	14,412	30,423	44,835	
Governmental activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 25,430</u>	<u>\$ (6,952)</u>	<u>\$ 18,478</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2015	\$ -	\$1,019,217	\$ 81,432	\$1,100,649	\$ -
Increases	-	50,000	-	50,000	-
Decreases	-	-	-	-	-
Balance, June 30, 2015	-	1,069,217	81,432	1,150,649	-
Accumulated Depreciation					
Balance, June 30, 2015	-	322,404	82,506	404,910	
Increase	-	15,993	3,239	19,232	
Decreases	-	-	-	-	
Balance, June 30, 2015	-	338,397	85,745	424,142	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 730,820</u>	<u>\$ (4,313)</u>	<u>\$ 726,507</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ -</u>	<u>\$ 756,250</u>	<u>\$ (11,265)</u>	<u>\$ 744,985</u>	<u>\$ -</u>

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 7,663	Utilities Authority	\$ 19,232
Street	7,282		

NOTE E - LONG TERM DEBT

Changes in long-term debt are as follows:

	Payable at June 30, 2014	Added	Retired	Balance at June 30, 2015
Community Resource Group	\$ -	\$ 50,000	\$ (2,844)	\$ 47,156
	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ (2,844)</u>	<u>\$ 47,156</u>

As of June 30, 2015, the long-term debt payable from business-type activities resources consisted of the following:

Community Resource Group, original issue amount of \$50,000 dated November 120 2014, interest rate 4.9%. Monthly payments of \$528, for a term of 10 years.	<u>\$ 47,156</u>
Current Portion	\$ 4,105
Non-Current Portion	<u>43,051</u>
Total Notes Payable	<u>\$ 47,156</u>

Debt service requirements to maturity are as follows:

	Business-Type Activities		
<u>Year ending</u>	<u>Notes Payable</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,105	\$ 2,230	\$ 6,335
2017	4,310	2,025	6,335
2018	4,526	1,809	6,335
2019	4,753	1,582	6,335
2020	4,992	1,343	6,335
2021-2025	24,470	2,741	27,211
	<u>\$ 47,156</u>	<u>\$ 11,730</u>	<u>\$ 58,886</u>

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note F - 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
	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:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 840	100%
2014	0	0%
2013	540	100%

TOWN OF DUSTIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note G - 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 H - 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 I - 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 J - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through August 18, 2016, the date which financial statements were available. The Town has filed suit against the former clerk for embezzlement charges. At this time, the outcome is unknown. The Town received \$10,000 from RLI treasurer bond in June 2016 and \$10,000 from CNA Surety clerk bond in August 2016.

TOWN OF DUSTIN, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	<u>Street Fund</u>	<u>Police Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,000	\$ -	\$ 7,859	\$ 11,859
Investments	-	-	5,209	5,209
Due from other funds	-	-	1,530	1,530
TOTAL ASSETS	<u><u>\$ 4,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,598</u></u>	<u><u>\$ 18,598</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES				
Unreserved	<u>4,000</u>	<u>-</u>	<u>14,598</u>	<u>18,598</u>
TOTAL FUND BALANCES	<u>4,000</u>	<u>-</u>	<u>14,598</u>	<u>18,598</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,598</u></u>	<u><u>\$ 18,598</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, 2015

	Street Funds	Police Funds	Cemetery Funds	Total Nonmajor Funds
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Other Revenue	<u>34,538</u>	<u>-</u>	<u>2,590</u>	<u>37,128</u>
Total revenue	<u>34,538</u>	<u>-</u>	<u>2,590</u>	<u>37,128</u>
Expenditures				
Current				
Street & Alley	42,399	-	-	42,399
Cemetery	<u>-</u>	<u>-</u>	<u>198</u>	<u>198</u>
Total expenditures	<u>42,399</u>	<u>-</u>	<u>198</u>	<u>42,597</u>
Net Operating income (loss)	<u>(7,861)</u>	<u>-</u>	<u>2,392</u>	<u>(5,469)</u>
Other financing sources				
Transfer out	<u>-</u>	<u>(333)</u>	<u>-</u>	<u>(333)</u>
Total other financing sources	<u>-</u>	<u>(333)</u>	<u>-</u>	<u>(333)</u>
Net change in fund balances	(7,861)	(333)	2,392	(5,802)
Fund balances, beginning	<u>11,861</u>	<u>333</u>	<u>12,206</u>	<u>24,400</u>
Fund balances, ending	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 14,598</u>	<u>\$ 18,598</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 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 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, 2015, and the related notes to the financial statements, which collectively comprise Town of Dustin's basic financial statements and have issued my report thereon dated August 18, 2016 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Dustin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Dustin's internal control.

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 a 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 that might be material weaknesses or, significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified deficiencies in internal control that I consider to be material weaknesses. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-1, 2015-2, 2015-3, 2015-4, and 2015-5 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 2014-1, 2014-2, 2014-3, 2014-4, and 2014-5.

Purpose of the Report

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

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
August 18, 2016

TOWN OF DUSTIN, OKLAHOMA
DUSTIN, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

2015-1 Missing or incomplete purchase orders.

Finding: The Town does not utilize a proper and consistent purchase order system.

Recommendation: The Town should develop a proper and consistent purchase order system of controls which includes having the purchase order requested, completed, and approved prior to the expense being incurred and include amounts on purchase orders.

2015-2 Late payroll taxes

Finding: The prior Town clerk was not paying the payroll taxes in a timely manner.

Recommendation: The Town should pay the outstanding payroll taxes and make the payments on time.

Status: The Town is now catching up the payments and making the current payments on time.

2015-3 Decreased Revenue

Finding: During the months of July-October 2014 the revenue was found to be approximately \$3,950 short per month. After the change in clerks, the revenue increased for the remaining of the year. If the average increase of \$3,950 for approximately three and half months, this would result in approximately \$13,825 understated revenue.

Recommendation: The Town should compare revenue each month to be approved and verify that it is correct.

2015-4 Large past due balances

Finding: The Town has not shut off accounts after 30 days past due.

Recommendation: The Town should shut off all accounts that are past due after 30 days.

Status: The Town is working to catch up past due balances and have started shutting off accounts. Some are being worked with and required to pay current bill and 20% of the past due balance.

2015-5 Extra paycheck

Finding: During the month of August 2014, the prior clerk was paid a third time. The clerk is typically paid twice a month.

Recommendation: The Town should review and compare expenses to what has cleared the bank.

TOWN OF DUSTIN, OKLAHOMA
DUSTIN, OKLAHOMA
STATUS OF PRIOR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

2014-1 Missing support for expenses paid.

Finding: The Town did not maintain complete support for all expenses paid.

Recommendation: The Town should retain all proper support for expenses until it is deemed acceptable to destroy them in accordance with an acceptable records retention policy.

Status: Support for expenses were able to be located.

2014-2 Missing support for revenue.

Finding: The Town does not maintain receipt book or other supplementary records in order to provide evidence that revenue was recorded accurately and completely.

Recommendation: The Town should maintain a receipt book in which all revenue received is receipted and compared to the revenue records on a regular basis in order to determine if revenue is recorded accurately and completely.

Status: Receipt books were used beginning in the current year.

2014-3 Missing or incomplete purchase orders.

Finding: The Town does not utilize a proper and consistent purchase order system.

Recommendation: The Town should develop a proper and consistent purchase order system of controls which includes having the purchase order requested, completed, and approved prior to the expense being incurred.

Status: The Town still has not utilized a proper and consistent purchase order system.

2014-4 Transfer of funds to the Dustin New Age Nutrition

Finding: The Town transferred a total of \$3,025 in COEDD grant funds to Dustin New Age Nutrition/Dustin Senior Citizens. The transfers were 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.

Status: No transfers noted without approval.

2014-5 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.

Status: The Town adopted an Estimate of Needs for current year.