

Review of Town of Bethel Acres, Oklahoma Audit Reports (2011-2017)

Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan

This document summarizes the main themes and important ideas or facts found in the annual financial statement audits for the Town of Bethel Acres, Oklahoma, for the fiscal years ending June 30, 2011, through June 30, 2017. These audits were conducted by the State Auditor and Inspector and included an Independent Auditor's Report.

Overall Themes:

Consistent Use of Cash Basis Accounting: The Town consistently prepared its financial statements using the cash basis of accounting, which recognizes revenues when cash is received and expenditures when cash is paid. This practice is explicitly stated in the "Notes to Basic Financial Statements" of each audit report: "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."

Qualified Opinions on Financial Statements: The Independent Auditor consistently issued qualified opinions on the Town's financial statements. This qualification was primarily due to the management not recording capital assets or related depreciation in the government-wide financial statements, a departure from generally accepted accounting principles. For example, the 2013 audit states: "Management has not recorded capital assets, including general infrastructure assets, in the governmental activities and, accordingly has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including general infrastructure assets, be capitalized and depreciated, which would increase the assets, net assets and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable." This language, or similar variations, appears in each year's Independent Auditor's Report.

Internal Control Weaknesses: The audits consistently identified significant deficiencies and material weaknesses in the Town's internal controls. These weaknesses often pertained to segregation of duties and encumbrance accounting.

Limited Resources Impacting Financial Management: A recurring theme related to internal control weaknesses was the Town's limited population and resources, making it difficult to achieve ideal segregation of duties and maintain sophisticated accounting processes.

Budgetary Variances: The "Budgetary Comparison Schedule" included in each report often showed variances between budgeted and actual amounts for both revenues and expenditures, sometimes significant.

Review of Town of Bethel Acres, Oklahoma Audit Reports (2011-2017)

Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan

Key Ideas and Facts by Fiscal Year:

Fiscal Year Ending June 30, 2011:

Board of Trustees: The report lists the members of the Board of Trustees, including the Mayor (Neal Davis) and other members.

Assets and Liabilities: The "Statement of Net Assets - Cash Basis" shows total net assets of \$1,063,676, with significant investments of \$550,000. The Town also had a bank overdraft of \$6,756.

Revenues: The "Statement of Activities - Cash Basis" shows total general revenues and transfers of \$171,537, including significant revenue from franchise and public service fees (\$89,678) and taxes (\$37,297).

Internal Control Findings: The "Schedule of Findings" details two reportable conditions related to internal control:

07-01 Segregation of Duties: The limited population and resources hindered proper segregation of duties, increasing the risk of errors and fraud. The recommendation was for the governing body and management to be aware of this risk and attempt to exercise as much oversight control as possible, including independent bank account reconciliations and review of financial reports.

07-02 Encumbrance Accounting: The Town was not properly encumbering purchase orders and contracts as required by state law. This lack of true encumbrance accounting could result in insufficient appropriation being available for purchases. The recommendation was for the Town to adopt an ordinance prescribing alternative purchasing policies and procedures if strict adherence to encumbrance requirements was not feasible.

Fiscal Year Ending June 30, 2012:

Assets and Liabilities: The "Statement of Net Assets - Cash Basis" shows total net assets of \$1,089,871, with investments of \$500,000. Liabilities included payroll liabilities (\$1,648) and a bank overdraft (\$1,884).

Revenues: The "Statement of Activities - Cash Basis" shows total general revenues and transfers of \$124,044.

Internal Control Findings: The "Schedule of Findings" again listed the same two reportable conditions as in 2011:

07-01 Segregation of Duties: The condition, cause, effect, and recommendation remained largely the same as in the 2011 audit.

07-02 Encumbrance Accounting: Similar to 2011, the finding highlighted the lack of proper encumbrance of purchase orders. The recommendation was also consistent with the previous year, suggesting an ordinance for alternative purchasing policies if necessary.

Review of Town of Bethel Acres, Oklahoma Audit Reports (2011-2017)

Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan

Fiscal Year Ending June 30, 2013:

Assets and Liabilities: The "Statement of Net Assets - Cash Basis" shows total net assets of \$1,042,196, with investments of \$500,510. Liabilities included a bank overdraft (\$18,005) and notes payable (\$33,868).

Revenues: The "Statement of Activities - Cash Basis" shows total general revenues and transfers of \$127,071.

Internal Control Findings: The "Schedule of Findings" included a new finding and carried over a previous one:

13-01 Lack of Accounting Expertise: This new finding stated: "Presently the balance sheet and income statement accounts are not periodically reconciled to correct or actual amounts." The cause was the Town's limited population and resources hindering the ability to provide sufficient staffing for thorough accounting processes. The effect was an increased risk of material and significant financial statement misstatements. The recommendation was to engage an outside accountant to provide periodic accounting assistance and supervision.

07-01 Segregation of Duties: This finding was repeated from prior years with similar details and recommendations.

Fiscal Year Ending June 30, 2014:

Assets and Liabilities: The "Statement of Net Assets - Cash Basis" shows total net assets of \$994,829, with investments of \$498,520. Liabilities included a bank overdraft (\$9,763), payroll withholding (\$1,717), and notes payable (\$13,072).

Revenues: The "Statement of Activities - Cash Basis" shows total general revenues and transfers of \$146,650.

Internal Control Findings: The "Schedule of Findings" repeated the finding related to the lack of accounting expertise:

13-01 Lack of Accounting Expertise: The criteria, condition, cause, effect, and recommendation were substantially the same as in the 2013 audit, emphasizing the need for periodic reconciliation of accounts and potentially engaging outside expertise.

Fiscal Year Ending June 30, 2015:

Assets and Liabilities: The "Statement of Net Assets - Cash Basis" shows total net assets of \$1,059,245, with investments of \$503,803. Total liabilities were reported as zero.

Revenues: The "Statement of Activities - Cash Basis" shows total general revenues and transfers of \$165,845.

Internal Control Findings: The "Schedule of Findings" again focused on the lack of accounting expertise:

Review of Town of Bethel Acres, Oklahoma Audit Reports (2011-2017)

Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan

13-01 Lack of Accounting Expertise: The finding reiterated the issues with periodic reconciliation of accounts due to limited resources, and the recommendation for engaging outside accounting expertise remained consistent.

Fiscal Year Ending June 30, 2016:

Assets and Liabilities: The "Statement of Net Assets - Cash Basis" shows total net assets of \$1,129,242, with investments of \$507,138. Total liabilities were reported as zero.

Revenues: The "Statement of Activities - Cash Basis" shows total general revenues and transfers of \$255,527. Notably, "Sales and other taxes" (\$124,657) became a significant revenue source.

Internal Control Findings: The "Schedule of Findings" continued to highlight the lack of accounting expertise:

13-01 Lack of Accounting Expertise: The criteria, condition, cause (limited population and resources), effect (increased risk of misstatements), and recommendation (engaging outside expertise for periodic assistance) remained consistent with previous years.

Fiscal Year Ending June 30, 2017:

Assets and Liabilities: The "Statement of Net Assets - Cash Basis" shows total net assets of \$1,188,735, with investments of \$512,408. Total liabilities were reported as zero.

Revenues: The "Statement of Activities - Cash Basis" shows total general revenues and transfers of \$262,748. "Sales and other taxes" (\$136,296) remained a significant revenue source.

Internal Control Findings: The "Schedule of Findings" again addressed the lack of accounting expertise:

13-01 Lack of Accounting Expertise: The finding and recommendation for engaging outside accounting expertise due to the challenges posed by limited resources to ensure proper reconciliation of accounts remained the central point.

Conclusion:

The audit reports for the Town of Bethel Acres between 2011 and 2017 consistently reveal a reliance on cash basis accounting, qualified opinions due to the omission of capital assets and depreciation, and persistent internal control weaknesses, particularly regarding segregation of duties and the need for greater accounting expertise. The Town's limited resources are repeatedly cited as a contributing factor to these challenges. While the financial position of the Town appears relatively stable based on the net asset balances, the recurring audit findings indicate ongoing needs for improvement in financial management practices and internal controls.