

**TOWN OF EARLSBORO
Earlsboro, Oklahoma**

**BASIC FINANCIAL STATEMENTS
June 30, 2013**

AUDITED BY

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OKLAHOMA**

TOWN OF EARLSBORO
Earlsboro, Oklahoma

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Earlsboro, Oklahoma**

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.
Certified Public Accountants

American Institute of Certified Public Accountants
Members
Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

June 10, 2015

Honorable Mayor and
Members of the Town Council
Town of Earlsboro
Earlsboro, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Earlsboro, Oklahoma (Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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. 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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Town of Earlsboro
June 10, 2015

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

Basis for Qualified Opinions

As discussed in Note 1 to the financial statements, the Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Earlsboro, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the Town of Earlsboro, Oklahoma, as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 28 through 30 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 (GASB), who considers it to be an essential part of

Town of Earlsboro
June 10, 2015

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Wilson Dotson & Associates

Wilson, Dotson & Associates, P.L.L.C.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENT OF NET ASSETS
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments			
Cash and cash equivalents	\$ 643,632	21,310	664,942
Receivables			
Accounts receivable	22,880	1,834	24,714
CAPITAL ASSETS			
Depreciable buildings, property and equipment net of depreciation	<u>505,793</u>	<u>345,933</u>	<u>851,726</u>
TOTAL ASSETS	<u>\$ 1,172,305</u>	<u>369,077</u>	<u>1,541,382</u>
LIABILITIES			
Accounts payable	\$ -	101	101
Accrued interest payable	-	71	71
Notes payable	<u>-</u>	<u>57,264</u>	<u>57,264</u>
TOTAL LIABILITIES	<u>-</u>	<u>57,436</u>	<u>57,436</u>
NET ASSETS			
Invested in capital assets, net of related debt	505,793	288,669	794,462
Restricted	-	9,977	9,977
Unassigned	<u>666,512</u>	<u>12,995</u>	<u>679,507</u>
TOTAL NET ASSETS	<u>\$ 1,172,305</u>	<u>311,641</u>	<u>1,483,946</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 168,842	-	-	-	(168,842)
Business-Type Activities:					
General administration	31,871	24,067	-	-	(7,804)
Totals	\$ 200,713	24,067	-	-	(176,646)

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Net (Expense)/Revenue	\$ (168,842)	(7,804)	(176,646)
General Revenues			
Taxes	225,311	-	225,311
Franchise taxes	10,788	-	11,816
Intergovernmental	8,663	-	8,663
Miscellaneous	19,896	9	19,905
Total general revenues and transfers	264,658	9	265,695
Change in Net Assets	95,816	(7,795)	89,049
Net Assets-beginning of year	1,076,489	319,436	1,395,925
Net Assets-end of year	\$ 1,172,305	311,641	1,484,974

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
ASSETS			
Cash and investments			
Cash & cash equivalents	\$ 323,849	319,783	643,632
Receivables			
Accounts receivable	<u>17,160</u>	<u>5,720</u>	<u>22,880</u>
TOTAL ASSETS	<u>\$ 341,009</u>	<u>325,503</u>	<u>666,512</u>
FUND EQUITY			
Fund balances			
Restricted	-	325,503	325,503
Unassigned	<u>341,009</u>	<u>-</u>	<u>341,009</u>
Total Fund Equity	<u>341,009</u>	<u>325,503</u>	<u>666,512</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 341,009</u>	<u>325,503</u>	<u>666,512</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS
JUNE 30, 2013

	<u>JUNE 30,</u> <u>2013</u>
Total Fund Balances - Total Governmental Funds	\$ 666,512
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Depreciable buildings, property and equipment	<u>505,793</u>
Net Assets of Governmental Activities	<u>\$ 1,172,305</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES			
Interest	\$ 681	-	681
Franchise fees	11,816	-	11,816
Sales tax	164,414	50,506	214,920
Motor vehicle collections	4,491	-	4,491
Alcohol beverage tax	2,310	-	2,310
Cigarette tax	2,414	-	2,414
Gas tax	1,176	-	1,176
Intergovernmental programs	8,663	10,140	18,803
Donations	7,640	-	7,640
Miscellaneous	197	210	407
Total Revenues	203,802	60,856	264,658
EXPENDITURES			
Current			
Personal services	35,688	-	35,688
Maintenance & operations	124,794	9,388	
Capital outlay	25,149	-	25,149
Total Expenditures	185,631	9,388	60,837
Net changes in fund balance	18,171	51,468	203,821
Fund Balance - beginning of year	321,810	274,035	595,845
Fund Balance - end of year	\$ 339,981	325,503	799,666

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

**RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES AND CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ 70,667

Amount reported for governmental activities in the Statement of Activities
are different because:

Governmental Funds report capital outlay as expenditures. However, in the
Government-Wide Statement of Activities and Changes in Net Assets, the cost
of those assets is allocated over their estimated useful lives as depreciation
expense. This is the amount of capital assets recorded in the current period.
net of depreciation expense.

25,149

Change in Net Assets of Governmental Activities \$ 95,816

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2013

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS <hr/> MUNICIPAL AUTHORITY <hr/> JUNE 30, <u>2013</u>
ASSETS	
Cash and investments	
Cash & cash equivalents	\$ 21,310
Receivables	
Accounts receivable	1,834
CAPITAL ASSETS	
Depreciable buildings, property and equipment net of depreciation	<u>345,933</u>
 TOTAL ASSETS	 <u>\$ 369,077</u>
LIABILITIES	
Accounts payable	\$ 101
Accrued interest payable	71
Notes payable	<u>57,264</u>
 TOTAL LIABILITIES	 <u>57,436</u>
NET ASSETS	
Invested in capital assets, net of related debt	288,669
Restricted	9,977
Unassigned	<u>12,995</u>
 TOTAL NET ASSETS	 <u>\$ 311,641</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u> <u>ENTERPRISE FUNDS</u> <u>MUNICIPAL</u> <u>AUTHORITY</u> <u>JUNE 30,</u> <u>2013</u>
REVENUES	
Sewer	\$ <u>24,067</u>
UTILITY OPERATIONS EXPENSE	
Administrative costs	356
Maintenance and operation	10,091
Depreciation expense	14,791
Lab testing	<u>3,690</u>
Total operations expense	<u>28,928</u>
INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS	(4,861)
Non-operating revenues (expenses)	
Interest revenue	9
Interest expense	<u>(2,943)</u>
Total non-operating revenues (expenses)	<u>(2,934)</u>
NET INCOME	(7,795)
RETAINED EARNINGS, BEGINNING OF THE YEAR	<u>319,436</u>
RETAINED EARNINGS, END OF THE YEAR	<u>\$ 311,641</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u> <u>ENTERPRISE FUNDS</u> <u>MUNICIPAL</u> <u>AUTHORITY</u> <u>JUNE 30,</u> <u>2013</u>
Cash flows from operating activities:	
Cash received from customers & service users	\$ 24,067
Cash payments for goods & services & employees	<u>(14,045)</u>
Net cash provided by operating activities	<u>10,022</u>
Cash flows from financing activities	
Capital outlays	-
Principal paid on note	(1,764)
Interest paid	<u>(2,943)</u>
Net cash provided by financing activities	<u>(4,707)</u>
Cash flows from investing activities	
Interest earnings	<u>9</u>
Net cash provided by investing activities	<u>9</u>
Net increase (decrease) in cash & cash equivalents	5,324
Cash & cash equivalents - beginning of year	<u>15,986</u>
Cash & cash equivalents - end of year	<u>\$ 21,310</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ (4,861)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	14,791
Change in assets and liabilities:	
Increase (decrease) in interest payable	(9)
Increase (decrease) in accounts payable	<u>101</u>
Total adjustments	<u>14,883</u>
Net cash provided by operating activities	<u>\$ 10,022</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Earlsboro, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

1. The financial statements include:
 - a. Financial statements prepared using full accrual accounting for all of the Town’s activities.
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

A. Reporting Entity

The Town of Earlsboro, Oklahoma is organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the Town of Earlsboro, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units and trusts, entities for which the Town is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the Town’s operations and so data from these units are combined with the data of the primary government.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units/Trusts:

The Earlsboro Public Works Authority (EPWA) was created pursuant to a Trust Indenture, for the benefit of the Town of Earlsboro, Oklahoma. EPWA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, facilities for the Town of Earlsboro. The water and sanitary sewer disposal systems owned by the Town have been leased to EPWA until such date that all indebtedness of the Authority is retired or provided for. EPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the Town Council. EPWA is exempt from State and Federal Income taxes. EPWA is reported as an enterprise fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The following are the Town's major governmental funds:

General Fund – is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds – account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The following are the Town's Special Revenue Funds: Fire Fund and Police Fund.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the Town's major enterprise fund:

Earlsboro Public Works Authority – accounts for the operations of providing public works (sewer) to the Town.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposits, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments.

2. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

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

4. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

5. Inventories

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories are recorded as expenditures when purchased rather than when consumed.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All reported capital assets are depreciated except construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacements. Land has not been included which is a variance from accounting principals generally accepted in the United States of America.

The financial statements of Earlsboro Public Works Authority include property and equipment. Depreciation has not charged in prior years. This is a variance from accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The Town and the Earlsboro Public Works Authority has not maintained accurate capital assets records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the Town or component unit.

8. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance(net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Net Assets and Fund Balances

Restricted Fund Balance – Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors contributors, or laws or regulations of other governments: or
- Imposed by law through constitutional provisions or enabling legislation.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United State of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements. GAAP requires that the budget to actual financial statement be presented for all funds which prepare an annual budget. This financial statement was not presented since no annual budget was prepared.

After July 1, an Estimate of Needs, or budget, which is submitted to the Town Council for approval. The budget is then forwarded to the County Excise Board. Public hearings are held at regular or special meetings to obtain taxpayer input. The budget is legally enacted through approval of the County Excise Board. The operating budget, for all budgeted fund, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriation at this level. All budget revisions at the legal level are subject to final approval by the Town Council. All annual appropriations lapse at year-end.

The Town uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town 's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town 's name.

The Town 's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school Town s in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 2 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013 the Town held deposits of approximately \$531,139 and investments of \$112,493 at financial institutions. The Town's cash deposits, including interest-bearing accounts, and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town 's name. Therefore, the Town was not exposed to custodial credit risk as defined above.

Investment Credit Risk

The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. government, its agencies and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school Town debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school Town .
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Town has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The Town had no investment credit risk as of June 30, 2013, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town places no limit on the amount it may invest in any one issuer.

At June 30, 2013, the Town had 80% concentration of credit risk as defined above.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

The capital asset balances of the governmental activities have been restated due to omissions in the prior year.

Governmental Activities:	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	Ending Balance <u>June 30, 2013</u>
Buildings	\$ 56,291	-	56,291
Infrastructure	249,344	-	249,344
Equipment	157,009	-	157,009
Land	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Total	<u>\$ 480,644</u>	<u>-</u>	<u>480,644</u>
 Business-Type Activities:			
Lagoon	\$ 628,940	-	628,940
Less:			
Depreciation	<u>(268,216)</u>	<u>-</u>	<u>(268,216)</u>
Net	<u>\$ 360,724</u>	<u>-</u>	<u>360,724</u>

C. Long-term Debt

The Town does not maintain a general long-term debt account group since all long-term liabilities are recorded in the Town's component units. The Town is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trust of the Town:

	Balance Outstanding <u>June 30, 2012</u>	<u>Retired</u>	Balance Outstanding <u>June 30, 2013</u>
Earlsboro Public Works Authority			
Note payable			
92-01 @ 5%			
Rural Development	<u>\$ 59,000</u>	<u>(1,807)</u>	<u>57,193</u>

TOWN OF EARLSBORO
Earlsboro, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Long-term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2014	\$ 1,895	2,821	4,716
2015	2,141	2,575	4,716
2016	2,249	2,467	4,716
2017	2,363	2,353	4,716
2018-22	13,736	9,844	23,580
2023-27	17,583	5,997	23,580
2028-31	<u>17,226</u>	<u>1,322</u>	<u>18,548</u>
Total	<u>\$ 57,193</u>	<u>27,379</u>	<u>84,572</u>

Principal, redemption premium, and interest on EPWA debt are payable from the gross revenues of the water, sanitary sewer and solid waste disposal systems, and from other funds established by the bond indentures.

4. AUTHORITIES

A. Earlsboro Public Works Authority (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the Town (sewer) were transferred to the Earlsboro Public Works Authority. The Earlsboro Public Works Authority provides utility services for its customers including the Town of Earlsboro and its related departments.

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 10, 2015, which is the date the financial statements were available to be issued.

CITY OF EARLSBORO
Earlsboro, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2013

TOWN OF EARLSBORO
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL GOVERNMENTAL FUNDS
Year Ended June 30, 2013

GENERAL FUND

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues				
Interest	\$ 1,038	1,038	681	(357)
Franchise fees	10,359	10,359	11,816	1,457
Sales tax	130,071	130,071	172,642	42,571
Motor vehicle collections	3,836	3,836	4,491	655
Alcohol beverage tax	1,997	1,997	2,310	313
Cigarette tax	2,740	2,740	2,414	(326)
Gas tax	1,135	1,135	1,176	41
Intergovernmental programs	21,098	21,098	8,663	(12,435)
Donations	-	-	7,640	7,640
Miscellaneous	313	313	197	(116)
Total revenues	<u>172,587</u>	<u>172,587</u>	<u>212,030</u>	<u>39,443</u>
Expenditures:				
Current				
Personal Services	35,000	35,000	35,688	(688)
Maintenance & Operations	200,000	200,000	124,241	75,759
Capital outlay	<u>234,009</u>	<u>234,009</u>	<u>25,149</u>	<u>208,860</u>
Total expenditures	<u>469,009</u>	<u>469,009</u>	<u>185,078</u>	<u>283,931</u>
Excess of revenues over (under) expenditures	(296,422)	(296,422)	26,952	(244,488)
Other financing sources (uses)				
Lapsed appropriations	<u>-</u>	<u>-</u>	<u>475</u>	<u>475</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(296,422)	(296,422)	27,427	(244,013)
Fund balance at beginning of year	<u>296,422</u>	<u>296,422</u>	<u>296,422</u>	<u>-</u>
Fund balance at end of year	<u>-</u>	<u>-</u>	<u>323,849</u>	<u>(244,013)</u>
Reconciliation to GAAP Basis				
Accounts Receivable			<u>17,160</u>	
Fund Balance at the end of year, GAAP Basis			<u>\$ 341,009</u>	

TOWN OF EARLSBORO
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	POLICE DEPT	FIRE DEPT	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 312,500	7,283	319,783
Accounts Receivable	5,720	-	5,720
Total Assets	\$ 318,220	7,283	325,503
<u>LIABILITIES AND FUND EQUITY</u>			
Fund Equity			
Fund balance:			
Restricted	318,220	7,283	325,503
Total fund equity	318,220	7,283	325,503
Total Liabilities and Fund Equity	\$ 318,220	7,283	325,503

TOWN OF EARLSBORO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	POLICE DEPT	FIRE DEPT	TOTALS NON-MAJOR GOVERNMENTAL FUNDS
Revenues			
Sales Tax	\$ 50,506	-	50,506
Intergovernmental	-	10,140	10,140
Interest earnings	204	6	210
Total revenues	50,710	10,146	60,856
Expenditures			
Personal Services	1,658	-	1,658
Maintenance & Operations	939	6,791	6,144
Total expenditures	2,597	6,791	9,388
Excess of revenues over (under) expenditures	48,113	3,355	51,468
Fund balances, beginning of period	270,107	3,928	274,035
Fund balances, end of period	\$ 318,220	7,283	325,503

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

American Institute of Certified Public Accountants

Members

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' 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

June 10, 2015

Honorable Mayor and Town Council Members
Town of Earlsboro
Earlsboro, Oklahoma

We 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 the Town of Earlsboro, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Earlsboro, Oklahoma's basic financial statements, and have issued our report thereon dated June 10, 2015. The report on governmental and business-type activities was qualified because of the lack of fixed asset records. Additionally, the Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. We consider the deficiencies in the accompanying schedule of findings and questioned costs to be significant deficiencies. The findings are Finding s14-1 through 14-2.

Town of Earlsboro
June 10, 2015

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

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not detect any deficiencies in internal control over financial reporting that we consider to be a material weakness as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as findings and responses. The findings are Findings 14-3 through 14-7. We also reported matters to the Town's management in a separate letter dated June 10, 2015.

The Town of Earlsboro, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Earlsboro, Oklahoma's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion.

Purpose of this Report

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

Wilson Dotson & Associates

Wilson, Dotson & Associates, PLLC
Certified Public Accountants

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2013

Finding 13-01:

Financial Statements

Criteria

The Town is required to have internal controls over financial reporting, which includes the presentation of the annual financial statements in accordance with generally accepted accounting principles.

Condition

The Town did not prepare financial statements in accordance with GAAP.

Cause

The Town's administrative staff lacks the necessary knowledge, expertise and education relative to preparing GAAP financial statements, as in the case of many smaller entities.

Effect

The financial statements were prepared with the assistance of the external auditor and a board member.

Town Response

The Town will train the City/Treasurer to prepare the necessary adjustments to prepare the financial statements in accordance with GAAP.

TOWN OF EARLSBORO
Earlsboro, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

Finding 12-01:

Financial Statements

Criteria

The Town is required to have internal controls over financial reporting, which includes the presentation of the annual financial statements in accordance with generally accepted accounting principles.

Condition

The Town did not prepare financial statements in accordance with GAAP.

Cause

The Town's administrative staff lacks the necessary knowledge, expertise and education relative to preparing GAAP financial statements, as in the case of many smaller entities.

Effect

The financial statements were prepared with the assistance of the external auditor and a board member.

Town Response

The Town will train the City/Treasurer to prepare the necessary adjustments to prepare the financial statements in accordance with GAAP.