

FILED
NOV 30 2011
State Auditor & Inspector

df

RECEIPT #
16929

AUDIT REPORT

TOWN OF HAWORTH, OKLAHOMA

JUNE 30, 2011



KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

TOWN OF HAWORTH, OKLAHOMA
JUNE 30, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	4-5
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
EXHIBIT A STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	6
EXHIBIT B STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	7
Fund Financial Statements:	
EXHIBIT C BALANCE SHEET - GOVERNMENTAL FUNDS MODIFIED CASH BASIS	8
EXHIBIT D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	9-10
EXHIBIT E STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	11
EXHIBIT F STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	12
EXHIBIT G STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	13
NOTES TO THE FINANCIAL STATEMENTS	14-24
REQUIRED SUPPLEMENTARY INFORMATION:	
EXHIBIT H BUDGETARY COMPARISON SCHEDULE	25
NOTES TO BUDGETARY COMPARISON SCHEDULE	26

TOWN OF HAWORTH, OKLAHOMA
JUNE 30, 2011

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* 27-28

SCHEDULE OF FINDINGS 29

OTHER SUPPLEMENTARY INFORMATION:

EXHIBIT I COMBINING BALANCE SHEET - NONMAJOR
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS 30

EXHIBIT J COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
- NONMAJOR GOVERNMENTAL FUNDS - MODIFIED
CASH BASIS 31

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Haworth, 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 the Town of Haworth, Oklahoma, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town of Haworth, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Haworth, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in the Notes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Haworth, Oklahoma, as of June 30, 2011, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, I have also issued my report dated October 21, 2011, on my consideration of the Town of Haworth, Oklahoma's internal control over financial reporting and on 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 compliance with Government Auditing Standards and should be considered in assessing the results of my audit.

The budgetary comparison information and the notes to the budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

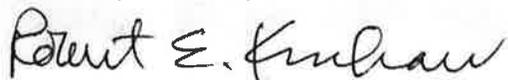
WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The Town of Haworth has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Haworth's basic financial statements. The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion thereon.



Robert E. Kershaw, CPA

October 21, 2011

TOWN OF HAWORTH, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	2011 Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 38,795	\$ 67,650	\$ 106,444
Investments	-	-	-
Total Current Assets	<u>38,795</u>	<u>67,650</u>	<u>106,444</u>
Other Assets:			
Cash and cash equivalents - Restricted	-	27,845	27,845
Total Other Assets	<u>-</u>	<u>27,845</u>	<u>27,845</u>
Capital Assets:			
Land	-	42,950	42,950
Capital Assets, net of Accum. Depreciation	<u>635,644</u>	<u>1,089,571</u>	<u>1,725,215</u>
Total Capital Assets	<u>635,644</u>	<u>1,132,521</u>	<u>1,768,165</u>
TOTAL ASSETS	<u><u>674,439</u></u>	<u><u>1,228,016</u></u>	<u><u>1,902,455</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	-	-
Current Portion of Long-Term Debt	2,968	12,547	15,515
Customer Deposits	-	<u>11,546</u>	<u>11,546</u>
Total Current Liabilities	<u>2,968</u>	<u>24,093</u>	<u>27,061</u>
Long-Term Liabilities:			
Capital Debt Obligations	2,968	-	2,968
Notes Payable - USDA RD	-	284,648	284,648
Less: Current Portion of Long-Term Debt	<u>(2,968)</u>	<u>(12,547)</u>	<u>(15,515)</u>
Total Long-Term Liabilities	<u>-</u>	<u>272,101</u>	<u>272,102</u>
TOTAL LIABILITIES	<u><u>2,968</u></u>	<u><u>296,195</u></u>	<u><u>299,163</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	632,676	847,873	1,480,549
Restricted for:			
Debt Service	-	27,845	27,845
Other Purposes	-	-	-
Unrestricted	<u>38,795</u>	<u>56,103</u>	<u>94,898</u>
TOTAL NET ASSETS	<u><u>\$ 671,471</u></u>	<u><u>\$ 931,822</u></u>	<u><u>\$ 1,603,292</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 109,072	\$ -	\$ 12,749	\$ -	\$ (96,323)
Public Safety	32,891	31,532	-	-	(1,359)
Highways & Streets	2,880	-	-	-	(2,880)
Debt Service - Interest Expense	300	-	-	-	(300)
Total Governmental Activities	145,143	31,532	12,749	-	(100,862)
Business-type activities:					
Water	66,098	56,913	-	-	(9,185)
Sewer	23,127	32,788	-	-	9,661
Sanitation	-	4,337	-	-	4,337
Misc. Other Business Activities	34,069	6,054	-	-	(28,015)
Total Business-type Activities	123,293	100,092	-	-	(23,201)
Total	\$ 268,437	\$ 131,624	\$ 12,749	\$ -	\$ (124,063)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (100,862)	\$ (23,201)	\$ (124,063)
General revenues:			
Taxes:			
Sales Tax	32,989	-	32,989
Cigar Tax	474	-	474
Franchise Tax	536	-	536
Intergovernmental:			
Motor Vehicle Tax	2,276	-	2,276
Alcoholic Beverage Tax	4,617	-	4,617
Gasoline Excise Tax	659	-	659
Licenses & Permits	150	-	150
Miscellaneous Income	11,571	-	11,571
Interest Income	15	349	364
Transfers - Internal Activity	(6,774)	6,774	-
Total general revenues & transfers	46,513	7,123	53,636
Changes in net assets	(54,349)	(16,078)	(70,427)
Net assets - beginning	735,344	959,261	1,694,605
Net assets - prior year adjustment	(9,525)	(11,361)	(20,886)
Net assets - ending	\$ 671,471	\$ 931,822	\$ 1,603,292

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF HAWORTH, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Street & Alley Fund	Senior Citizens Center	Police Department	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 15,011	\$ 4,705	\$ 9,462	\$ 6,597	\$ 3,020	\$ 38,795
Investments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 15,011</u>	<u>\$ 4,705</u>	<u>\$ 9,462</u>	<u>\$ 6,597</u>	<u>\$ 3,020</u>	<u>\$ 38,795</u>
LIABILITIES & FUND EQUITY						
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:						
Unreserved	15,011	4,705	9,462	6,597	-	35,775
Unreserved, reported in nonmajor special revenue funds	-	-	-	-	3,020	3,020
TOTAL FUND BALANCES	<u>15,011</u>	<u>4,705</u>	<u>9,462</u>	<u>6,597</u>	<u>3,020</u>	<u>38,795</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,011</u>	<u>\$ 4,705</u>	<u>\$ 9,462</u>	<u>\$ 6,597</u>	<u>\$ 3,020</u>	

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$991,254.95, net of accumulated depreciation of \$355,610.95, are not financial resources and, therefore, are not reported in the funds.	635,644
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,968)</u>
Net Assets of Governmental Activities	<u>\$ 671,471</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Street & Alley Fund	Senior Citizens Center	Police Department	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes:						
Sales Tax	\$ 32,989	\$ -	\$ -	\$ -	\$ -	32,989
Cigar Tax	474	-	-	-	-	474
Franchise Tax	536	-	-	-	-	536
Intergovernmental:						
Motor Vehicle Tax	-	2,276	-	-	-	2,276
Alcoholic Beverage Tax	4,617	-	-	-	-	4,617
Gasoline Excise Tax	-	659	-	-	-	659
Grants	-	-	12,749	-	-	12,749
Fines & Forfeitures	-	-	-	31,532	-	31,532
Licenses & Permits	150	-	-	-	-	150
Miscellaneous Income	1,011	-	3,771	3,260	3,529	11,571
Interest Income	10	5	-	-	-	15
TOTAL REVENUES	39,787	2,940	16,520	34,792	3,529	97,569
EXPENDITURES:						
General Government	36,094	-	17,183	-	4,326	57,603
Public Safety	-	-	-	32,891	-	32,891
Highways & Streets	-	2,880	-	-	-	2,880
Debt Service	2,871	-	-	4,550	-	7,421
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	38,965	2,880	17,183	37,441	4,326	100,795
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	823	60	(662)	(2,649)	(797)	(3,227)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	2,687	-	-	-	100	2,787
Operating Transfers Out	(9,561)	-	-	-	-	(9,561)
Capital Debt Proceeds	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,874)	-	-	-	100	(6,774)
NET CHANGES IN FUND BALANCES	(6,052)	60	(662)	(2,649)	(697)	(10,001)
FUND BALANCE - BEGINNING OF YEAR	21,058	4,645	10,047	8,646	3,836	48,231
FUND BALANCE - PRIOR YEAR ADJUSTMENT	4	-	78	600	(118)	564
FUND BALANCE - END OF YEAR	\$ 15,011	\$ 4,705	\$ 9,462	\$ 6,597	\$ 3,020	38,795

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$ (10,001)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital debt obligation principal payments	7,121
Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:	
Capital Debt Proceeds	-
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	-
Depreciation expense	(51,469)
	<hr/>
Change in Net Assets of Governmental Activities	\$ (54,349)

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF HAWORTH, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2011**

	Haworth Public Works Authority Enterprise Fund	
	<u>June 30, 2011</u>	<u>Memo Only June 30, 2010</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 67,650	\$ 61,849
Accounts Receivable	-	11,663
Total Current Assets	<u>67,650</u>	<u>73,512</u>
Noncurrent Assets:		
Restricted cash and investments	27,845	27,642
Land	42,950	42,950
Other capital assets, net of accumulated depreciation	1,089,571	1,123,639
Total Noncurrent Assets	<u>1,160,366</u>	<u>1,194,231</u>
TOTAL ASSETS	<u>1,228,016</u>	<u>1,267,744</u>
<u>LIABILITIES & FUND EQUITY</u>		
Current Liabilities:		
Current Portion of Long-Term Debt	12,547	12,316
Customer Deposits	11,546	11,520
Total Current Liabilities	<u>24,093</u>	<u>23,836</u>
Noncurrent Liabilities:		
Notes Payable - USDA RD	284,648	296,962
Less: Current Portion of Long-Term Debt	(12,547)	(12,316)
Total Noncurrent Liabilities	<u>272,101</u>	<u>284,646</u>
TOTAL LIABILITIES	<u>296,195</u>	<u>308,482</u>
NET ASSETS:		
Invested in capital assets, net of related debt	847,873	869,627
Restricted for debt service	27,845	27,642
Unrestricted	56,103	61,992
TOTAL NET ASSETS	<u>\$ 931,822</u>	<u>\$ 959,261</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Haworth Public Works Authority Enterprise Fund	
	<u>June 30, 2011</u>	<u>Memo Only June 30, 2010</u>
<u>OPERATING REVENUES:</u>		
Charges for services:		
Water	\$ 56,913	\$ 63,981
Sewer	32,788	33,651
Sanitation	4,337	4,805
Volunteer Fire Department	1,473	1,388
Late/connect/reconnect fees	3,555	4,710
Miscellaneous Income	1,026	-
TOTAL OPERATING REVENUES	<u>100,092</u>	<u>108,535</u>
<u>OPERATING EXPENSES:</u>		
Water Purchases	24,742	25,377
Personal Services - Water	25,846	33,996
Personal Services - Sewer	5,000	-
Maintenance & Operations - Water	15,510	26,954
Maintenance & Operations - Sewer	8,000	-
Depreciation	34,069	33,944
TOTAL OPERATING EXPENSES	<u>113,167</u>	<u>120,271</u>
NET OPERATING INCOME (LOSS)	<u>(13,075)</u>	<u>(11,736)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	349	440
Interest Expense	(10,127)	(10,612)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(9,778)</u>	<u>(10,172)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	<u>(22,852)</u>	<u>(21,908)</u>
Capital Contributions	-	-
Transfers in	9,561	10,989
Transfers out	(2,787)	-
CHANGE IN NET ASSETS	<u>(16,078)</u>	<u>(10,919)</u>
TOTAL NET ASSETS - BEGINNING	959,261	970,180
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT	(11,361)	-
TOTAL NET ASSETS - ENDING	<u>\$ 931,822</u>	<u>\$ 959,261</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT G

TOWN OF HAWORTH, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011	Memo Only 2010
<u>Net Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 100,092	\$ 106,641
Payments to Suppliers, Employees & Laborers	(79,098)	(86,304)
Receipts of Customer Utility Deposits, Net of Refunds	26	(3,673)
Net Cash Provided (Used) by Operating Activities	<u>21,020</u>	<u>16,664</u>
<u>Net Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfers in	9,561	10,989
Operating Transfers Out	(2,787)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>6,774</u>	<u>10,989</u>
<u>Net Cash Flows from Capital & Related Financing Activities:</u>		
Additions to Capital Assets	-	-
Capital Contributions	-	-
Loan Proceeds received	-	-
Principal paid on Notes	(12,013)	(11,505)
Interest paid on Notes	(10,127)	(10,635)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(22,140)</u>	<u>(22,140)</u>
Net Cash Flows from Investing Activities:		
Interest Income	349	440
Net Cash Provided (Used) by Investing Activities	<u>349</u>	<u>440</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,004	5,953
Cash & Cash Equivalents, Beginning of Year	89,491	83,538
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	<u>\$ 95,495</u>	<u>\$ 89,491</u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ (13,075)	\$ (11,736)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation Expense	34,069	33,944
(Increase)Decrease in Accounts Receivable	-	(1,894)
Increase(Decrease) in Accounts Payable	-	23
Increase(Decrease) in Customer Deposits	26	(3,673)
Net Cash Provided (Used) by Operating Activities	<u>\$ 21,020</u>	<u>\$ 16,664</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Town of Haworth, Oklahoma is a "Statutory Town Government" under Title 11 of the Oklahoma Statutes.

The Town provides the following services: public safety (fire and police), streets and highways, public improvements, planning and zoning and general administrative services. The Haworth Public Works Authority (Enterprise Fund) provides water, sewer and sanitation services. The Haworth Public Works Authority (the PWA) is a public trust created under the authority of Title 60 Oklahoma Statutes.

FUND ACCOUNTING

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund types and two generic categories as follows:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds.

<u>Fund</u>	<u>Brief Description</u>
Street & Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Sr. Citizens Fund	Accounts for revenues and expenditures of various nutrition grants per grant agreement requirements.
Police Dept. Fund	Accounts for revenues and expenditures of police operations.
Volunteer Fire Dept. Fund	Accounts for revenues and expenditures of Fire Department activities.
Cemetery Fund	Accounts for cemetery revenues that are legally restricted for cemetery use.
Special Projects Fund	Accounts for revenues and expenditures of a State Department of Commerce Grant per the grant agreement.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise funds are used to account for the acquisition, operation and maintenance of Town facilities which are financed primarily by user charges. The Enterprise funds are accounted for similar to activities of the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The Haworth Public Works Authority is accounted for as the Town's Enterprise Fund.

Haworth Public Works Authority	Accounts for the activities of the public trust in providing water, sewer and sanitation services to the public.
--------------------------------	--

BASIS OF ACCOUNTING

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

The cash basis of accounting is followed by all funds of the Town, which is not in accordance with generally accepted accounting principles. Under this cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid. In accordance with generally accepted accounting principles, governmental fund types would utilize the modified accrual basis of accounting while proprietary type funds would use the accrual basis of accounting.

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

If the books of the governmental fund types and the similar trust fund were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recorded when susceptible to accrual (i.e. both measurable) and available and expenditures would be recorded when the current liability is incurred. If the books of the proprietary fund types and similar trust funds were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recognized when earned and expenses would be recorded when the liability is incurred.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RESTRICTED ASSETS

Under the terms of the loan agreement with USDA Rural Development, the Haworth Public Works Authority must maintain certain "funds" in restricted accounts. These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts, they merely represent mandatory asset segregation.

BUDGET

In accordance with Oklahoma Statutes, Title 68, the Town Council is required to formally adopt annual budgets, which include substantially all general funds. These required annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

CAPITAL ASSETS

The capitalization threshold has been set at \$500.00. Assets purchased by the Town or PWA are recorded as assets at cost or if contributed property at the estimated fair market value at the time of contribution. Repairs and maintenance cost are recorded as expenses. The sale or disposition of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Assets are depreciated over their useful lives of 5 to 50 years using the straight-line method.

ESTIMATES

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

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

COMPENSATED ABSENCES AND FRINGE BENEFITS

Governmental Generally Accepted Accounting Principles require the recording of an expenditure and the accrual of a liability for future vacation, sick pay, and other leave benefits for employee services already rendered, related to rights that vest, if the payment of compensation is probable and the amount of benefits can be reasonably estimated.

The Town's financial statements have been prepared on the cash basis and benefit cost (if any) are recognized when the benefits are paid. An accrued liability for benefits has not been recognized or reported in the financial statements.

EQUITY CLASSIFICATION

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission.

Property Tax

For the year ended June 30, 2011, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Enterprise Fund Revenues

Revenues consist of sales of water, sewer, and sanitation services to individuals, business owners, and others within the Town corporate limits and nearby area.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current (further classified by
activity) Capital Outlay
Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

Memorandum Only

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Authority for this fiscal year.

Excess of Expenditures Over Appropriations

The Towns total charges to appropriations did not exceed budgeted amounts.

NOTE 3 - DEPOSITS, INVESTMENTS AND COLLATERAL

Custodial Credit Risk

At June 30, 2011, the Town held deposits of approximately \$134,289 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Investment Interest Rate Risk

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.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. 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.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school Town tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school Town.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the Governmental Fund Type, resulting from the modified cash transactions, for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities:

	Balance 7/1/10	Additions	Deductions	Balance 6/30/11
Buildings	\$ 487,536	\$ -	\$ -	\$ 487,536
Improvements	2,800	-	-	2,800
Machinery & Equipment	500,919	-	-	500,919
Total capital assets at cost	<u>991,255</u>	<u>-</u>	<u>-</u>	<u>991,255</u>
Less: Accum. Depreciation for:				
Buildings	170,638	24,377	-	195,015
Improvements	1,820	280	-	2,100
Machinery & Equipment	131,684	26,812	-	158,496
Total Accumulated Depreciation	<u>304,142</u>	<u>51,469</u>	<u>-</u>	<u>355,611</u>
Governmental Activities Capital Assets, Net	<u>\$ 687,113</u>	<u>\$ (51,469)</u>	<u>\$ -</u>	<u>\$ 635,644</u>

Capital asset activity for the Proprietary Fund Type, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2011, was as follows:

Business-type Activities:

	Balance 7/1/10	Additions	Deductions	Balance 6/30/11
Capital assets not being depreciated:				
Land	\$ 42,950	\$ -	\$ -	\$ 42,950
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>42,950</u>	<u>-</u>	<u>-</u>	<u>42,950</u>
Other capital assets:				
Utility property & improvements	816,310	-	-	816,310
Lagoon	816,692	-	-	816,692
Vehicles	14,000	-	-	-
Machinery & Equipment	6,022	-	-	6,022
Total depreciable capital assets	<u>1,653,024</u>	<u>-</u>	<u>-</u>	<u>1,639,024</u>
Less: Accum. Depreciation for:				
Utility property & improvements	423,383	16,685	-	440,068
Lagoon	89,554	16,334	-	105,888
Vehicles	12,800	800	-	13,600
Machinery & Equipment	3,647	250	-	3,897
Total Accumulated Depreciation	<u>529,385</u>	<u>34,069</u>	<u>-</u>	<u>563,453</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,123,639</u>	<u>\$ (34,069)</u>	<u>\$ -</u>	<u>\$ 1,118,521</u>

Depreciation expense for the year ended June 30, 2011, aggregating \$34,069, has been computed on assets with a cost basis totaling \$1,639,024. There were no current year additions.

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

Capital Lease Payable

Capital lease payable to McCurtain County National Bank for police equipment requiring monthly payments of principal and interest in the amount of \$350. Collateral for this obligation is the equipment purchased.

Capital lease payable to McCurtain County National Bank for police equipment requiring monthly payments of principal and interest in the amount of \$260.98. Collateral for this obligation is the equipment purchased.

Changes in Long-Term Debt

The following is a summary of changes in capital debt obligations for the year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
MCNB #1	\$ 7,053.72	\$ -	\$ (4,341.38)	\$ 2,712.34
MCNB #2	\$ 3,035.00	\$ -	\$ (2,779.46)	\$ 255.54
Total Long-Term Debt	<u>\$ 10,088.72</u>	<u>\$ -</u>	<u>\$ (7,120.84)</u>	<u>\$ 2,967.88</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Annual Payment
2012	\$ 2,968	\$ 95	\$ 3,063
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017-2021	-	-	-
Total	<u>\$ 2,968</u>	<u>\$ 95</u>	<u>\$ 3,063</u>

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUND - HAWORTH PUBLIC WORKS AUTHORITY

The Authority has a note payable (Note 92-02) dated September 30, 1991 to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$786 until maturity, including interest at 5.0%. The original amount of the loan was \$160,000.00. The note is secured by a mortgage on the Authority's

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

sewer system including all real and personal property and including the revenues and profits from the operations of the system.

The Authority has a note payable (Note 92-03) dated December 15, 1999 to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$1,059 until maturity, including interest at 3.25%. The original amount of the loan was \$280,000.00. The note is secured by a mortgage on the Authority's sewer system including all real and personal property and including the revenues and profits from the operations of the system.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
USDA RD Note 92-02	\$ 41,253.47	\$ -	\$ (7,540.18)	\$ 33,713.29
USDA RD Note 92-03	255,408.29	-	(4,473.14)	250,935.15
Total Long-Term Debt	<u>\$ 296,661.76</u>	<u>\$ -</u>	<u>\$ (12,013.32)</u>	<u>\$ 284,648.44</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2011, are as follows:

Year Ended June 30,	USDA RD Note 92-02			USDA RD Note 92-03		
	Principal	Interest	Annual Payment	Principal	Interest	Annual Payment
2012	\$ 7,926	\$ 1,506	\$ 9,432	\$ 4,621	\$ 8,087	\$ 12,708
2013	8,332	1,100	9,432	4,773	7,935	12,708
2014	8,758	674	9,432	4,931	7,777	12,708
2015	8,697	226	8,923	5,094	7,614	12,708
2016	-	-	-	5,262	7,446	12,708
2017-2021	-	-	-	29,029	34,511	63,540
2022-2026	-	-	-	34,144	29,396	63,540
2027-2031	-	-	-	40,160	23,380	63,540
2032-2036	-	-	-	47,235	16,305	63,540
2037-2041	-	-	-	55,558	7,982	63,540
2042-2043	-	-	-	20,128	565	20,693
Total	<u>\$ 33,713</u>	<u>\$ 3,505</u>	<u>\$ 37,219</u>	<u>\$ 250,935</u>	<u>\$ 150,998</u>	<u>\$ 401,933</u>

TOWN OF HAWORTH, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 6 - INTERFUND TRANSFERS

The interfund transactions for the year were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund:		
Special Revenue	-	-
Haworth PWA	9,561	2,687
Haworth Public Works Authority:		
General Fund	2,687	9,561
Special Revenue Fund	100	
Special Revenue:		
General Fund	-	-
Haworth Public Works Authority		100
Total All Funds	<u>12,348</u>	<u>12,348</u>

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The restricted net assets are described in Note 1 above.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

GRANT PROGRAMS

The Town participates in certain federal and state grant programs as available; currently the town is not participating in any ongoing programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

LITIGATION

The Town has no known pending claims or lawsuits against it as of June 30, 2011. In the event that the Town is held liable for damages in any lawsuits that arise, the resulting judgments will be paid from ad valorem taxes levied over a three (3) year period through the Town's Debt Service Fund.

TOWN OF HAWORTH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through October 21, 2011, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2011.

TOWN OF HAWORTH, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 21,058	\$ 21,058	\$ 21,058	\$ -
Resources (Inflows):				
Taxes:				
Sales Tax	28,871	28,871	32,989	4,118
Cigar Tax	392	392	474	82
Franchise Tax	5,391	5,391	536	(4,855)
Intergovernmental:				
Motor Vehicle Tax	-	-	-	-
Alcoholic Beverage Tax	4,014	4,014	4,617	603
Gasoline Excise Tax	-	-	-	-
Grants	-	-	-	-
Fines & Forfeitures	-	-	-	-
Licenses & Permits	-	-	150	150
Miscellaneous Income	94	94	1,011	917
Interest Income	-	-	10	10
Operating Transfers In	-	-	2,687	2,687
Amounts available for appropriation	<u>59,820</u>	<u>59,820</u>	<u>63,533</u>	<u>3,713</u>
Charges to Appropriations (Outflows):				
General Government	47,320	47,320	36,094	11,226
Public Safety	-	-	-	-
Highways & Streets	-	-	-	-
Debt Service	-	-	2,871	(2,871)
Capital Outlay	2,000	2,000	-	2,000
Operating Transfers Out	<u>10,500</u>	<u>10,500</u>	<u>9,561</u>	<u>939</u>
Total Charges to Appropriations	<u>59,820</u>	<u>59,820</u>	<u>48,526</u>	<u>11,294</u>
Prior Year Adjustments to Fund Balance	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>15,011</u>	<u>15,011</u>

TOWN OF HAWORTH, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department

The budget is prepared on the same modified cash basis of accounting as applied to the basic financial statements. Revenues and expenses are reported when they result from cash transactions.

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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 Board of Trustees
Town of Haworth, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the Town of Haworth, State of Oklahoma, as of June 30, 2011, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and which collectively comprise the Town's basic financial statements and have issued my report thereon dated October 21, 2011. The Town of Haworth has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A. I conducted my audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in accordance with Oklahoma Statutes.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that I consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Item 11-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

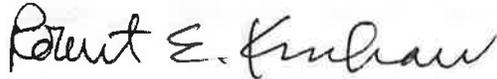
is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Haworth's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Haworth's response to the findings identified in my audit is described in the accompanying Schedule of Findings. I did not audit Town of Haworth's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, the USDA Rural Development and the Oklahoma State Auditor and Inspector's office and is not intended to be and should not be used by anyone other than these specified parties.



Robert E. Kershaw, CPA

October 21, 2011

TOWN OF HAWORTH, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

INTERNAL CONTROL FINDINGS

Item 11-01 - Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the organization.

**TOWN OF HAWORTH, OKLAHOMA
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Volunteer Fire Department</u>	<u>Cemetery Fund</u>	<u>Special Projects- CDBG</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 555	\$ 2,365	\$ 100	\$ 3,020
Investments	-	-	-	-
TOTAL ASSETS	\$ 555	\$ 2,365	\$ 100	\$ 3,020
<u>LIABILITIES & FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
<u>FUND BALANCES:</u>				
Unreserved, reported in nonmajor special revenue funds	555	2,365	100	3,020
TOTAL FUND BALANCES	555	2,365	100	3,020
TOTAL LIABILITIES AND FUND BALANCES	\$ 555	\$ 2,365	\$ 100	\$ 3,020

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF HAWORTH, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Volunteer Fire Department</u>	<u>Cemetery Fund</u>	<u>Special Projects- CDBG</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:				
Taxes:				
Sales Tax	\$ -	\$ -	\$ -	\$ -
Franchise Tax	-	-	-	-
Intergovernmental:				
Alcoholic Beverage Tax	-	-	-	-
Gasoline Excise Tax	-	-	-	-
Motor Vehicle Tax	-	-	-	-
Grants	-	-	-	-
Fines & Forfeitures	-	-	-	-
Miscellaneous Income	1,534	1,995	-	3,529
Interest Income	-	-	-	-
TOTAL REVENUES	<u>1,534</u>	<u>1,995</u>	<u>-</u>	<u>3,529</u>
EXPENDITURES:				
General Government	-	-	-	-
Public Safety	2,989	-	-	2,989
Highways & Streets	-	1,337	-	1,337
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>2,989</u>	<u>1,337</u>	<u>-</u>	<u>4,326</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,455)	658	-	(797)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	100	100
Operating Transfers Out	-	-	-	-
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
NET CHANGES IN FUND BALANCES	(1,455)	658	100	(697)
FUND BALANCE - BEGINNING OF YEAR	2,128	1,707	-	3,836
FUND BALANCE - PRIOR YEAR ADJUSTMENT	(118)	-	-	(118)
FUND BALANCE - END OF YEAR	<u>\$ 555</u>	<u>\$ 2,365</u>	<u>\$ 100</u>	<u>\$ 3,020</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

