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THE TOWN OF OAKS, OKLAHOMA

AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2011

JUSTIN W. COWAN

CERTIFIED PUBLIC ACCOUNTANT

OAKS, OKLAHOMA

TOWN OF OAKS, OKLAHOMA
AUDITED BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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JUSTIN W. COWAN
CERTIFIED PUBLIC ACCOUNTANT

Oaks, OK

PH: 918-479-6136

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Town of Oaks, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Oaks, Oklahoma as of the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oaks, Oklahoma's management. My responsibility is to express an opinion on these 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. These 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.

In my opinion, except for the effects, if any, on the financial statements of incomplete capital asset record keeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Oaks, Oklahoma as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 19, 2011 on my consideration of the Town of Oaks, 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Town of Oaks, Oklahoma has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined necessary to supplement, although not required to be a part of, the basic financial statements.



Justin W. Cowan
Certified Public Accountant

October 19, 2011

TOWN OF OAKS, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Demand Deposits	9,104.10	2206.54	11,821.10
Investments	0	0	0
Accounts Receivable (Net)	0	750.00	750.00
Internal Balances	0	0	0
Grants Receivable	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Assets	9,104.10	2,956.54	12,571.10
Capital Assets			
Restricted Savings	0	3,040.26	1,084.53
Depreciable Property & Equipment	313,225.00	572,250.00	885,475.00
Less Accumulated Depreciation	(304,320.00)	0	(304,320.00)
Land	<u>50,000.00</u>	<u>0</u>	<u>50,000.00</u>
Total Capital Assets	58,905.00	575,290.26	632,239.53
TOTAL ASSETS	68,009.10	578,246.80	644,810.63
LIABILITIES			
Current Liabilities:			
Accounts Payable	0	1,740.46	1,710.50
Due to Town of Oaks	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	0	1,740.46	1,710.50
Total Non-current Liabilities	0	0	0
TOTAL LIABILITIES	0	1,740.46	1,710.50
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	58,905.00	572,290.26	631,155.00
Restricted for Debt & Deposits	0	3,040.26	1,084.53
Unrestricted	<u>9,104.10</u>	<u>1,175.82</u>	<u>12,571.10</u>
TOTAL NET ASSETS	68,009.10	576,506.34	644,810.63

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

TOWN OF OAKS, OKLAHOMA
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets		Total Activities
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General Government	26,149.65	0		0	(26,149.65)		(26,149.65)
Public Safety and Parks	6,100.00	0		0	(6,100.00)		(6,100.00)
Total Governmental Activities	32,249.65	0		0	(32,249.65)		(32,249.65)
Business-type Activities:							
Sewer	28,952.67	20,841.50		6,833.75		(1,277.42)	(1,277.42)
Total Business-type Activities	28,952.67	20,841.50		6,833.75		(1,277.42)	(1,277.42)
Total All Activities	61,202.32	20,841.50		6,833.75	(32,447.70)	(1,277.42)	(33,527.07)

General Revenues:	Governmental Activities	Business-type Activities	Total
Taxes:			
Sales and Use Taxes Levied for General Purposes	26,788.64		26,788.64
Investment Income	0.12		0.12
Grants	0		0
Miscellaneous	1,290.85		1,290.85
Donated Capital		0	0
Transfers	0	0	0
Total General Revenues and Transfers	28,079.61	0	28,079.61
Change in Net Assets	(4,170.04)	(1,277.42)	(5,447.46)
Beginning Net Assets	72,179.14	577,783.76	649,962.90
Ending Net Assets	68,009.10	576,506.34	644,515.44

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

TOWN OF OAKS, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund		Total Governmental Funds
ASSETS:			
Cash and Demand Deposits	9,104.10		9,104.10
Investments	0		0
To Be Provided for Debt	0		0
Due From Other Funds (Net)	0		0
Receivables	0		0
TOTAL ASSETS	9,104.10		9,104.10
LIABILITIES:			
Accounts Payable	0		0
Current Portion of Debt	0		0
Due to Other Funds	0		0
TOTAL LIABILITIES	0		0
FUND BALANCES:			
General Fund	9,104.10		9,104.10
Other Funds	0		0.00
TOTAL FUND BALANCES	9,104.10		9,104.10
TOTAL LIABILITIES & FUND BALANCES	9,104.10		9,104.10

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

TOWN OF OAKS, OKLAHOMA
 RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS
 WITH THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

Total Fund Balance		\$ 9,104.10
Accounts reported in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources And therefore are not reported as assets in the governmental funds.		
Capital assets	58,905.00	
Accumulated depreciation	0	58,905.00
Total net assets		\$ 68,009.10

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

TOWN OF OAKS, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Total Governmental Funds
REVENUES:		
Taxes	26,788.64	26,788.64
Intergovernmental	0	0
Charges for Services	0	0
Interest	0.12	0.12
Other	1,290.85	1,290.85
Grants & Donations	0	0
TOTAL REVENUE	28,079.61	28,079.61
EXPENDITURES:		
General Government	32,249.65	32,249.65
Other Expenses	0	0
TOTAL EXPENDITURES	32,249.65	32,249.65
REVENUES OVER (UNDER) EXPENDITURES	(4,170.04)	(4,170.04)
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	0	0
Sales Tax Transfers	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0
NET CHANGE IN FUND BALANCES	(4,170.04)	(4,170.04)
BEGINNING FUND BALANCE	3,160.50	3,160.50
ENDING FUND BALANCE	(1,009.54)	(1,009.54)

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

TOWN OF OAKS, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

Net changes in fund balances – total governmental funds		\$ (4,170.04)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.		
Depreciation Expense	0	
Change in Net Assets		\$ (4,170.04)

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

TOWN OF OAKS, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Oaks Public Works Authority
ASSETS	
Current Assets:	
Cash and Demand Deposits	2,206.54
Accounts and Other Receivables (Net)	750.00
Total Current Assets	2,956.54
Non-current Assets:	
Land	0
Restricted Savings - Debt Service Reserve	3,040.26
Depreciable Property and Equipment	572,250.00
Less Accumulated Depreciation	(0)
Total Non-current Assets	575,290.26
TOTAL ASSETS	578,246.80
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts Payable	1,740.46
Current Portion of Notes Payable	<u>0</u>
Total Current Liabilities	0
Non-current Liabilities:	
Notes Payable, less Current Portion	<u>0</u>
Total Non-current Liabilities	0
TOTAL Liabilities	1,740.46
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	572,290.26
Restricted for Debt	3,040.26
Unrestricted	<u>1,175.82</u>
Total Net Assets	576,506.34

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

TOWN OF OAKS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Oaks Public Works Authority
OPERATING REVENUES	
Sewer	20,841.50
Other Income	0.00
Total Operating Revenues	20,841.50
OPERATING EXPENSES	
Sewer System Expenses	28,952.67
Total Operating Expenses	28,952.67
Operating Income (Loss)	(8,111.17)
Non-operating Revenues (Expenses)	
Donated Capital	0.00
Grants	6,833.75
Interest Expense	0
INCOME (LOSS) BEFORE TRANSFERS	(1,277.42)
TRANSFERS IN (OUT)	0
NET INCOME (LOSS)	(1,277.42)
NET ASSETS BEGINNING OF YEAR	577,783.76
NET ASSETS END OF YEAR	576,506.34

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

TOWN OF OAKS, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Oaks Public Works Authority
Cash Flows From Operations:	
Cash Received From:	
Customers	20,841.50
Cash Payments for:	
Goods and Services	28,968.31
Net Cash Provided From Operations	(8,126.81)
Cash Flows From Capital Financing Activities:	
Loan Reductions	(0)
Transfers Net	0
Asset Increases	(0.00)
Net Cash From Capital Financing Activities	(0.00)
Cash Flows From Investing Activities:	
Grants Received	6,833.75
Interest Paid	0
Donated Capital	0.00
Net Cash From Investing Activities	6,833.75
Net Increase (Decrease) in Cash	(1,293.06)
Beginning Cash	6,539.86
Ending Cash	5,246.80
Reconciliation of Income From Operations to Net Cash From Operations:	
Operating Income (Loss)	(8,117.17)
Adjustments to Income From Operations:	
Depreciation	0
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	0
(Increase) Decrease in Prepaid Expenses	0
Increase (Decrease) in Payables	(9.64)
Net Cash Provided by Operations	(8,126.81)

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

TOWN OF OAKS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

The accounting methods and procedures adopted by the Town of Oaks, Oklahoma, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Town's Basic Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless they conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities, it has chosen not to do so.

1A. FINANCIAL REPORTING ENTITY The Town of Oaks operates under an elected Mayor/Council form of government. The Town's major operations include public safety, fire protection, and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of Oaks (the primary government) and its component unit. The component unit discussed below is included in the Town's reporting entity because of the significance of its operation and financial relationships with the Town.

1B. COMPONENT UNIT In conformity with generally accepted accounting principles, the financial statements of the Oaks Public Works Authority have been included in the financial reporting entity as a blended component unit, as both entities have the same board of trustees.

1C. BASIC FINANCIAL STATEMENTS The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's fire, park, streets, and general administration are classified as governmental activities. The Town's sewer services are classified as business-type activities.

1D. GOVERNMENT-WIDE FINANCIAL STATEMENTS The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities are financed by taxes, intergovernmental revenues, grants, fines, and other miscellaneous revenues. Business-type activities are financed by charges for services.

1E. FUND FINANCIAL STATEMENTS The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The following fund types are used by the Town:

Governmental Funds The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available expendable resources are presented on their operating statements. Fund balance is used as their measure of available expendable resources at the end of the period.

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specific purposes.

Proprietary Funds This fund accounts for operations that are organized to be self-supporting through user charges. The fund included in this category is the Enterprise Fund established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

1F. BASIS OF ACCOUNTING Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis – Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis - The governmental funds financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectable within the current period or within thirty days after year-end. Expenditures are generally recognized when the related liability is incurred.

1G. BUDGETARY DATA Formal budgetary accounting is employed as a management control for the general fund of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required. The basis of accounting for budgetary purposes for this fund is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered. The proprietary fund, Oaks Public Works Authority, also adopts a budget and revenues are recognized when earned and billed and expenditures are recognized when encumbered.

1H. CASH AND CASH EQUIVALENTS Cash consist of monies deposited into demand deposit and time deposit accounts.

Cash equivalents consist of interest bearing certificates of deposit with a maturity of one year or less. These are considered cash equivalents as they are readily converted to cash.

1I. ACCOUNTS RECEIVABLE All receivables are reported at their net value. The Oaks Public Works Authority bills customers for utility usage during the month. Accordingly, the estimated unbilled revenues are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

1J. DUE TO AND FROM OTHER FUNDS Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

1K. INTEREST RECEIVABLE Interest on investments and certain receivables are recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

1L. INVENTORIES Inventory of the Oaks Public Works Authority consists of utility materials and supplies that will be expenses when used for repairs and/or capitalized when used for improvements and many of the items are in the nature of a back-up to parts of the utility system. Thus, many of the inventory items will not be used in the next fiscal year. Accordingly, inventory has not been classified as a current asset.

1M. CAPITAL ASSETS - Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives of the assets:

Buildings	30 years
Utility Systems	40 years
Equipment	5 to10 years

On April 10, 2008, Oaks Water Works relinquished ownership of its underground sewer lines to Oaks Public Works Authority by order of the Oklahoma Department of Environmental Quality. As these assets were not purchased or constructed by the Authority, historical cost is unknown, however the Authority's engineer has provided an estimated fair market value to be assigned to the assets.

1N. LONG-TERM DEBT There is no long term debt.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

State statues require that the Town's and the Oaks Public Works Authority's deposits exceeding \$100,000 in a financial institution be collateralized by securities. As of June 30, 2011 the institution was in compliance with this requirement for both the Town and the Public Works Authority.

3. Changes in Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Capital Assets				
City Hall	50,000.00			50,000.00
Concession Stand	5,000.00			5,000.00
Land	50,000.00			50,000.00
Computer	1,400.00			1,400.00
Hustler Mower	6,825.00			6,825.00
Streets and Roads	<u>250,000.00</u>			<u>250,000.00</u>
Total Capital Assets	363,225.00			363,225.00
Less: Accumulated Depreciation	<u>304,320.00</u>			<u>304,320.00</u>
Net Book Value	<u>58,905.00</u>			<u>58,905.00</u>

PWA Capital asset activity for the year was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Capital Assets				
Sewer System	<u>572,250.00</u>	<u>0</u>		<u>572,250.00</u>
Total Capital Assets	572,250.00	<u>0</u>		572,250.00
Less: Accumulated Depreciation	<u>0.00</u>	<u>0.00</u>		<u>0.00</u>
Net Book Value5	<u>572,250.00</u>			<u>572,250.00</u>

4. RELATED PARTY TRANSACTIONS

The Oaks Public Works Authority, a related party, provides sewer services for the Town of Oaks and operates as a component unit of the Town.

JUSTIN W. COWAN
CERTIFIED PUBLIC ACCOUNTANT

Oaks, OK

PH: 918-479-6136

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Council
Town of Oaks, Oklahoma

I have audited the basic financial statements of the Town of Oaks, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated October 19, 2011. My report included an explanatory paragraph regarding the Town's implementation of GASB 34. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. The management's discussion and analysis and budgetary comparison information on pages four through eight and twenty-nine are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion in it.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Oaks'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 Town of Oaks's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Town of Oaks's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Oaks's financial statements are free of material

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

This report is intended solely for the information and use of management, and the Oklahoma State Auditor, and is not intended to be and should not be used by anyone other than these specified parties

A handwritten signature in black ink that reads "Justin W. Cowan". The signature is written in a cursive, flowing style.

Justin W. Cowan
Certified Public Accountant

October 19, 2011