

Town of Wright City, Oklahoma

**Financial Statements and Report
of Independent Auditor**

**As of and For the Year Ending
June 30, 2017**

**TOWN OF WRIGHT CITY, OKLAHOMA
FINANCIAL STATEMENTS
JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Mayor and Board of Trustees
Town of Wright City
Wright City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Wright City, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business Type Activities	Qualified
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Enterprise Fund	Qualified

Basis for Qualified Opinion on Governmental Activities and Business Type Activities

As discussed in Note 1.L., management has not recorded certain general capital assets in governmental activities or business type activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities and business type activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities and business type activities is not reasonably determinable.

Basis for Qualified Opinion on Enterprise Fund

As discussed in Note 1.L., management has not recorded certain general capital assets in the enterprise fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the enterprise fund. The amount by which this departure would affect the assets, net assets, and expenses of the enterprise fund is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and Business Type Activities" paragraph and "Basis for Qualified Opinion on Enterprise Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and business type activities of the Town of Wright City, Oklahoma, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Wright City, Oklahoma, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis and the Budgetary Comparison that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2019, on our consideration of the Town of Wright City, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Town of Wright City, Oklahoma's internal control over financial reporting and compliance.



Joe Bob Smith

Joe Bob Smith CPA, PC
Certified Public Accountants
Broken Bow, Oklahoma

April 5, 2019

GOVERNMENT WIDE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF NET POSITION
June 30, 2017

	PRIMARY GOVERNMENTAL ACTIVITIES	GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
CASH AND EQUIVALENTS	\$ 24,733	13,597	38,330
ACCOUNTS RECEIVABLE-NET	10,731	25,536	36,267
RECEIVABLES-OTHER FUNDS	13,683	0	13,683
PREPAID EXPENSES	1,051	1,123	2,174
INVESTMENTS	0	0	0
TOTAL CURRENT ASSETS	<u>50,198</u>	<u>40,256</u>	<u>90,454</u>
NON-CURRENT ASSETS:			
CASH AND EQUIVALENTS-RESTRICTED	0	57,105	57,105
INVESTMENTS-RESTRICTED	10,000	4,306	14,306
NET CAPITAL ASSETS	203,611	1,862,715	2,066,326
TOTAL NON-CURRENT ASSETS	<u>213,611</u>	<u>1,924,126</u>	<u>2,137,737</u>
TOTAL ASSETS	<u>263,809</u>	<u>1,964,382</u>	<u>2,228,191</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
CURRENT NOTES PAYABLE	0	17,970	17,970
ACCOUNTS PAYABLE	6,269	16,164	22,433
PAYABLES-OTHER FUNDS	0	13,683	13,683
PAYABLES-OTHER GOVERNMENTS	620	0	620
ACCRUED EXPENSES	1,462	2,841	4,303
TOTAL CURRENT LIABILITIES	<u>8,351</u>	<u>50,658</u>	<u>59,009</u>
NON-CURRENT LIABILITIES:			
CUSTOMER DEPOSITS	0	28,483	28,483
NOTES PAYABLE	0	969,798	969,798
TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>998,281</u>	<u>998,281</u>
TOTAL LIABILITIES	<u>8,351</u>	<u>1,048,939</u>	<u>1,057,290</u>
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	203,611	874,947	1,078,558
RESTRICTED FOR:			
DEBT SERVICE	0	28,636	28,636
STREET AND CEMETERY	4,427	0	4,427
CAPITAL PROJECTS	0	0	0
CEMETERY MEMORIAL FUND	10,000	0	10,000
UNRESTRICTED	37,420	11,860	49,280
TOTAL NET POSITION	<u>\$ 255,458</u>	<u>915,443</u>	<u>1,170,901</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS
PRIMARY GOVERNMENT

PROGRAM REVENUES

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<u>PRIMARY GOVERNMENT-</u>							
<u>GOVERNMENTAL ACTIVITIES:</u>							
GENERAL GOVERNMENT	\$ 59,467	540	798	0	(58,129)	0	(58,129)
PUBLIC SAFETY							
POLICE AND COURT	108,641	38,804	0	0	(69,837)	0	(69,837)
FIRE DEPARTMENT	7,027	6,838	1,909	0	1,720	0	1,720
PUBLIC HEALTH-MEDICAL CLINIC	0	0	0	0	0	0	0
STREETS AND CEMETERY	12,096	5,545	0	0	(6,551)	0	(6,551)
RENTAL REVENUES (CLINIC & OTHER)	0	5,040	0	0	5,040	0	5,040
INTEREST EXPENSE	0	0	0	0	0	0	0
DEPRECIATION EXPENSE-UNALLOCATED	22,388	0	0	0	(22,388)	0	(22,388)
TOTAL GOVERNMENTAL ACTIVITIES	209,619	56,767	2,707	0	(150,145)	0	(150,145)
<u>BUSINESS TYPE ACTIVITIES:</u>							
WATER AND SEWER	463,081	357,020	0	0	0	(106,061)	(106,061)
TOTAL BUSINESS TYPE ACTIVITIES	463,081	357,020	0	0	0	(106,061)	(106,061)
TOTAL PRIMARY GOVERNMENT	\$ 672,700	413,787	2,707	0	(150,145)	(106,061)	(256,206)

GENERAL REVENUES:
TAXES-

SALES, USE, & OTHER	\$	123,383	0	123,383
INTEREST AND INVESTMENT INCOME		40	152	192
OTHER REVENUES		7,061	0	7,061
GAIN (LOSS) ON ASSETS DISPOSED		0	0	0
TRANSFERS IN (OUT)		(161)	161	0
TOTAL GENERAL REVENUES & TRANSFERS		130,323	313	130,636

CHANGE IN NET POSITION

NET POSITION-BEGINNING	275,280	1,021,191	1,296,471
NET POSITION-ENDING	\$ 255,458	915,443	1,170,901

FUND FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	MAJOR	FUNDS		
	GENERAL FUND	SPECIAL REVENUE FUND	OTHER FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 20,306	\$ 4,427	\$ 0	\$ 24,733
INVESTMENTS (RESTRICTED)	0	0	10,000	10,000
ACCOUNTS RECEIVABLE-NET	10,731	0	0	10,731
PREPAID EXPENDITURES	1,051	0	0	1,051
RECEIVABLE FROM OTHER FUNDS	13,683	0	0	13,683
TOTAL ASSETS	\$ 45,771	\$ 4,427	\$ 10,000	\$ 60,198
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 6,269	\$ 0	\$ 0	\$ 6,269
ACCRUED EXPENSES	1,462	0	0	1,462
DUE TO OTHER GOVERNMENTS	620	0	0	620
TOTAL LIABILITIES	8,351	0	0	8,351
 FUND BALANCES:				
NON-SPENDABLE:				
CEMETERY MEMORIAL FUND	0	0	10,000	10,000
RESTRICTED:				
STREETS AND CEMETERY	0	4,427	0	4,427
CAPITAL PROJECTS AND IMPROVEMENTS	0	0	0	0
UNASSIGNED-GENERAL FUND	37,420	0	0	37,420
TOTAL FUND BALANCES	37,420	4,427	10,000	51,847
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,771	\$ 4,427	\$ 10,000	\$ 60,198

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017

Total Governmental Fund Balances	\$ 51,847
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	203,611
Long term debt in governmental activities is not a current obligation and therefore is not reported in the funds.	0
Rounding	0
Net Position of Governmental Activities	\$ 255,458

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	SPECIAL REVENUE FUND	OTHER FUNDS	
REVENUES:				
TAXES	\$ 117,335	\$ 6,048	\$ 0	\$ 123,383
CHARGES FOR SERVICES	6,838	5,545	0	12,383
GRANTS/DONATIONS	2,707	0	0	2,707
FINES AND COURT FEES	38,804	0	0	38,804
INTEREST	21	19	0	40
RENTAL INCOME	5,040	0	0	5,040
OTHER	6,611	540	0	7,151
TOTAL REVENUES	177,356	12,152	0	189,508
EXPENDITURES:				
CURRENT OPERATIONS:				
GENERAL GOVERNMENT	59,465	0	0	59,465
COURT	4,155	0	0	4,155
POLICE DEPARTMENT	104,486	0	0	104,486
FIRE DEPARTMENT	7,027	0	0	7,027
STREET AND ALLEY	0	5,161	0	5,161
CEMETERY MAINTENANCE	0	6,935	0	6,935
CAPITAL EXPENDITURES	7,254	6,500	0	13,754
DEBT SERVICE:	0	0	0	0
PRINCIPAL	0	0	0	0
INTEREST	0	0	0	0
TOTAL EXPENDITURES	182,387	18,596	0	200,983
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,031)	(6,444)	0	(11,475)
OTHER FINANCING SOURCES (USES):				
CAPITAL LEASE PROCEEDS	0	0	0	0
PROCEEDS-SALE OF CAPITAL ASSETS	448	0	0	448
TRANSFERS FROM OTHER FUNDS	1,366	5,585	0	6,951
TRANSFERS TO OTHER FUNDS	(5,745)	(1,366)	0	(7,111)
NET OTHER FINANCING SOURCES (USES)	(3,931)	4,219	0	288
NET CHANGE IN FUND BALANCES	(8,962)	(2,225)	0	(11,187)
FUND BALANCES, BEGINNING	46,383	6,653	10,000	63,036
FUND BALANCES, ENDING	<u>\$ 37,421</u>	<u>\$ 4,428</u>	<u>\$ 10,000</u>	<u>\$ 51,849</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017

Net change in fund balances-total governmental funds	\$	(11,187)
Capital expenditures recorded as reductions in net position in the fund financial statements but capitalized as fixed assets in the government-wide financial statements		13,754
Depreciation expense - Statement of Activities		(22,388)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:</p>		
Rounding and other differences		(1)
Debt Proceeds		0
Capital lease principal payments		0
Change in net position of governmental activities	\$	<u><u>(19,822)</u></u>

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY <u>2017</u>
CURRENT ASSETS:	
CASH AND EQUIVALENTS-UNRESTRICTED	\$ 13,597
ACCOUNTS RECEIVABLE (NET)	25,536
OTHER CURRENT ASSETS	1,123
TOTAL CURRENT ASSETS	<u>40,256</u>
NON-CURRENT ASSETS:	
CASH AND EQUIVALENTS-RESTRICTED	57,105
INVESTMENTS (CERTIFICATE OF DEPOSIT)	4,306
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	1,862,715
TOTAL NON-CURRENT ASSETS	<u>1,924,126</u>
TOTAL ASSETS	<u><u>1,964,382</u></u>
CURRENT LIABILITIES:	
CURRENT NOTES PAYABLE	17,970
ACCOUNTS PAYABLE	16,164
ACCRUED PAYROLL TAXES	1,420
ACCRUED INTEREST	1,421
DUE TO OTHER FUNDS	13,683
TOTAL CURRENT LIABILITIES	<u>50,658</u>
NON-CURRENT LIABILITIES:	
CUSTOMERS DEPOSITS	28,483
NOTES AND CAPITAL LEASES PAYABLE	987,768
LESS-CURRENT NOTES	(17,970)
TOTAL NON-CURRENT LIABILITIES	<u>998,281</u>
TOTAL LIABILITIES	<u>1,048,939</u>
NET POSITION:	
INVESTED IN CAPITAL ASSETS-NET OF RELATED DEBT	874,947
RESTRICTED FOR DEBT SERVICE	28,636
UNRESTRICTED (DEFICIT)	11,860
TOTAL NET POSITION	<u>915,443</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,964,382</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY <u>2017</u>
OPERATING REVENUES:	
WATER SALES	\$ 144,200
SEWER AND SANITATION FEES	195,626
OTHER REVENUES	17,194
TOTAL OPERATING REVENUES	<u>357,020</u>
 OPERATING EXPENSES:	
WATER PURCHASES	48,026
SANITATION SERVICES	33,755
PERSONAL SERVICE	88,557
BAD DEBT EXPENSE	102
SUPPLIES AND REPAIRS	82,249
FUEL	6,115
DEPRECIATION EXPENSE	90,765
INSURANCE	10,291
MAINTENANCE AND OPERATIONS-OTHER EXPENSES	46,376
PROFESSIONAL FEES	4,420
PAYROLL TAXES	7,394
LICENSE, PERMITS, AND FEES	7,719
UTILITIES	19,953
TOTAL OPERATING EXPENSES	<u>445,722</u>
OPERATING INCOME (LOSS)	(88,702)
 NON-OPERATING REVENUES & (EXPENSES):	
INTEREST INCOME	152
INTEREST EXPENSE	(17,359)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(17,207)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(105,909)
 CAPITAL CONTRIBUTIONS & TRANSFERS:	
TRANSFERS IN (OUT)	<u>161</u>
 CHANGE IN NET POSITION- INCREASE (DECREASE)	(105,748)
 NET POSITION-BEGINNING	1,021,191
NET POSITION-ENDING	<u>\$ 915,443</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2017

Cash flow from operating activities:	
Cash received from customers	\$ 355,668
Cash paid to suppliers	(215,314)
Cash paid for personal services	(88,557)
Cash paid for other operating expenses	(39,245)
Net cash provided (used) by operating activities	<u>12,552</u>
Cash flow from noncapital financing activities:	
Transfers from (to) other funds	161
Net cash provided (used) by noncapital financing activities	<u>161</u>
Cash flow from capital and related financing activities:	
Interest paid on notes and leases payable	(17,356)
Principal paid on notes and leases payable	(17,756)
Customer deposit refunds	(5,249)
Customer deposit receipts	8,182
Net cash provided (used) by capital and related financing activities	<u>(32,179)</u>
Cash flow from investing activities:	
Investment and interest income	152
Net cash provided (used) by investing activities	<u>152</u>
Cash flow from non-cash transfer activities:	
Net cash provided (used) by non-cash transfer activities	<u>0</u>
Net increase (decrease) in cash and equivalents	<u>(19,314)</u>
Cash and equivalents, beginning of year	<u>90,013</u>
Cash and equivalents, end of year	<u>\$ 70,699</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2017

Reconciliation of change in net position to net cash provided by operating activities		
Change in net assets	\$	<u>(105,751)</u>
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Non-operating (income) expense		17,046
Depreciation and amortization		90,765
(Increase) decrease in accounts receivable		(1,379)
Increase (decrease) in accounts payable		10,416
Increase (decrease) in accrued liabilities		604
(Increase) decrease in prepaid expenses		749
Provision for bad debts		102
Total adjustments		<u>118,303</u>
Net cash provided (used) by operating activities	\$	<u><u>12,552</u></u>
Cash and equivalents-unrestricted	\$	13,597
Cash and equivalents-restricted		<u>57,105</u>
Total cash and equivalents, end of year	\$	<u><u>70,702</u></u>

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. Summary of Significant Accounting Policies

These financial statements of The Town of Wright City, Oklahoma were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (U.S. GAAP). The following summary of the more significant accounting policies of the Town is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

A. Financial Reporting Entity

The Town of Wright City, Oklahoma, is an Incorporated Town under Title 11, of the Oklahoma statutes. Town services include public safety, fire protection, street maintenance, public improvements, parks, cemetery maintenance, and general administration. The Wright City Public Works Authority provides water, sewer, and sanitation services.

B. Component Units

GASB is the standard-setting body for the establishment of GAAP in governmental entities. Determination of the financial reporting entity of the Town is founded upon the objective of accountability. For financial reporting purposes, the Town includes all component units that are controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Town, obligations of the Town to finance any deficit that may occur, or receipt of significant subsidies from the Town. Component units are legally separate organizations for which the elected officials of the Town are financially accountable. Organizations are included for which the Town Council appoints a voting majority of the organizations governing body and for which the Town is able to impose its will on the organization, or there is potential for the organizations to impose specific financial benefits or impose specific financial burdens on the Town. Additional information on reports of component units may be obtained from the Town's offices at P.O. Box 370, Wright City, OK 74766.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Based on the foregoing criteria, the financial statements of the Wright City Public Works Authority are blended with the primary government and included in the accompanying financial statements. The Wright City Public Works Authority is a public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1951, Sections 176 to 180 on July 31, 1969, for the use and benefit of the Town of Wright City, Oklahoma. The Trust has as its purpose to furnish and supply to the inhabitants, owners, and occupants of property, and to industrial, commercial, and mercantile establishments and enterprises within the corporate limits of the Beneficiary Municipality and in territory in reasonably convenient proximity thereto, and to the Beneficiary and any other governmental agencies or endeavors, utility services and physical facilities for all purpose that the same be authorized or proper as a function of the Beneficiary; and to fix, demand and collect charges, rates, rent, and fees for said services and facilities to the same extent as the Beneficiary itself might do; provided, that the furnishing of any services or facilities to any person delinquent in the payment of any indebtedness whatsoever to the Trust may be discontinued at any time. The Authority is empowered to lease, acquire, or construct the properties necessary to provide and maintain these services. It is also empowered to obtain funds for these purposes and in so doing, to incur indebtedness whether unsecured or secured by all or any part of the Trust Estate and its revenues.

C. Basis of Presentation-Fund Accounting

The Town's funds are grouped into three governmental fund types: general fund (a major fund), special revenue fund (a major fund), and other fund types. Other fund types include an improvement fund and a memorial fund. Proprietary funds include an enterprise fund for the Wright City Public Works Authority.

D. Financial Statement Presentation and Basis of Accounting

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP).

1) GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Fiduciary funds nor component units that are fiduciary in nature are not included.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report fees, fines, and forfeitures, and other charges to user of the Town's services; (2) operating grants and contributions that finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

The Town allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall Town management, accounting, financial reporting, payroll, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. These charges are reported in the statement of activities by inclusion in the program expenses for the various functions. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police and fire.

The governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recognized when a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

In the governmental fund's statements, property taxes, investment earnings and charges for services of the current fiscal period are susceptible to accrual and thus counted as revenue for the current fiscal period if received within 30 days of year-end. Revenues collected beyond 30 days after year end are not susceptible to accrual because generally, they are either not available or not measurable until received in cash. Sales tax distributions are accrued and treated as revenue for the current fiscal period if received within 30 days of year-end.

2) FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of the governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

3) GOVERNMENTAL FUNDS

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue fund's purpose is for street, alley, and cemetery maintenance and improvements.

4) PROPRIETARY FUNDS

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where that intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges for services that are accrued. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. At the fiscal year end, the Town had one proprietary fund: the enterprise fund for the Wright City Public Works Authority.

5) OTHER FUND TYPES

Improvement Fund - The improvement fund is accounted for as a governmental type fund but is combined with the memorial fund. The total of the two funds is reported in the column "other funds" in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Memorial Fund - The memorial fund is accounted for as a governmental type fund but is combined with the improvement fund. The total of the two funds is reported in the column "other funds" in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

These governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

E. Cash, Cash Equivalents, and Investments

The caption "Cash and cash equivalents" includes cash on hand, amounts in demand deposits (checking accounts, now accounts, and savings) and short-term investments with original maturities of three months or less from the date of acquisition. This definition is also true for the statement of cash flows for proprietary fund types. Restricted cash accounts are included in cash and cash equivalents. Investments are stated at fair market value (FMV). Certificates of deposit are reported at cost, which approximates FMV. Traded securities, if any, are valued at the last quoted stock exchange market value.

F. Encumbrances

Encumbrance accounting is when purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are not recognized as the equivalent of expenditures.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

G. Budgets

The Town should prepare its annual budget under the Municipal Budget Act (Title 11 O.S. Section 17-201). The Town’s budget would be prepared by item of appropriation category. The total budget would be based on the past year’s actual revenue collected and expenditures paid.

Cities and towns under the Municipal Budget Act must adopt the final budget not less than seven days prior to the beginning of the budget year. Budget officers must submit budget message and summaries to the governing body not less than 30 days prior to the beginning of the budget year, and the governing body must conduct a proposed budget hearing not less than 15 days prior to the beginning of the budget year. The governing body should amend the budget to make supplemental appropriations to any fund. A supplemental request for transfers of appropriations was not prepared and filed with the county excise board. The Town did not prepare & file formal budgets for the years ended June 30, 2005 through 2017.

A combined statement of revenues, expenditures, and changes in fund balances - budget versus actual, general funds and special revenue funds, as required by generally accepted accounting principles (GAAP), is not included in the financial statements.

H. Risk Management

Significant losses are covered by commercial insurance for all Town operations. The types of insurance coverage carried by the Town are listed below:

<u>Type of Coverage-</u>	<u>Provided By-</u>	<u>Comments-</u>
Municipal Liability Protection Plan	OMAG	
A.) Property Damage		Per Occurrence - \$25,000 Property damage \$125,000 each other loss \$1,000,000 Aggregate
B.) Volunteers Medical		Per Occurrence – \$10,000 Volunteers Medical \$1,000,000 each other loss \$2,000,000 Annual Aggregate for A and B
Public Officials Bond Vehicles		Commercial Insurance State Risk Management Division
Workers Compensation	Comp-Source	

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The Town is subject to risk of loss from tort claims, property loss, health claims, and workers compensation claims. Settlements have not exceeded insurance coverage for the current or prior three years. The Town retains the risk of loss for all deductibles and in the event, that settlements exceed coverage. There has not been a liability for unpaid claims recorded or accrued in the financial statements.

I. Estimates

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

J. GASB Implementation

The Town has implemented GASB Statements No. 1 through 76.

K. Inter-fund Receivables, Payables, Transfers, and Eliminations

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered or by loaning moneys between individual funds within the same reporting entity. These internal transactions between or within funds are eliminated in the government wide statements. Internal activity is not eliminated in proprietary and fiduciary fund financial statements.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in the statement.

Classification of inter-fund receivables, payables, and transfers:

Due from/to other funds-for short-term amounts owed for goods sold or services rendered.

Inter-fund loans receivable/payable-short term loans between individual funds.

Advances from/to other funds-non-current part of long-term loans between funds.

Other financing sources (uses)-governmental fund transfers from (to) other funds.

Contributions and transfers-proprietary fund transfers from (to) other funds.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

L. Accounting for General Capital Assets

As the Town acquires land, buildings, and equipment, the related costs are charged as capital expenditures of the respective fund at the time of purchase.

In the government wide financial statements, the Town's property, plant, and equipment is stated at historical cost. Assets with a life of more than one year and a cost of \$500 or more are capitalized and depreciated over the asset's estimated useful life.

Additions to the water and sewer system utility plant in service are recorded at cost, or if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposition of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Because detailed fixed assets records have not been maintained of such assets that are still in service, accounting controls over the Town's net capital assets do not presently exist.

The Town does not maintain complete detail records of net capital assets of the Enterprise Fund still in service. Records necessary to establish the completeness of capital assets and related asset depreciation of the Enterprise Fund have not been maintained.

The Town has, in prior years, capitalized certain interest expenses on funds borrowed to finance water and sewer construction projects. The Town capitalizes the interest expense of water and sewer borrowings on construction projects less the related interest earned on related temporary interest-bearing investments.

Depreciation has been calculated on each class of property using the straight-line method. Estimated useful lives are as follows:

Business-Type Activities

Water system (Including capitalized engineering, legal, and interest cost)	50 years
Sewer system	37 years
Other capitalized cost	10 years
Other public works equipment	10 years
Machinery	7 years
Office equipment	6 years
Vehicles	5 years

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

L. Accounting for General Capital Assets (Continued)

Governmental Activities

Town hall and other buildings	40 years
Fire department equipment	10 years
Cemetery equipment	10 years
Street and Alley equipment	10 years
Police department equipment	10 years
Vehicles	5 years
Office equipment	5 years

M. Compensated Absences, Fringe Benefits and Other Postemployment 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 if:

- (A) The obligation is attributable to the employee services already rendered.
- (B) The obligation relates to rights that vest or accumulate.
- (C) The payment of compensation is probable.
- (D) The amount can be reasonably estimated.

The Town's financial statements have been prepared on a modified accrual basis and the cost of compensated absences and fringe benefits are recognized when the payments are made to employees. A liability for accrued compensated absences, fringe benefits, or other postemployment benefits have not been recognized in the financial statements.

A summary of the Town's policies on fringe benefits follows:

Holidays - Eleven days per year

Vacation pay per year -

After one year of continuous service - Five days with pay

After two years of continuous service - Ten days with pay

Sick leave -

After one year of continuous service - Five days per year

Unused sick leave accumulates to a maximum of ten days

There is no payment for accrued sick leave upon separation from employment with the Town.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

N. Restricted vs. Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

O. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows (when they appear on the financial statements):

Non-spendable Fund Balance—This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories—portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Noncurrent receivable—portion of fund balance that is not an available resource because it represents a receivable that will not be collected in the next fiscal year and therefore is not a spendable resource.

Restricted Fund Balance—This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Restricted by State Statute—portion of fund balance that is restricted by State Statute.

Restricted by creditor or grant agreements.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Committed Fund Balance—portion of fund balance that can only be used for specific purpose imposed by majority vote of the Town’s Board of Trustees (the government’s highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the Board of Trustees.

Assigned Fund Balance—portion of fund balance that has been budgeted by the Board of Trustees.

Unassigned Fund Balance—portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

NOTE 2. Deposits, Investments, and Restricted Assets

Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be recovered, or the City will not be able to recover collateral securities in the possession of an outside party.

The cash accounts and investments of the Town are required to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Wright City Public Works Authority is considered a separate entity from the Town for FDIC insurance purposes.

The entire Town’s governmental and enterprise fund cash and investment accounts are insured up to FDIC limits of \$250,000 for the governmental funds and for the Wright City Public Works Authority. Any remaining funds are uncollateralized. As shown in the summaries below, the Town’s cash and investments were \$34,733 and are all insured. The Wright City Public Works Authority’s cash and investments equaled \$75,008 and are all insured.

Cash deposits are reported at carrying amounts that reasonably estimate fair value. Cash equivalents include short-term highly liquid investments that are both-

- a. Readily convertible to known amounts of cash
- b. So near their maturity date that they present insignificant risk of changes in value due to changes in interest rates. (Generally, only investments with original maturities of three months or less meets this definition.)

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. Deposits, Investments, and Restricted Assets (Continued)

Cash and Cash Equivalents - Enterprise Fund

	ENDING BALANCE JUNE 30, 2016	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2017
<u>UNRESTRICTED:</u>				
GROSS REVENUE	\$ 21,102	0	13,542	7,560
SEWER CONSTRUCTION	0	0	0	0
SAVINGS-CAPITAL EXP	13,624	0	7,587	6,037
SAVINGS	0	0	0	0
TOTAL UNRESTRICTED	34,726	0	21,129	13,597
<u>RESTRICTED:</u>				
METER FUND	25,567	2,902	0	28,469
SAVINGS	29,720	0	1,084	28,636
TOTAL RESTRICTED	55,287	2,902	1,084	57,105
TOTAL ENTERPRISE FUND CASH	\$ 90,013	2,902	22,213	70,702

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. Deposits, Investments, and Restricted Assets (Continued)

Cash and Cash Equivalents - Governmental Funds

	ENDING BALANCE JUNE 30, 2016	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2017
<u>GENERAL FUNDS</u>				
<u>UNRESTRICTED:</u>				
GENERAL FUND	\$ 15,900	0	7,105	8,795
FIRE FUND	5,600	2,609	0	8,209
COURT FUND	0	0	0	0
POLICE DEPARTMENT	0	0	0	0
MEDICAL CLINIC	4,573	0	1,271	3,302
TOTAL GENERAL FUND CASH	26,073	2,609	8,376	20,306
<u>SPECIAL REVENUE FUNDS</u>				
<u>RESTRICTED:</u>				
STREET FUND	701	446	0	1,147
CEMETERY FUND	5,951	0	2,671	3,280
TOTAL	6,652	446	2,671	4,427
<u>OTHER FUNDS: RESTRICTED:</u>				
CAPITAL IMPROVEMENT FUND	0	0	0	0
TOTAL CASH ALL FUNDS	\$ 32,725	3,055	11,047	24,733

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. Deposits, Investments, and Restricted Assets (Continued)

Investments

Statutes authorize the Town to invest in certificates of deposit and savings accounts or savings certificates, if they are insured or approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Town can invest in direct obligations of the United States. For financial statement purposes, only certificates of deposit and U.S. Government securities are classified as investments. For purpose of collateralization, certificates of deposit are included with deposits. The Town of Wright City has not entered into repurchase agreements during the year.

Investments – Enterprise Fund

	BEGINNING BALANCE JUNE 30, 2016	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2017
INVESTMENTS (AT COST): CERTIFICATES OF DEPOSIT - RESTRICTED FOR CUSTOMER DEPOSITS	\$4,306	----	----	\$4,306
TOTALS	\$4,306	----	----	\$4,306

The market value of the investments at June 30, 2017, was \$4,306.

Investments – Governmental Fund

	BEGINNING BALANCE JUNE 30, 2016	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2017
INVESTMENTS (AT COST): CERTIFICATES OF DEPOSIT – RESTRICTED (MEMORIAL FUND)	\$ 10,000			\$ 10,000
TOTALS	\$ 10,000	----	----	\$ 10,000

The market value of the investments at June 30, 2017, was \$10,000.

The above investments are not considered cash equivalents due to their original maturities and long-term nature.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. Deposits, Investments, and Restricted Assets (Continued)

Restricted Cash and Investments

Business Type Activities: As of June 30, 2017, the enterprise fund had savings account funds of \$28,636, which were restricted in use by a loan resolution agreement with Rural Development. The enterprise fund also had \$28,469 in cash and \$4,306 in certificates of deposit investments, which represented customer utility deposits. These deposits are restricted for customer deposit refunds as long as the customer accounts are active.

Governmental Activities: There was \$10,000 invested in a restricted memorial fund certificate of deposit. Cash of \$4,427 was restricted for street and cemetery use.

NOTE 3. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Lives
Town Hall and General	\$ 206,396	0	0	206,396	40
Fire Department	237,850	1,147	0	238,997	10
Cemetery Department	14,377	6,500	0	20,877	10
Street and Alley	14,215	0	0	14,215	10
Improvement Fund	3,383	0	0	3,383	10
Police Department	86,317	6,107	0	92,424	10
Total	<u>562,538</u>	<u>13,754</u>	<u>0</u>	<u>576,292</u>	
Less: Accumulated Depreciation	<u>(350,293)</u>	<u>(22,388)</u>	<u>(0)</u>	<u>(372,681)</u>	
Net Assets	<u>\$ 212,245</u>	<u>(8,634)</u>	<u>0</u>	<u>203,611</u>	

As of June 30, 2017, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded values were not available. The depreciation expense of \$22,388 was not allocated to functions.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. Capital Assets and Depreciation (Continued)

Business Type Activities

	Beginning			Ending	Estimated
	Balance	Increases	Decreases	Balance	Lives
Capitalized interest	\$ 2,990	0	0	2,990	50
Engineering cost	147,958	0	0	147,958	37 or 50
Legal cost	16,041	0	0	16,041	50
Equipment	176,910	0	0	176,910	7-10
Sewer system	767,405	0	0	767,405	37
Water system	1,067,762	0	0	1,067,762	50
Sewer system – 2006	1,830,111	0	0	1,830,111	37 or 50
CDBG Project	72,692	0	0	72,692	37
Land	1,000	0	0	1,000	NA
Total	4,082,869	0	0	4,082,869	
Less: Accumulated depreciation	(2,129,389)	(90,765)	0	(2,220,154)	
Net Assets	\$ 1,953,480	(90,765)	0	1,862,715	

Assets are recorded at cost or their estimated fair market value for those assets where recorded values were not available. Depreciation expense of \$90,765 was calculated on each class of property using the straight-line method, except for land (cost of \$1,000) which is not being depreciated.

Governmental Activities and Business Type Activities-Sales of Assets

There were no sales or retirements of capital assets during the year ended June 30, 2017.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. Notes Payable and Leases

(Enterprise Fund – Notes Payable)

		<u>BALANCE</u>			<u>BALANCE</u>	<u>CURRENT</u>
<u>USDA RURAL</u>	<u>%</u>	<u>06/30/2016</u>	<u>ADDED</u>	<u>RETIRED</u>	<u>06/30/2017</u>	<u>06/30/2017</u>
<u>DEVELOPMENT</u>						
NOTE 92-09*	4.750	\$ 0	0	0	0	0
NOTE 92-10*	4.375	0	0	0	0	0
NOTE 92-12*	4.375	0	0	0	0	0
NOTE 92-14	1.750	92,741	0	1,631	91,110	1,659
NOTE 92-15	1.750	514,557	0	9,030	505,527	9,191
NOTE 92-16	1.750	398,226	0	7,095	391,131	7,120
TOTAL DEBT						
OUTSTANDING		\$ 1,005,524	0	17,756	987,768	17,970

*Note 92-09 is dated September 17, 1997, and first funded April 8, 1999. The debt was issued to finance water and sewer system construction.

*Notes 92-10 and 92-12 (Totaling \$1,052,000) are dated April 4, 2006 and were issued to finance sewer system improvements.

Notes 92-14, 92-15, and 92-16 originate from a "Utility Loan Re-amortization Agreement" that is explained below.

*Effective April 1, 2016 loans 92-09, 92-10, and 92-12 were re-amortized into respective loans 92-14, 92-15, and 92-16. The loan covenants and provisions, as disclosed below under "Summary of Covenants and Loan Resolution Provisions", applicable to the original loans remain in effect.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. Notes Payable and Leases (Continued)

The notes are secured by a mortgage on the Town's water and sewer systems including all real and personal property and including the revenues and profits from the operations of the systems.

Interest cost of \$17,359 was incurred on the USDA debt. Of the total interest incurred, all was expensed, and none was capitalized.

Summary of other items applicable to long-term debt: (Enterprise Fund)

USDA Rural Development

	<u>Rate</u>	<u>Original Amount</u>	<u>Monthly Payment</u>	<u>Final Due Date</u>
Note 92-09	4.750	125,000	583	Re-amortized April 1, 2016
Note 92-10	4.375	590,600	2,611	Re-amortized April 1, 2016
Note 92-12	4.375	461,400	2,040	Re-amortized April 1, 2016
Note 92-14	1.750	125,000	270	May 2056
Note 92-15	1.750	590,600	1,497	May 2056
Note 92-16	1.750	461,400	1,159	May 2056

The annual requirements to pay principal and interest on the above notes are as follows:

PERIOD ENDED:	PRINCIPAL	INTEREST	TOTAL
30-Jun-2018	\$ 17,970	17,142	35,112
30-Jun-2019	18,287	16,825	35,112
30-Jun-2020	18,610	16,502	35,112
30-Jun-2021	18,938	16,174	35,112
30-Jun-2022	19,272	15,840	35,112
<u>Five Year Increments:</u>			
30-Jun-2026	101,580	73,980	175,560
30-Jun-2031	110,862	64,699	175,561
30-Jun-2036	120,991	54,569	175,560
30-Jun-2041	132,047	43,513	175,560
30-Jun-2046	144,111	31,449	175,560
30-Jun-2051	157,280	18,280	175,560
30-Jun-2056	127,824	4,351	132,175
	\$ 987,772	373,324	1,361,096

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. Notes Payable and Leases (Continued)

<u>PER FINANCIAL STATEMENTS:</u>	<u>PRINCIPAL</u>
CURRENT NOTES PAYABLE	\$ 17,970
LONG TERM DEBT	969,798
TOTAL	987,768
LOAN FUNDS NOT RECEIVED	0
TOTAL DEBT	\$ 987,768

(Leases)

The Wright City Public Works Authority leases from the Town of Wright City, the water production, storage, transportation and distribution system and facilities, and the garbage and trash collection system and facilities including all tangible property and all interest, for a term of 50 years that commenced September 6, 1969, and terminates September 5, 2019. The stipulated lease payment is for the installation and construction of improvements to the leased property and the operation of the facilities for the benefit of the lessor. These ongoing improvements and operations will be the total consideration for the lease term and all renewals thereafter. At the expiration of the term of the lease, the lessee has the option to renew the lease for the same number of years under the same terms and conditions.

Farmers Home Administration (USDA Rural Development) Promissory Note - Summary of Covenants and Loan Resolution Provisions:

(The covenants are made by The Wright City Public Works Authority, which is a public trust. The Town of Wright City is the beneficiary of the trust. The Wright City Public Works Authority leases certain property from the Town as explained above.)

- To pay promptly, when due, any indebtedness due to the FMHA (USDA Rural Development).
- To keep the property insured as required by the FMHA (USDA Rural Development).
- To maintain the property in proper repair and to not remove any buildings or improvements on the property.
- To comply with all laws affecting the property.
- To not sell, transfer, or encumber the property without the written consent of the FMHA (USDA Rural Development).
- To provide adequate bond coverage for all employees handling substantial amounts of money.
- To maintain at all times adequate records and books concerning the Authority's business operations.
- To transmit to the FMHA (USDA Rural Development), annually, a proposed budget for the next fiscal year.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. Notes Payable and Leases (Continued)

To transmit to the FMHA (USDA Rural Development), annually, an audit report made by a qualified independent auditor.

To submit proposed changes to by-laws and rate schedules to the FMHA (USDA Rural Development) for approval before adoption.

To not incur any additional debt without FMHA (USDA Rural Development) written consent.

To maintain and enforce adequate rate schedules on revenues sufficient to provide revenues and expenses to cover operation cost, pay note principal and interest when due, and to provide for adequate reserves for emergencies and contingencies.

Should the Authority default in payment or performance of any covenant, the FMHA (USDA Rural Development) may foreclose and take possession of the secured property.

The revenues of the Authority are assigned and pledged to pay the FMHA (USDA Rural Development) debt.

The treasurer of the Authority is custodian of all funds and shall be covered by a fidelity bond of at least \$ 33,500.

The revenues and funds of the Authority shall be deposited into accounts insured by the FDIC.

The revenues of the Authority shall be used only in the following manner and order:

(1) Operations and maintenance account - To pay the necessary monthly operating expenses.

(2) Debt service account - To pay monthly FMHA (USDA Rural Development) note payments.

(3) Reserve account - \$465 each month until \$62,808 (one year of all note payments) is accumulated and only to be used for:

A. Damage repairs.

B. Improvements, with prior FMHA (USDA Rural Development) approval.

C. Debt service payments, if the debt service account is not sufficient to make the payments.

When disbursements are made from the reserve account, monthly deposits of \$465 shall be made to the account until the required balance of \$62,808 is again accumulated.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. Notes Payable and Leases (Continued)

Compliance with loan covenants and provisions:

The Town is currently in the process of making monthly payments of \$465 (10% of monthly payments to former notes 92-10 and 92-12) to the reserve account to be in compliance with the reserve account provisions. The required balance in the reserve is \$62,808. The balance at June 30, 2017, was \$28,636.

The real estate mortgage to the FMHA (USDA Rural Development) provides that should the borrower default on payments or performance of any covenant, the Government at its option may:

- a. Declare all debts immediately due and payable.
- b. Take possession of, operate, and rent the secured property.
- c. Have a receiver appointed for the secured property.
- d. Foreclose the mortgage as provided by law.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. Inter-fund Transfers and Loans

TRANSFERS-	IN	OUT	NET IN (OUT)
GOVERNMENTAL FUNDS:			
GENERAL FUND	\$ 1,866	(6,245)	(4,379)
SPECIAL REVENUE FUND	5,585	(1,366)	4,219
OTHER FUNDS	0	0	0
TOTALS	7,451	(7,611)	(160)
PROPRIETARY FUNDS:			
ENTERPRISE FUND			
FROM (TO) GENERAL FUND	5,860	(500)	5,360
FROM (TO) SPECIAL REVENUE	0	(5,200)	(5,200)
TOTALS	\$ 5,860	(5,700)	160

The transfers were made for working capital requirements.

Inter-fund Loans:

The governmental funds, in prior years, paid \$13,683 on enterprise fund (PWA) insurance, which is recorded as a loan due to the general fund payable by the PWA. The \$13,683 is classified as a current asset in governmental activities and a current liability in business type activities on the accompanying Statement of Net Position.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6. Employees' Retirement Plan

Oklahoma Firefighters Pension and Retirement System
Plan Description and Provisions:

All of the Town's eligible volunteer fire fighters participate in the retirement system, which is a cost sharing, multiple-employer defined benefit pension plan. State Statutes are the authority establishing contribution obligations and benefit provisions. All full time or voluntary firefighters hired before the age of 45 are eligible to participate.

All volunteer fire fighters who qualify for retirement shall be entitled to a monthly pension. The monthly pension of a volunteer fire fighter shall be in the amount retired volunteer fire fighters are receiving at the time a volunteer fire fighter begins to receive a pension for each year of credited service not to exceed thirty years.

In determining the number of years of credited service, a fractional year of six (6) months or more shall be counted as one (1) full year and a fractional year of less than six (6) months shall not be counted in such determination. Retired volunteer fire fighters of a municipality shall receive a pension of not less than that which retired volunteer fire fighters of such municipality were receiving on June 30, 1985.

If a volunteer fire fighter terminates service after completing ten (10) years of credited service, the volunteer fire fighter shall receive a vested benefit. The volunteer fire fighter shall be entitled to a monthly pension commencing on the date the fire fighter reaches fifty (50) years of age or the date the fire fighter would have had twenty (20) years of credited service had the fire fighter's service continued uninterrupted, whichever is later. The monthly amount of such retirement benefit shall be the amount being paid to volunteer fire fighters at the time the member vests multiplied by the number of years of credited service. Credited service must be established at the time of the volunteer fire fighter's termination. If a volunteer fire fighter who terminates employment and receives a vested benefit dies prior to being eligible to receive benefits, the volunteer fire fighter's beneficiary shall be entitled to the volunteer fire fighter's normal monthly retirement benefit on the date the deceased volunteer fire fighter would have been eligible to receive the benefit. If the beneficiary is a surviving spouse and the beneficiary remarries, the benefits shall terminate.

Because information on the Fire Fighters Pension Plan is combined for all participating cities in the State of Oklahoma, certain other required disclosures such as membership information, funding status, actuarial assumptions, and trend information is presented in the System's annual report. Copies of the report can be obtained from the State retirement system.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**Oklahoma Firefighters Pension Plan -
Contributions required by State Statute:**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$ 1,080	100%
2000	960	100%
2001	840	100%
2002	1,440	100%
2003	517	100%
2004	780	100%
2005	940	100%
2006	800	100%
2007	900	100%
2008	960	100%
2009	1,680	100%
2010	1,624	100%
2011	1,624	100%
2012	1,624	100%
2013	1,624	100%
2014	1,624	100%
2015	1,624	48%
2016	1,188	100%
2017	1,008	100%

NOTE 7. Restrictions of Net Assets

The Town records indicate that a portion of the net assets is legally segregated for a specific future use. The following details the description and amount of all restricted net assets:

Enterprise (Wright City Public Works Authority)

Amounts restricted for debt service: \$29,720

(restricted per loan agreements and expendable for debt service requirements only)

Other Governmental Funds:

Special Revenue

Amounts restricted for streets & cemetery: \$6,652

(restricted by Oklahoma Statutes and expendable for street & cemetery purposes)

Capital Projects

Amounts restricted for capital improvements: \$0

(restricted by grant agreements and expendable for capital improvements)

Cemetery Memorial Fund

Principal amount restricted: \$10,000

(restricted by donor and non-expendable)

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. Deficit Fund Balances and Net Assets

There were no deficit fund balances or deficit net assets.

NOTE 9. Receivables

Receivables, including accrued interest as applicable, as of year-end for the Town's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Fund→	General	Special Revenue	Proprietary- Enterprise	Totals
Sales, Use, & Excise Taxes	\$ 10,731	0	0	10,731
Water, Sewer, & Sanitation	0	0	28,373	28,373
Gross Receivables	10,731	0	28,373	39,104
Less: Allowance-Bad Debts	0	0	(2,837)	(2,837)
Net Receivables	\$ 10,731	0	25,536	36,267

All receivables are expected to be collected within one year.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. Grants and Contributions

The Town received grants and contributions as follows:

Fiscal year ended June 30, 2017:

GOVERNMENTAL ACTIVITIES:	
<u>(OPERATING)</u>	
GRANTS & CONTRIBUTIONS-GENERAL	\$ 798
GRANTS & CONTRIBUTIONS-FIRE DEPARTMENT	1,909
TOTAL	2,707
<u>(CAPITAL)</u>	
FOR MEDICAL CLINIC	0
FOR FIRE DEPARTMENT	0
TOTAL	0
TOTAL GRANT/CONTRIBUTIONS - GOVERNMENTAL FUNCTIONS	\$ 2,707
BUSINESS TYPE ACTIVITIES:	
<u>(CAPITAL IMPROVEMENTS)</u>	
CDBG	\$ 0
OTHER	0
TOTAL BUSINESS GRANTS & CONTRIBUTIONS	\$ 0

Grant programs are usually subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise because of any audits, is not believed to be material. On certain grants, only a failure of the recipient to comply with prescribed regulations will cause a forfeiture of the resources. For other grant resources, expenditures are the prime factor determining eligibility and revenue should be recognized when the expenditure is made.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11. Commitments, Contingencies, Risk, and Uncertainties

The Weyerhaeuser lumber mill located at Wright City shut down in 2009. The mill closure has had an adverse effect on the Town's revenues. The Town's exposure to various risks is discussed in Note 1-H (Risk Management).

NOTE 12. Subsequent Events

Subsequent events have been evaluated through April 5, 2019, which is the date the financial statements were available to be issued and were released. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTE 13. Other Policies

Certain comparative figures may have been reclassified to conform to the current year's financial statement presentation. Any difference between amounts that should articulate (i.e., tie) on different financial statements is due to rounding.

INTERNAL CONTROL AND COMPLIANCE

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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*

Mayor and Board of Trustees
Town of Wright City
Wright City, Oklahoma

We 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 Wright City, Oklahoma, (the "Town") as of and for the year ended June 30, 2017, which collectively comprise the Town of Wright City, Oklahoma's basic financial statements and have issued our report thereon dated April 5, 2019. The report on the basic financial statements was qualified as explained below. Except as discussed in the following sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

- 1) The report portion applicable to the statement of net position and related statement of activities for both governmental activities and business-type activities was qualified because the Town had not maintained complete detailed records relating to net capital assets.
- 2) The report portion applicable to the statement of fund net position-proprietary funds, statement of revenues, expenses, and changes in fund net position-proprietary funds, and statement of cash flows-proprietary funds, pertaining to the Town of Wright City Public Works Authority enterprise fund, was qualified because the Town had not maintained complete detailed records relating to net capital assets.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies, referenced as findings 2017-001, 2017-002, 2017-003, and 2017-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-004.

Town of Wright City, Oklahoma's Response to Findings

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

Purpose of this Report

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



Joe Bob Smith

Joe Bob Smith CPA, PC
Certified Public Accountants
Broken Bow, Oklahoma

April 5, 2019

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2017**

The findings listed below are repeat findings from the year ended June 30, 2016.

2017-001

CONDITION:

An absence of appropriate segregation of duties consistent with appropriate control objectives for the utility billing system and in the police department.

CRITERIA:

The general accounting function should be completely segregated from the cash receipt and disbursement functions.

CONTEXT:

Accounting system functions.

EFFECT:

This could result in more than a low risk that errors or irregularities may occur and not-be detected within a timely period.

CAUSE:

Inherent limitations of a small organization due to limited number of employees.

RECOMMENDATIONS:

Management should segregate duties as much as possible with staff available and check cash receipts, disbursements, and other transactions, closely on a frequent basis.

The Board of Trustees should review financial reports.

The Board of Trustees should review and approve all cash disbursements.

The Board of Trustees should approve all purchases and sales of property, equipment, or investments and transfers of investments.

The Board of Trustees should review and approve all banks or other depositories of funds.

The Board of Trustees should review and approve all transactions other than routine operating transactions prior to employees or management of the Town entering into the transactions.

VIEWS OF RESPONSIBLE OFFICIALS:

The Board of Trustees and management of the Town of Wright City, Oklahoma ("the Town"), will review monthly financial reports and other documents and comply with the other recommendations listed above.

See independent auditor's report on internal control over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2017**

The findings listed below are repeat findings from the year ended June 30, 2016.

2017-002

CONDITION:

Inadequate provisions for the safeguarding and accounting for property, plant, and equipment.

CRITERIA:

Detailed records of property, plant, and equipment are maintained, are periodically compared to assets on hand and are periodically updated.

CONTEXT:

Lack of internal control and reporting of the Town's general fixed assets.

EFFECT:

Assets, net assets, and expenses of the governmental and business-type activities of the Town may not be accurately reported in the Town's financial statements.

CAUSE:

Failure to maintain detail records of all fixed assets in service, acquired, and sold.
Periodic inventories of fixed assets were not completed.

RECOMMENDATIONS:

Detailed records of property, plant, equipment, and accumulated depreciation should be maintained.

The detailed records should be periodically compared with a physical inventory of assets on hand. A physical inventory of property and equipment should be completed and updated at least annually.

Accounting procedures and forms should be used to account for all additions to, retirements, and sales of assets.

VIEWS OF RESPONSIBLE OFFICIALS:

The Board of Trustees and management of the Town have implemented procedures to complete an annual physical inventory of Town property and equipment and compare with accounting records of the same.

See independent auditor's report on internal control over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2017**

The findings listed below are repeat findings from the year ended June 30, 2016.

2017-003

CONDITION:

As is the case with many smaller entities, the Town has historically relied extensively on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the financial reporting process.

CRITERIA:

The Town's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Town's annual financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

CONTEXT:

Inability to meet the Town's responsibilities for internal controls over financial reporting.

EFFECT:

As a result of this condition, without reliance on its external auditors, the government lacks the necessary internal controls over the preparation of financial statements in accordance with GAAP.

CAUSE:

Lack of financial reporting system to produce required financial reports.

RECOMMENDATION:

The Town should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary skill, knowledge, and experience to prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified firm or individual other than the external auditor.

VIEWS OF RESPONSIBLE OFFICIALS:

Management will outsource the functions of overseeing the preparation of the financial statements, approving journal entries, preparing reconciliations, and preparing depreciation schedules to an individual with the necessary skill, knowledge, and experience to oversee these services. The Town's bookkeeper will assist in overseeing these services.

See independent auditor's report on internal control over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2017**

The findings listed below are repeat findings from the year ended June 30, 2016.

2017-004

CONDITIONS:

Internal controls to ensure compliance with Oklahoma Statutes and other regulations were not in effect.

Failure to prepare and file budgets and supplemental budgets preventing actual expenditures in excess of budgeted expenditures.

Failure to implement and monitor compliance controls related to Oklahoma Statutes that apply to budgets.

CRITERIA:

Oklahoma Statutes applicable to receipts of money, purchase orders, budgets, and appropriations, USDA/FMHA loan agreements, grant provisions and regulations, IRS regulations and CLEET regulations.

O.S. 11, Sec. 12 and O.S. 11, Sec. 27 (Town Board of Trustees and Courts)

O.S. 62, Sec. 310 (Public Finance-Record of Appropriations)

O.S. 11, Sec. 17 (Municipal Budget Act)

CONTEXT:

Oklahoma State budgeting procedures.

EFFECT:

Budgets were not filed in accordance with Oklahoma Statutes.

CAUSES:

Budgets and supplemental appropriations were not completed and filed. Controls were not effective for all compliance requirements. Supplemental appropriations were not completed and filed, and budgets were not completed and filed due to workload of small office staff.

RECOMMENDATIONS:

Management should conduct monthly reviews of compliance controls applicable to Oklahoma Statutes, loan provisions, and other compliance requirements.

Budgets and supplemental budgets should be prepared and filed as required by Oklahoma laws to prevent any actual expenditure in excess of budgeted expenditures.

All reports and financial statements required by The State of Oklahoma and Federal agencies should be filed as required by Statutes.

The Board of Trustees and management of the Town should implement internal controls to insure compliance with applicable Federal, Oklahoma, and other laws and agreements.

VIEWS OF RESPONSIBLE OFFICIALS:

The Board of Trustees and management of the Town have implemented procedures to provide oversight and monitoring relating to budgets, receipts, purchase orders, payroll reports, cleet reports, and to monitor compliance with Oklahoma, Federal, USDA, and other regulations, agreements, and provisions.



Joe Bob Smith

Joe Bob Smith CPA, PC
Certified Public Accountants
Broken Bow, Oklahoma

April 5, 2019

See independent auditor's report on internal control over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*