

Town of Pink, Oklahoma

Annual Financial Statements and
Accompanying

Independent Auditor's Report

June 30, 2011

Town of Pink, Oklahoma
Annual Financial Statements
And Accompanying Independent Auditor's Report
For the Year Ended June 30, 2011

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Town of Pink, Oklahoma
Annual Financial Statements
And Accompanying Independent Auditor's Report
For the Year Ended June 30, 2011

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Town of Pink, Oklahoma
June 30, 2011

BOARD OF TRUSTEES

Mayor

Galand Chapman, Ward 5

Vice Mayor

Debbie Kitchell, Ward 3

Members

Lisa Van Liew, Ward 1

Harvey Babbit, Ward 2

Mike Green, Ward 4

Clerk / Treasurer

Carolyn Richards

SAMUEL S. ALEXANDER

Certified Public Accountant

Independent Auditor's Report

Honorable Mayor and Members
Of the Board of Trustees
Town of Pink
Tecumseh, Oklahoma 74873

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pink, Oklahoma (the Town), as of and for 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's management. My responsibility is to express opinions 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 of America. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

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

As discussed in Note B, the financial statements referred to above include an incomplete presentation of general fixed assets. The amount that should be recorded for the general fixed assets is not known, and is, at best, incomplete. If total general fixed assets had been included, carrying amounts and adjustments to the financial statements are not known.

In my opinion, except for the incomplete presentation of general fixed assets as stated above, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position – cash basis thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 11, 2012, on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information that is normally subjected to auditing procedures. Due to this omission, the usefulness and accessibility of the financial statements are limited to the Town's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

My 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 other schedules listed as other supplementary information in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.

Samuel S. Alexander
Certified Public Accountant

July 11, 2012

Town of Pink, Oklahoma
Statement of Net Assets - Cash Basis
June 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	<u>\$ 225,206</u>
Total assets	<u>225,206</u>
 LIABILITIES	
 NET ASSETS	
Unrestricted - Steet & Alley	124,479
Unrestricted - General Fund	<u>100,727</u>
Total net assets	<u><u>\$ 225,206</u></u>

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

Town of Pink, Oklahoma

Statement of Activities - Cash Basis

For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues & Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants & Reimbursements</u>
			<u>Governmental Activities</u>
Primary Government:			
Governmental Activities:			
General Government	\$ 42,295		5,122
			(37,173)
General revenues:			
Taxes			
Franchise and public service fees			21,650
Motor vehicle and gasoline excise tax			12,531
Alcohol beverage tax			4,053
Sales, use & other tax			33,011
Investment income			496
Contributions and refunds			500
			72,241
Total general revenues and transfers			
			35,068
Changes in net assets			
Net assets - beginning of period			190,138
Net assets - end of period			\$ 225,206

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

Town of Pink, Oklahoma

Balance Sheet - Cash Basis

Governmental Funds

June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 100,727	124,479	225,206
Total Assets	<u>\$ 100,727</u>	<u>124,479</u>	<u>225,206</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities	-	-	-
Fund balances:			
Unrestricted - Street & Alley		124,479	124,479
Unrestricted - General Fund	<u>100,727</u>	<u>-</u>	<u>100,727</u>
Total Fund Balances	<u>100,727</u>	<u>124,479</u>	<u>225,206</u>
Total Liabilities and Fund Balances	<u>\$ 100,727</u>	<u>124,479</u>	<u>225,206</u>

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

Town of Pink, Oklahoma

Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis Governmental Funds For the Year Ended June 30, 2011

	General Funds	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 37,064	12,531	49,595
Franchise fees	21,650		21,650
Investments	200	296	496
Contributions, refunds	500	-	500
Grants, reimbursements	5,122	-	5,122
Total Revenues	64,536	12,827	77,363
Expenditures			
Current			
General government			
City clerk/treasurer	2,218	-	2,218
Grant expenditures	6,239	-	6,239
General	19,834	1,504	21,338
Capital outlay	10,500	-	10,500
Public Safety			
Fire department	2,000	-	2,000
Total Expenditures	40,791	1,504	42,295
Excess (deficiency) of revenues over expenditures	23,745	11,323	35,068
Fund balances - beginning of period	76,983	113,156	190,139
Fund balances - end of period	\$ 100,728	124,479	225,207

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Town of Pink, Oklahoma
Notes to Basic Financial Statements
June 30, 2011

Note A- Summary of Significant Accounting Policies

The Town of Pink, Oklahoma (the Town) is a “Board of Trustees form of Government” under Title 11 of the Oklahoma Statutes. The Town provides the following services.

Public safety (Fire protection)
Streets and highways
Public improvements
General administrative services

As discussed further, the accounting and reporting policies of the Town relating to the fund types included in the financial statements are presented under the cash basis of accounting and do not conform to generally accepted accounting principles, defined as those principles prescribed by the Governmental Accounting Standards Board (GASB). The following represent the more significant accounting and reporting policies and practices of the Town.

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 by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are grouped in this report into two generic fund types and one broad category as follows.

Governmental Funds

General Fund-the general fund is used to account for all of the general revenues of the Town not specifically levied or collected for other Town funds and for expenditures primarily related to the rendering of the general services to the Town.

Special Revenue Funds-the special revenue funds are established to account for revenues derived from specific taxes or other earmarked revenues. The Town had a Street and Alley Fund during the 2010-2011 fiscal year.

Town of Pink, Oklahoma
Notes to Basic Financial Statements
June 30, 2011

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The cash basis of accounting is employed by all the funds of the Town. Under the cash basis of accounting, revenues are recorded when received instead of when susceptible to accrual or when earned. Expenditures are recorded when paid rather than when the obligations are incurred. This basis is inconsistent with generally accepted accounting principles.

Investments

Investments, if any, are stated at cost, which approximates market value unless otherwise indicated.

Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed in the governmental funds. Encumbrances under generally accepted accounting principles are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances would be reported as part of the fund balance on the balance sheet.

Comparative Data

Comparative data for the prior year is not presented in the accompanying financial statements.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 2483, the Town's Board of Trustees formally adopts annual budgets, which include all funds. These annual budgets are adopted on a basis consistent with guidelines established by the Oklahoma Municipal Code.

Note B – Fixed Assets

In the past, the Town recorded all fixed asset acquisitions as expenditures only and has not maintained detailed records of the fixed assets.

Town of Pink, Oklahoma
Notes to Basic Financial Statements
June 30, 2011

Note B – Fixed Assets (Continued)

In the past, the general fixed assets of the Town were not accounted for. Currently, expenditures for fixed asset acquisitions have been expensed as capital outlay; a practice that will continue. Therefore, the general fixed assets presented are incomplete, which is at variance with generally accepted accounting principles.

Note C – Interfund Transactions

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets, and service debt. Transactions that are normal and recurring between funds are recorded as operating transfers. Transactions that are nonrecurring and represent a transfer of equity between funds are recorded as a change in fund balance.

Note D – Litigation

The Town has no known pending claims or litigation as of June 30, 2011. In the event the Town is held liable for damages in any litigation that may arise, the resulting judgment will be paid from ad valorem taxes levied over a three-year period through the Town's debt service fund.

Note F – Collateral Pledged

The Town's investment policies are governed by statute. Permissible investments include direct obligations of the United States Governmental agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the Town. Collateral is required to be pledged with the state treasurer for demand deposits and certificates of deposit for all amounts not covered by FDIC insurance.

Cash

The Town's cash deposits at June 30, 2011, are categorized as insured by the FDIC to give an indication of the level of risk assumed by the Town at year-end.

Note G – Grants and Reimbursements

The Town received grants and reimbursements from the State of Oklahoma in the amount of \$ 5,122 in the current period.

Town of Pink, Oklahoma
Notes to basic Financial Statements
June 30, 2011

Note H – Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date of July 11, 2012, with no items reported.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule – General Fund

Notes to RSI – Budgetary Comparison Schedule

Town of Pink, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 General Fund
 For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows)				
Franchise fees	20,000	20,000	21,650	1,650
Various taxes				
Alcoholic beverage tax	3,000	3,000	4,053	1,053
Sales tax	23,000	23,000	31,250	8,250
Use tax	1,300	1,300	1,303	3
Cigarette tax	300	300	457	157
Total tax & fees	<u>47,600</u>	<u>47,600</u>	<u>58,713</u>	<u>11,113</u>
Intergovernmental:				
Okla Dept of Ag Grant	<u>4,000</u>	<u>4,000</u>	<u>4,398</u>	<u>398</u>
Investment income	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
Other income:				
Donations-Fire Department	-	-	500	500
Rental income	100	100	60	(40)
Miscellaneous	<u>-</u>	<u>-</u>	<u>665</u>	<u>665</u>
Total other income	<u>100</u>	<u>100</u>	<u>1,225</u>	<u>1,125</u>
Total resources (inflows)	<u>51,700</u>	<u>51,700</u>	<u>64,536</u>	<u>12,836</u>

(Continued)

Town of Bethel Acres, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 General Fund
 For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to appropriations (Outflows)				
City Clerk/Treasurer	\$ 2,400	2,400	2,218	182
General government				
Maintenance, operations	30,000	30,000	19,834	10,166
Capital outlay	88,044	88,044	10,500	77,544
Grant expenditures	6,239	6,239	6,239	-
Total General Government	<u>126,683</u>	<u>126,683</u>	<u>38,791</u>	<u>87,892</u>
Public safety				
Fire:				
Materials, supplies	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Appropriations	<u>128,683</u>	<u>128,683</u>	<u>40,791</u>	<u>87,892</u>
Excess or deficit, revenues less expenses	(76,983)	(76,983)	<u>23,745</u>	<u>100,728</u>
Carryover of prior year	<u>76,983</u>	<u>76,983</u>		
	<u>-</u>	<u>-</u>		

Town of Pink, Oklahoma
Notes To Required Supplemental Information
Budgetary Comparison Schedule
For the Year Ended June 30, 2011

Budgetary Accounting

The Town prepares its budget for the General Fund on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year end.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Combining Statements – Non-major governmental funds

Budgetary Comparison Schedules - Non-major governmental funds

Town of Pink, Oklahoma
Combining Balance Sheet - Cash Basis
Nonmajor Governmental Funds
June 30, 2011

Schedule 1

<u>ASSETS</u>	<u>Special Revenue Fund Street and Alley</u>
Cash and cash equivalents	<u>\$ 124,479</u>
Total Assets	<u><u>\$ 124,479</u></u>
 <u>FUND BALANCE</u> 	
Unreserved, reported in nonmajor special revenue funds	<u><u>\$ 124,479</u></u>

Town of Pink, Oklahoma

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Cash Basis
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	<u>Special Revenue Fund Street and Alley</u>
Revenues	
Intergovernmental	\$ 12,531
Investment income	<u>296</u>
Total Revenues	<u>12,827</u>
Expenditures	
Street and alley expense	<u>1,504</u>
Excess (deficiency) of revenues over expenditures	11,323
Fund balance - beginning of period	<u>113,156</u>
Fund balance - end of period	<u><u>\$ 124,479</u></u>

Town of Pink, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 Budgeted Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

	Special Revenue Fund Street and Alley			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
Taxes			12,531	12,531
Investment income	-	-	296	296
Amounts available for appropriation	-	-	12,827	12,827
Streets:				
Capital outlay	98,156	98,156	-	98,156
Material & supplies	15,000	15,000	1,504	13,496
Total charges to Appropriations	113,156	113,156	1,504	111,652
Excess (deficit) Revenues				
Over expenses	(113,156)	(113,156)	11,323	124,479
Carryover from prior years	113,156	113,156		
	-	-		

INTERNAL CONTROL AND COMPLIANCE SECTION

SAMUEL S. ALEXANDER
Certified Public Accountant

Report On Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with *Government Audit Standards*

Honorable Mayor and Members
Of the Board of Trustees
Town of Pink
Tecumseh, Oklahoma

I have audited the basic financial statements of the Town of Pink, Oklahoma (the Town), as of and for the year ended June 30, 2011, and have issued my report thereon dated January 11, 2012. The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and included a disclaimer of opinion on fixed assets and on required supplementary information. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance required to be reported under *Government Audit Standards* described in the accompanying schedule of findings as item 07-02.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings as item 07-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider 07-01 not to be a material weakness and 07-02 to be a material weakness.

This report is intended solely for the information of the Board of Trustees and management of the Town of Pink, Oklahoma, and is not intended to be, and should not be, used by anyone other than these specified parties.

Samuel S. Alexander
Certified Public Accountant

January 11, 2012

Town of Pink, Oklahoma
Schedule of Findings
Year Ended June 30, 2011

Reportable Conditions of Internal Control

07-01 Segregation of Duties

Criteria: The segregation of incompatible financial duties is important to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently the same individual receiving cash also posts payments and adjustments to subsidiary accounts receivable and accounts payable ledgers. This is a repeat condition from prior years.

Cause: The Town's limited population and resources result in its inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk increases that errors and fraud related to the collection and expenditure activities could occur and not be detected within a timely basis.

Recommendation: Efficient segregation of duties in a small town environment is often difficult. However, the governing body and Town management should be aware of this risk associated with the lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Such control could consist of independent bank account reconciliation reviews, revenue posting report reviews, payment posting report reviews and adjusting entry reviews.

Town of Pink, Oklahoma
Schedule of Findings
Year Ended June 30, 2011

Compliance

07-02 Encumbrance Accounting – 62 O.S. 2001 Section 310.1

Criteria: State law requires that purchases orders and contracts shall be submitted, prior to the time the commitment is made, to the encumbering clerk who shall certify that appropriation is available in the accounts to be charged and record the encumbrance against the appropriation accounts.

Condition: For all practical purposes, purchase orders are not encumbered against appropriations at the time the commitment is incurred. Primarily, the purchase orders are used to document approval of payment for claims.

Effect: This lack of true encumbering can result in the inability to adequately determine if appropriations are available prior to purchase of goods or services. Noncompliance also results in the inability to present encumbrances as expenditures in the “budgetary comparison” financial statements as is implied by State law.

Recommendation: The Town management and governing body may wish to take advantage of a provision in State law allowing for a Town ordinance to prescribe alternative purchasing policies and procedures. With such an ordinance, a motion to amend the encumbering requirements could be adopted as long as other adequate budgetary controls exist. Otherwise, I recommend the Town begin properly encumbering to ensure that appropriation is available prior to purchase of goods and services.