

Town of Wright City, Oklahoma

**Financial Statements and Report
of Independent Auditor**

**As of and For the Year Ending
June 30, 2016**

**TOWN OF WRIGHT CITY, OKLAHOMA
FINANCIAL STATEMENTS
JUNE 30, 2016**

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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, 2016, 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, 2016, 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, 2016, 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 July 18, 2017, 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

July 18, 2017

GOVERNMENT WIDE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF NET POSITION
June 30, 2016

	PRIMARY GOVERNMENTAL ACTIVITIES	GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
CASH AND EQUIVALENTS	\$ 32,725	34,726	67,451
ACCOUNTS RECEIVABLE-NET	10,336	24,259	34,595
RECEIVABLES-OTHER FUNDS	13,683	0	13,683
PREPAID EXPENSES	1,297	1,872	3,169
INVESTMENTS	0	0	0
TOTAL CURRENT ASSETS	<u>58,041</u>	<u>60,857</u>	<u>118,898</u>
NON-CURRENT ASSETS:			
CASH AND EQUIVALENTS-RESTRICTED	0	55,287	55,287
INVESTMENTS-RESTRICTED	10,000	4,306	14,306
NET CAPITAL ASSETS	212,245	1,953,480	2,165,725
TOTAL NON-CURRENT ASSETS	<u>222,245</u>	<u>2,013,073</u>	<u>2,235,318</u>
TOTAL ASSETS	<u>280,286</u>	<u>2,073,930</u>	<u>2,354,216</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
CURRENT NOTES PAYABLE	0	17,657	17,657
ACCOUNTS PAYABLE	3,508	8,574	12,082
PAYABLES-OTHER FUNDS	0	10,857	10,857
PAYABLES-OTHER GOVERNMENTS	0	0	0
ACCRUED EXPENSES	1,498	2,234	3,732
TOTAL CURRENT LIABILITIES	<u>5,006</u>	<u>39,322</u>	<u>44,328</u>
NON-CURRENT LIABILITIES:			
CUSTOMER DEPOSITS	0	25,550	25,550
NOTES PAYABLE	0	987,867	987,867
TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>1,013,417</u>	<u>1,013,417</u>
TOTAL LIABILITIES	<u>5,006</u>	<u>1,052,739</u>	<u>1,057,745</u>
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	212,245	947,956	1,160,201
RESTRICTED FOR:			
DEBT SERVICE	0	29,720	29,720
STREET AND CEMETERY	6,652	0	6,652
CAPITAL PROJECTS	0	0	0
CEMETERY MEMORIAL FUND	10,000	0	10,000
UNRESTRICTED	46,383	43,515	89,898
TOTAL NET POSITION	<u>\$ 275,280</u>	<u>1,021,191</u>	<u>1,296,471</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT				PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT-							
GOVERNMENTAL ACTIVITIES:							
GENERAL GOVERNMENT	\$ 65,844	13,715	0	0	(52,129)	0	(52,129)
PUBLIC SAFETY							
POLICE AND COURT	82,670	33,179	0	0	(49,491)	0	(49,491)
FIRE DEPARTMENT	13,055	7,369	4,490	0	(1,196)	0	(1,196)
PUBLIC HEALTH-MEDICAL CLINIC	0	0	0	0	0	0	0
STREETS AND CEMETERY	8,312	4,340	0	0	(3,972)	0	(3,972)
RENTAL REVENUES (CLINIC & OTHER)	1,729	5,920	0	0	4,191	0	4,191
INTEREST EXPENSE	0	0	0	0	0	0	0
DEPRECIATION EXPENSE-UNALLOCATED	22,536	0	0	0	(22,536)	0	(22,536)
TOTAL GOVERNMENTAL ACTIVITIES	194,146	64,523	4,490	0	(125,133)	0	(125,133)
BUSINESS TYPE ACTIVITIES:							
WATER AND SEWER	425,051	352,488	30,000	0	0	(42,563)	(42,563)
TOTAL BUSINESS TYPE ACTIVITIES	425,051	352,488	30,000	0	0	(42,563)	(42,563)
TOTAL PRIMARY GOVERNMENT	\$ 619,197	417,011	34,490	0	(125,133)	(42,563)	(167,696)
GENERAL REVENUES:							
TAXES-							
SALES, USE, & OTHER					114,220	0	114,220
INTEREST AND INVESTMENT INCOME					21	36	57
OTHER REVENUES					0	0	0
GAIN (LOSS) ON ASSETS DISPOSED					5,750	0	5,750
TRANSFERS IN (OUT)					4,000	(4,000)	0
TOTAL GENERAL REVENUES & TRANSFERS					123,991	(3,964)	120,027
CHANGE IN NET POSITION					(1,142)	(46,527)	(47,669)
NET POSITION-BEGINNING					276,422	1,067,718	1,344,140
NET POSITION-ENDING					275,280	1,021,191	1,296,471

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	MAJOR FUNDS			
	GENERAL FUND	SPECIAL REVENUE FUND	OTHER FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 26,073	\$ 6,652	\$ 0	\$ 32,725
INVESTMENTS (RESTRICTED)	0	0	10,000	10,000
ACCOUNTS RECEIVABLE-NET	10,336	0	0	10,336
PREPAID EXPENDITURES	1,297	0	0	1,297
RECEIVABLE FROM OTHER FUNDS	13,683	0	0	13,683
TOTAL ASSETS	<u>\$ 51,389</u>	<u>\$ 6,652</u>	<u>\$ 10,000</u>	<u>\$ 68,041</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 3,508	\$ 0	\$ 0	\$ 3,508
ACCRUED EXPENSES	1,498	0	0	1,498
DUE TO OTHER GOVERNMENTS	0	0	0	0
TOTAL LIABILITIES	<u>5,006</u>	<u>0</u>	<u>0</u>	<u>5,006</u>
FUND BALANCES:				
NON-SPENDABLE:				
CEMETERY MEMORIAL FUND	0	0	10,000	10,000
RESTRICTED:				
STREETS AND CEMETERY	0	6,652	0	6,652
CAPITAL PROJECTS AND IMPROVEMENTS	0	0	0	0
UNASSIGNED-GENERAL FUND	46,383	0	0	46,383
TOTAL FUND BALANCES	<u>46,383</u>	<u>6,652</u>	<u>10,000</u>	<u>63,035</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,389</u>	<u>\$ 6,652</u>	<u>\$ 10,000</u>	<u>\$ 68,041</u>

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total Governmental Fund Balances \$ 63,035

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. 212,245

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 \$ 275,280

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	MAJOR FUNDS			
	GENERAL FUND	SPECIAL REVENUE FUND	OTHER FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
TAXES	\$ 107,407	\$ 6,813	\$ 0	\$ 114,220
CHARGES FOR SERVICES	7,369	4,340	0	11,709
GRANTS/DONATIONS	4,490	0	0	4,490
FINES AND COURT FEES	33,179	0	0	33,179
INTEREST	5	16	0	21
RENTAL INCOME	5,920	0	0	5,920
OTHER	13,126	589	0	13,715
TOTAL REVENUES	<u>171,496</u>	<u>11,758</u>	<u>0</u>	<u>183,254</u>
EXPENDITURES:				
CURRENT OPERATIONS:				
GENERAL GOVERNMENT	67,572	0	0	67,572
COURT	4,764	0	0	4,764
POLICE DEPARTMENT	77,906	0	0	77,906
FIRE DEPARTMENT	13,055	0	0	13,055
STREET AND ALLEY	0	6,502	0	6,502
CEMETERY MAINTENANCE	0	1,810	0	1,810
CAPITAL EXPENDITURES	13,996	1,426	0	15,422
DEBT SERVICE:	0	0	0	0
PRINCIPAL	0	0	0	0
INTEREST	0	0	0	0
TOTAL EXPENDITURES	<u>177,293</u>	<u>9,738</u>	<u>0</u>	<u>187,031</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,797)	2,020	0	(3,777)
OTHER FINANCING SOURCES (USES):				
CAPITAL LEASE PROCEEDS	0	0	0	0
PROCEEDS-SALE OF CAPITAL ASSETS	5,750	0	0	5,750
TRANSFERS FROM OTHER FUNDS	15,566	0	0	15,566
TRANSFERS TO OTHER FUNDS	(10,200)	(1,366)	0	(11,566)
NET OTHER FINANCING SOURCES (USES)	<u>11,116</u>	<u>(1,366)</u>	<u>0</u>	<u>9,750</u>
NET CHANGE IN FUND BALANCES	5,319	654	0	5,973
FUND BALANCES, BEGINNING	41,064	5,999	10,000	57,063
FUND BALANCES, ENDING	<u>\$ 46,383</u>	<u>\$ 6,653</u>	<u>\$ 10,000</u>	<u>\$ 63,036</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, 2016

Net change in fund balances-total governmental funds	\$ 5,973
Capital expenditures recorded as reductions in net position in the fund financial statements but capitalized as fixed assets in the government-wide financial statements	15,422
Depreciation expense - Statement of Activities	(22,536)
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:	
Rounding and other differences	(1)
Debt Proceeds	0
Capital lease principal payments	0
Change in net position of governmental activities	\$ <u>(1,142)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY <u>2016</u>
CURRENT ASSETS:	
CASH AND EQUIVALENTS-UNRESTRICTED	\$ 34,726
ACCOUNTS RECEIVABLE (NET)	24,259
OTHER CURRENT ASSETS	1,872
TOTAL CURRENT ASSETS	<u>60,857</u>
NON-CURRENT ASSETS:	
CASH AND EQUIVALENTS-RESTRICTED	55,287
INVESTMENTS (CERTIFICATE OF DEPOSIT)	4,306
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	1,953,480
TOTAL NON-CURRENT ASSETS	<u>2,013,073</u>
TOTAL ASSETS	<u><u>2,073,930</u></u>
CURRENT LIABILITIES:	
CURRENT NOTES PAYABLE	17,657
ACCOUNTS PAYABLE	8,574
ACCRUED PAYROLL TAXES	816
ACCRUED INTEREST	1,418
DUE TO OTHER FUNDS	10,857
TOTAL CURRENT LIABILITIES	<u>39,322</u>
NON-CURRENT LIABILITIES:	
CUSTOMERS DEPOSITS	25,550
NOTES AND CAPITAL LEASES PAYABLE	1,005,524
LESS-CURRENT NOTES	(17,657)
TOTAL NON-CURRENT LIABILITIES	<u>1,013,417</u>
TOTAL LIABILITIES	<u>1,052,739</u>
NET POSITION:	
INVESTED IN CAPITAL ASSETS-NET OF RELATED DEBT	947,956
RESTRICTED FOR DEBT SERVICE	29,720
UNRESTRICTED (DEFICIT)	43,515
TOTAL NET POSITION	<u>1,021,191</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,073,930</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, 2016

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY 2016
OPERATING REVENUES:	
WATER SALES	\$ 139,833
SEWER AND SANITATION FEES	191,471
OTHER REVENUES	21,062
TOTAL OPERATING REVENUES	<u>352,366</u>
OPERATING EXPENSES:	
WATER PURCHASES	38,144
SANITATION SERVICES	43,907
PERSONAL SERVICE	82,153
SUPPLIES AND REPAIRS	46,405
FUEL	6,842
DEPRECIATION EXPENSE	90,485
INSURANCE	8,894
MAINTENANCE AND OPERATIONS-OTHER EXPENSES	28,944
PROFESSIONAL FEES	2,306
PAYROLL TAXES	7,161
LICENSE, PERMITS, AND FEES	10,845
UTILITIES	20,756
TOTAL OPERATING EXPENSES	<u>386,842</u>
OPERATING INCOME (LOSS)	(34,476)
NON-OPERATING REVENUES & (EXPENSES):	
INTEREST INCOME	36
INTEREST EXPENSE	(38,087)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(38,051)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(72,527)
CAPITAL CONTRIBUTIONS & TRANSFERS:	
GRANT REVENUE	30,000
TRANSFERS IN (OUT)	<u>(4,000)</u>
CHANGE IN NET POSITION- INCREASE (DECREASE)	(46,527)
NET POSITION-BEGINNING	<u>1,067,718</u>
NET POSITION-ENDING	<u><u>\$ 1,021,191</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY <u>2016</u>
Cash flow from operating activities:	
Cash received from customers	\$ 352,847
Cash paid to suppliers	(186,720)
Cash paid for personal services	(51,892)
Cash paid for other operating expenses	(59,372)
Net cash provided (used) by operating activities	<u>54,863</u>
Cash flow from noncapital financing activities:	
Transfers from (to) other funds	(4,000)
Net cash provided (used) by noncapital financing activities	<u>(4,000)</u>
Cash flow from capital and related financing activities:	
Interest paid on notes and leases payable	(39,477)
Principal paid on notes and leases payable	(13,211)
Acquisition and construction of capital assets	(50,200)
Grants received	30,000
Customer deposit refunds	(5,205)
Customer deposit receipts	5,139
Net cash provided (used) by capital and related financing activities	<u>(72,954)</u>
Cash flow from investing activities:	
Investment and interest income	36
Other changes in net position	1
Net cash provided (used) by investing activities	<u>37</u>
Cash flow from non-cash transfer activities:	
Loans re-amortized -Former loans	(1,008,429)
Loans re-amortized -New loans	1,008,429
Net cash provided (used) by non-cash transfer activities	<u>0</u>
Net increase (decrease) in cash and equivalents	<u>(22,054)</u>
Cash and equivalents, beginning of year	112,068
Cash and equivalents, end of year	<u>\$ 90,014</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2016

Reconciliation of change in net position to net cash
provided by operating activities

Change in net assets	\$	(46,528)
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Adjustments to reconcile change in net position to net cash
provided by operating activities:

Non-operating (income) expense		12,051
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Depreciation and amortization		90,485
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(Increase) decrease in accounts receivable		359
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Increase (decrease) in accounts payable		(1,665)
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Increase (decrease) in accrued liabilities		(368)
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(Increase) decrease in prepaid expenses		528
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Total adjustments		101,390
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Net cash provided (used) by operating activities	\$	54,862
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Cash and equivalents-unrestricted	\$	34,726
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Cash and equivalents-restricted		55,288
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Total cash and equivalents, end of year	\$	90,014
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SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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). Pursuant to the election option made available by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the business-type activities and the enterprise fund financial statements.

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, 2016

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, 2016

In the governmental funds 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. With the exception of sales tax distributions, 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 90 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, 2016

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 are 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 are 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; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of the fiscal year end.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 2016.

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	OMAG	
Protection Plan		
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		Commercial Insurance
Vehicles		State Risk Management Division
Workers Compensation	Comp-Source	

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 67.

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, 2016

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 betterment's 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	50 years
(Including capitalized engineering, legal, and interest cost)	
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, 2016

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 and Fringe Benefits

Governmental Generally Accepted Accounting Principles require the recording of an expenditure and the accrual of a liability for future vacation, sick pay, and other leave benefits 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 has 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, 2016

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.

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.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$42,725 and are all insured. The Wright City Public Works Authority's cash and investments equaled \$94,319 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, 2016

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

Cash and Cash Equivalents - Enterprise Fund

	ENDING BALANCE JUNE 30, 2015	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2016
<u>UNRESTRICTED:</u>				
GROSS REVENUE	\$ 44,749	0	23,647	21,102
SEWER CONSTRUCTION	0	0	0	0
SAVINGS-CAPITAL EXP	17,606	0	3,982	13,624
SAVINGS	0	0	0	0
TOTAL UNRESTRICTED	62,355	0	27,629	34,726
<u>RESTRICTED:</u>				
METER FUND	25,627	0	60	25,567
SAVINGS	24,086	5,634	0	29,720
TOTAL RESTRICTED	49,713	5,634	60	55,287
TOTAL ENTERPRISE FUND CASH	\$ 112,068	5,634	27,689	90,013

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Cash and Cash Equivalents - Governmental Funds

	ENDING BALANCE JUNE 30, 2015	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2016
<u>GENERAL FUNDS</u>				
<u>UNRESTRICTED:</u>				
GENERAL FUND	\$ 3,812	12,088	0	15,900
FIRE FUND	4,625	975	0	5,600
COURT FUND	0	0	0	0
POLICE DEPARTMENT	0	0	0	0
MEDICAL CLINIC	10,299	0	5,726	4,573
TOTAL GENERAL FUND CASH	18,736	13,063	5,726	26,073
<u>SPECIAL REVENUE FUNDS</u>				
<u>RESTRICTED:</u>				
STREET FUND	1,167	0	466	701
CEMETERY FUND	4,832	1,119	0	5,951
TOTAL	5,999	1,119	466	6,652
<u>OTHER FUNDS:</u>				
<u>RESTRICTED:</u>				
CAPITAL IMPROVEMENT FUND	0	0	0	0
TOTAL CASH ALL FUNDS	\$ 24,735	14,182	6,192	32,725

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2016
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, 2016, was \$4,306.

Investments – Governmental Fund

	BEGINNING BALANCE JUNE 30, 2015	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2016
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, 2016, 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, 2016

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

Restricted Cash and Investments

Business Type Activities: As of June 30, 2016, the enterprise fund had savings account funds of \$29,720, which were restricted in use by a loan resolution agreement with Rural Development. The enterprise fund also had \$25,567 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 \$5,999 was restricted for street and cemetery use.

NOTE 3. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Lives
Town Hall and General	\$ 205,596	800	0	206,396	40
Fire Department	235,100	2,750	0	237,850	10
Cemetery Department	14,377	0	0	14,377	10
Street and Alley	12,789	1,426	0	14,215	10
Improvement Fund	3,383	0	0	3,383	10
Police Department	88,546	10,446	12,675	86,317	10
Total	559,791	15,422	12,675	562,538	
Less: Accumulated Depreciation	(340,432)	(22,536)	(12,675)	(350,293)	
Net Assets	\$ 219,359	(7,114)	0	212,245	

As of June 30, 2016, 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 \$22,536 was not allocated to functions.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	97,758	50,200	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	4,032,669	50,200	0	4,082,869	
Less: Accumulated depreciation	(2,038,904)	(90,485)	0	(2,129,389)	
Net Assets	\$ 1,993,765	(40,285)	0	1,953,480	

Assets are recorded at cost or their estimated fair market value for those assets where recorded values were not available. Depreciation has been 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 Sales of Assets

The Town sold a police vehicle during the year. The net proceeds were \$5,750, cost was \$12,675, and accumulated depreciation was \$12,675 resulting in a gain of \$5,750.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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>06/30/2015</u>	<u>ADDED</u>	<u>RETIRED</u>	<u>06/30/2016</u>	<u>06/30/2016</u>
<u>DEVELOPMENT</u>						
NOTE 92-09*	4.750	\$ 94,595	0	94,595	0	0
NOTE 92-10*	4.375	520,862	0	520,862	0	0
NOTE 92-12*	4.375	403,278	0	403,278	0	0
NOTE 92-14	1.750	0	93,009	268	92,741	1,630
NOTE 92-15	1.750	0	516,043	1,486	514,557	9,032
NOTE 92-16	1.750	0	399,377	1,151	398,226	6,995
TOTAL DEBT						
OUTSTANDING		\$ 1,018,735	1,008,429	1,021,640	1,005,524	17,657

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, 2016

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 \$38,087 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-2017	17,657	17,455	35,112
30-Jun-2018	17,968	17,144	35,112
30-Jun-2019	18,285	16,827	35,112
30-Jun-2020	18,608	16,504	35,112
30-Jun-2021	18,936	16,176	35,112
30-Jun-2026	99,810	75,750	175,560
30-Jun-2031	108,930	66,630	175,560
30-Jun-2036	118,883	56,677	175,560
30-Jun-2041	129,746	45,814	175,560
30-Jun-2046	141,601	33,959	175,560
30-Jun-2051	154,539	21,021	175,560
30-Jun-2056	160,561	6,905	167,466
\$	1,005,524	390,862	1,396,386

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016



NOTE 4. Notes Payable and Leases (Continued)

<u>PER FINANCIAL STATEMENTS:</u>		<u>PRINCIPAL</u>
CURRENT NOTES PAYABLE	\$	17,657
LONG TERM DEBT		987,867
TOTAL		1,005,524
LOAN FUNDS NOT RECEIVED		0
TOTAL DEBT	\$	1,005,524

(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 facilitates 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.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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, 2016

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, 2016, was \$29,720.

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, 2016

NOTE 5. Inter-fund Transfers and Loans

TRANSFERS-	IN	OUT	NET IN (OUT)
GOVERNMENTAL FUNDS:			
GENERAL FUND	\$ 15,566	(10,200)	5,366
SPECIAL REVENUE FUND	0	(1,366)	(1,366)
OTHER FUNDS	0	0	0
TOTALS	<u>15,566</u>	<u>(11,566)</u>	<u>4,000</u>
PROPRIETARY FUNDS:			
ENTERPRISE FUND			
FROM GENERAL FUND	10,200	(14,200)	(4,000)
TO SPECIAL REVENUE	0	0	0
TOTALS	\$ <u>10,200</u>	<u>(14,200)</u>	<u>(4,000)</u>

The transfers were made for working capital requirements.

Inter-fund Loans:

The governmental funds, in prior years, paid \$10,857 on enterprise fund (PWA) insurance, which is recorded as a loan due to the general fund payable by the PWA. The \$10,857 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, 2016

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, 2016

**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%

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, 2016

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	\$ 10,336	0	0	10,336
Water, Sewer, & Sanitation	0	0	26,994	26,994
Gross Receivables	10,336	0	26,994	37,330
Less: Allowance-Bad Debts	0	0	(2,735)	(2,735)
Net Receivables	\$ 10,336	0	24,259	34,595

All receivables are expected to be collected within one year.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10. Grants and Contributions

The Town received grants and contributions as follows:

Fiscal year ended June 30, 2016:

GOVERNMENTAL ACTIVITIES:	
<u>(OPERATING)</u>	
GRANTS & CONTRIBUTIONS-GENERAL	\$ 0
GRANTS & CONTRIBUTIONS-FIRE DEPARTMENT	4,490
TOTAL	4,490
<u>(CAPITAL)</u>	
FOR MEDICAL CLINIC	0
FOR FIRE DEPARTMENT	0
TOTAL	0
TOTAL GRANT/CONTRIBUTIONS - GOVERNMENTAL FUNCTIONS	\$ 4,490
BUSINESS TYPE ACTIVITIES:	
<u>(CAPITAL IMPROVEMENTS)</u>	
CDBG	\$ 0
OTHER	30,000
TOTAL BUSINESS GRANTS & CONTRIBUTIONS	\$ 30,000

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, 2016

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 affect on the Town's revenues.

NOTE 12. Subsequent Events

Subsequent events have been evaluated through July 18, 2017, 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.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13. Prior Year Adjustments

The June 30, 2015 financial statements have been adjusted to correct an error in reporting the cash balance in the enterprise fund capital savings account as shown below:

Enterprise Fund at June 30, 2015

		As Previously Reported	Corrected	Change
Statement of Fund Net Position-				
Savings Account (For Capital Outlay)	\$	30,826	17,406	(13,420)
Total Assets	\$	2,150,377	2,136,957	(13,420)
Total Liabilities		1,069,439	1,069,439	0
Net Position	\$	1,080,938	1,067,518	(13,420)
Statement of Revenues, Expenses, & Changes in Fund Net Position-				
Operating Revenues	\$	340,268	340,268	0
Operating Expenses		377,453	377,453	0
Non-Operating Revenues (Expenses)		(45,625)	(45,625)	0
Capital Contributions & Transfers		50,700	37,280	(13,420)
Increase (Decrease) in Net Position	\$	(32,110)	(45,530)	(13,420)

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13. Prior Year Adjustments (Continued)

Governmental Funds at June 30, 2015

	As Previously Reported	Corrected	Change
Balance Sheet, Governmental Funds-			
Total Assets	\$ 61,045	61,045	0
Total Liabilities	3,982	3,982	0
Fund Balances	\$ 57,063	57,063	0
Statement of Revenues, Expenses, & Changes in Fund Balances-			
Revenues	\$ 224,865	224,865	0
Expenditures	193,476	206,896	13,420
Revenues Over (Under) Expenditures	31,389	17,969	(13,420)
Transfers In (Out)	(30,886)	(17,466)	13,420
Increase (Decrease) in Net Position	\$ 503	503	0

INTERNAL CONTROL AND COMPLIANCE

JOE BOB SMITH CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS
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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, 2016, which collectively comprise the Town of Wright City, Oklahoma's basic financial statements and have issued our report thereon dated July 18, 2017. 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 2016-1, 2016-2, 2016-3, and 2016-4.

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 2016-4.

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

July 18, 2017

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2016**

2016-1

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.

RESPONSE:

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, 2016**

2016-2

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.

RESPONSE:

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.

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2016**

2016-3

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.

RESPONSE:

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, 2016**

2016-4

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.

RESPONSE:

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.

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, 2016**

The above findings are repeated from the year ended June 30, 2015.



Joe Bob Smith

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

July 18, 2017

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