

Town of Wright City, Oklahoma

**Financial Statements and Report
of Independent Auditor**

**As of and For the Year Ending
June 30, 2010**

**TOWN OF WRIGHT CITY, OKLAHOMA
FINANCIAL STATEMENTS
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

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

I 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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wright City's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraphs, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Town had not maintained complete detailed records relating to net capital assets of the business-type activities (reported as: cost of \$3,973,915, accumulated depreciation of \$1,580,063, and net of \$2,393,852) in the accompanying statement of net assets. As a result, I was unable to obtain sufficient audit evidence as to the financial statement assertions of existence or occurrence, completeness, rights and obligations, and valuation or allocation of the amounts reported in the statement of net assets for net capital assets of these activities at June 30, 2010, and the related depreciation expense of \$96,099 for business-type activities as reported in the accompanying statement of activities.

I also was unable to obtain sufficient audit evidence as to the above financial statement assertions of the amounts reported for the enterprise fund (Town of Wright City Public Works Authority) in the accompanying statement of fund net assets-proprietary funds as capital assets (net of accumulated depreciation) of \$2,393,852 and the related depreciation expense of \$96,099 reported in the accompanying statement of revenues, expenses, and changes in fund net assets-proprietary funds, and statement of cash flows-proprietary funds, respectively.

Further, the Town had not maintained complete detailed records relating to net capital assets of governmental activities (reported as: cost of \$509,498, accumulated depreciation of \$225,348, and net of \$284,150) in the accompanying statement of net assets. As a result, I was unable to obtain sufficient audit evidence as to the financial statement assertions of existence or occurrence, completeness, rights and obligations, and valuation or allocation of the amounts reported in the statement of net assets for net capital assets of these activities at June 30, 2010, and the related depreciation expense of \$20,230 for governmental activities as reported in the accompanying statement of activities.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the net capital assets of the business-type activities (reported as \$2,393,852) or governmental activities (reported as \$284,150), reported in the accompanying statement of net assets, and the related depreciation expense of \$96,099 for business-Type activities and \$20,230 for

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governmental activities as reported in the accompanying statement of activities been susceptible to satisfactory audit test, the accompanying statement of net assets and statement of activities referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, of the Town of Wright City, Oklahoma, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in my opinion, expect for the effects of such adjustments, if any, as might have been determined to be necessary had the capital assets (net of accumulated depreciation) of \$2,393,852 and the related depreciation expense of \$96,099, as reported for the enterprise fund (Town of Wright City Public Works Authority), in the accompanying statement of fund net assets-proprietary funds, statement of revenues, expenses, and changes in fund net assets-proprietary funds, and statement of cash flows-proprietary funds, been susceptible to satisfactory audit test, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary funds of the Town, as of June 30, 2010, and the respective change in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Finally, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds, each major fund, and the aggregate remaining fund information as of June 30, 2010, and the changes in financial position of the governmental funds, each major fund, and the aggregate remaining fund information of the Town for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The Town of Wright City, Oklahoma, has not presented a management's discussion and analysis and a budgetary comparison schedule for the general fund that the Governmental Accounting Standards Board has determined to be required supplementary information that is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 12, 2012, on my consideration of the Town of Wright City, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Joe Bob Smith
Certified Public Accountant
Broken Bow, Oklahoma

March 12, 2012

GOVERNMENT WIDE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	PRIMARY GOVERNMENTAL ACTIVITIES	GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
CASH AND EQUIVALENTS	\$ 49,269	45,713	94,982
ACCOUNTS RECEIVABLE-NET	6,733	27,471	34,204
RECEIVABLES-OTHER FUNDS	10,857	0	10,857
PREPAID EXPENSES	1,650	1,850	3,500
INVESTMENTS	0	0	0
TOTAL CURRENT ASSETS	<u>68,509</u>	<u>75,034</u>	<u>143,543</u>
NON-CURRENT ASSETS:			
CASH AND EQUIVALENTS-RESTRICTED	0	52,251	52,251
INVESTMENTS-RESTRICTED	10,000	4,306	14,306
NET CAPITAL ASSETS	284,150	2,393,852	2,678,002
TOTAL NON-CURRENT ASSETS	<u>294,150</u>	<u>2,450,409</u>	<u>2,744,559</u>
TOTAL ASSETS	<u>362,659</u>	<u>2,525,443</u>	<u>2,888,102</u>
LIABILITIES			
CURRENT LIABILITIES:			
CURRENT NOTES PAYABLE	0	14,601	14,601
ACCOUNTS PAYABLE	5,838	9,316	15,154
PAYABLES-OTHER FUNDS	0	10,857	10,857
PAYABLES-OTHER GOVERNMENTS	410	0	410
ACCRUED EXPENSES	1,920	4,640	6,560
TOTAL CURRENT LIABILITIES	<u>8,168</u>	<u>39,414</u>	<u>47,582</u>
NON-CURRENT LIABILITIES:			
CUSTOMER DEPOSITS	0	33,736	33,736
NOTES PAYABLE	0	1,084,832	1,084,832
TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>1,118,568</u>	<u>1,118,568</u>
TOTAL LIABILITIES	<u>8,168</u>	<u>1,157,982</u>	<u>1,166,150</u>
NET ASSETS			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	284,150	1,294,419	1,578,569
RESTRICTED FOR:	0	0	0
DEBT SERVICE	0	23,987	23,987
CAPITAL PROJECTS	0	0	0
CEMETERY MEMORIAL FUND	10,000	0	10,000
UNRESTRICTED	60,341	49,055	109,396
TOTAL NET ASSETS	<u>\$ 354,491</u>	<u>1,367,461</u>	<u>1,721,952</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT-							
GOVERNMENTAL ACTIVITIES:							
GENERAL GOVERNMENT	\$ 72,717	6,350	2,760	0	(63,607)	0	(63,607)
PUBLIC SAFETY	118,227	94,196	0	0	(24,031)	0	(24,031)
POLICE AND COURT	14,662	3,935	1,000	210,924	201,197	0	201,197
FIRE DEPARTMENT	0	0	0	0	0	0	0
PUBLIC HEALTH-MEDICAL CLINIC	12,146	5,320	0	0	(6,826)	0	(6,826)
PUBLIC HEALTH-MEDICAL CLINIC	0	0	0	0	0	0	0
STREETS AND CEMETERY	0	0	0	0	0	0	0
PARK IMPROVEMENTS	161	0	0	0	(161)	0	(161)
INTEREST EXPENSE	20,230	0	0	0	(20,230)	0	(20,230)
DEPRECIATION EXPENSE-UNALLOCATED	238,143	109,801	3,760	210,924	86,342	0	86,342
TOTAL GOVERNMENTAL ACTIVITIES	376,582	411,898	6,862	0	42,198	42,198	42,198
BUSINESS TYPE ACTIVITIES:							
WATER AND SEWER	376,582	411,898	6,862	0	0	42,198	42,198
TOTAL BUSINESS TYPE ACTIVITIES	614,725	521,699	10,642	210,924	86,342	42,198	128,540
GENERAL REVENUES:							
TAXES-							
SALES AND USE	\$				58,572	0	58,572
FRANCHISE					11,100	0	11,100
ALCOHOLIC BEVERAGE					14,381	0	14,381
GASOLINE AND MOTOR VEHICLE					8,563	0	8,563
OTHER TAXES					560	0	560
INTEREST AND INVESTMENT INCOME					129	234	363
OTHER REVENUES					2,663	0	2,663
GAIN (LOSS) ON ASSETS DISPOSED					1,218	(495)	723
TRANSFERS					0	0	0
TOTAL GENERAL REVENUES & TRANSFERS					97,186	(261)	96,925
CHANGE IN NET ASSETS					183,528	41,937	225,465
NET ASSETS-BEGINNING					170,963	1,325,524	1,496,487
NET ASSETS-ENDING					354,491	1,367,461	1,721,952

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>MAJOR FUNDS</u>			<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>OTHER FUNDS</u>	
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 36,208	\$ 6,116	\$ 6,945	\$ 49,269
INVESTMENTS (RESTRICTED)	0	0	10,000	10,000
ACCOUNTS RECEIVABLE-NET	6,064	669	0	6,733
PREPAID EXPENDITURES	1,650	0	0	1,650
RECEIVABLE FROM OTHER FUNDS	10,857	0	0	10,857
TOTAL ASSETS	\$ 54,779	\$ 6,785	\$ 16,945	\$ 78,509
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 5,074	\$ 764	\$ 0	\$ 5,838
ACCRUED WAGES AND BENEFITS	1,920	0	0	1,920
ACCRUED EXPENSES	0	0	0	0
DUE TO OTHER GOVERNMENTS	410	0	0	410
TOTAL LIABILITIES	7,404	764	0	8,168
FUND BALANCES:				
RESERVED FOR RESTRICTED PURPOSES	0	0	10,000	10,000
UNRESERVED, REPORTED IN:				
GENERAL FUND	47,375			47,375
SPECIAL REVENUE FUND		6,021		6,021
CAPITAL PROJECTS			6,945	6,945
TOTAL FUND BALANCES	47,375	6,021	16,945	70,341
TOTAL LIABILITIES AND FUND BALANCES	\$ 54,779	\$ 6,785	\$ 16,945	\$ 78,509

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Governmental Fund Balances \$ 70,341

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 284,150

Long term debt in governmental activities is not a current obligation and therefore is not reported in the funds. 0

Net Assets of Governmental Activities \$ 354,491

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>MAJOR FUNDS</u>			<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>OTHER FUNDS</u>	
REVENUES:				
TAXES	\$ 84,613	\$ 8,563	\$ 0	\$ 93,176
CHARGES FOR SERVICES	3,935	5,320	0	9,255
GRANTS/DONATIONS	214,684	0	0	214,684
FINES AND COURT FEES	94,196	0	0	94,196
INTEREST	61	60	8	129
OTHER	9,009	0	0	9,009
TOTAL REVENUES	<u>406,498</u>	<u>13,943</u>	<u>8</u>	<u>420,449</u>
EXPENDITURES:				
CURRENT OPERATIONS:				
GENERAL GOVERNMENT	72,692	0	23	72,715
COURT	11,942	0	0	11,942
POLICE DEPARTMENT	106,285	0	0	106,285
FIRE DEPARTMENT	14,662	0	0	14,662
CLINIC	0	0	0	0
STREET AND ALLEY	0	11,318	0	11,318
CEMETERY MAINTENANCE	0	826	0	826
CAPITAL EXPENDITURES	214,610	0	0	214,610
DEBT SERVICE:	0	0	0	0
PRINCIPAL	9,000	0	0	9,000
INTEREST	161	0	0	161
TOTAL EXPENDITURES	<u>429,352</u>	<u>12,144</u>	<u>23</u>	<u>441,519</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(22,854)	1,799	(15)	(21,070)
OTHER FINANCING SOURCES (USES):				
CAPITAL LEASE PROCEEDS	9,000	0	0	9,000
PROCEEDS-LOSS OF CAPITAL ASSET	5,028	0	0	5,028
TRANSFERS FROM OTHER FUNDS	0	1,543	0	1,543
TRANSFERS TO OTHER FUNDS	(1,543)	0	0	(1,543)
NET OTHER FINANCING SOURCES (USES)	<u>12,485</u>	<u>1,543</u>	<u>0</u>	<u>14,028</u>
NET CHANGE IN FUND BALANCES	(10,369)	3,342	(15)	(7,042)
FUND BALANCES, BEGINNING	57,744	2,679	16,960	77,383
FUND BALANCES, ENDING	<u>\$ 47,375</u>	<u>\$ 6,021</u>	<u>\$ 16,945</u>	<u>\$ 70,341</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010**

Net change in fund balances-total governmental funds	\$ (7,042)
Capital expenditures recorded as reductions in net assets in the fund financial statements but capitalized as fixed assets in the government-wide financial statements	214,610
Depreciation expense - Statement of Activities	(20,230)
Gain on disposed Capital Assets-Statement of Activities	1,218
Insurance proceeds from loss of Capital Asset	(5,028)
Debt proceeds provide current financial resources to governmental funds, but issuing debt Increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Debt Proceeds	(9,000)
Capital lease principal payments	9,000
Change in net assets of governmental activities	\$ <u>183,528</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2010

CURRENT ASSETS:	
CASH AND EQUIVALENTS-UNRESTRICTED	\$ 45,713
ACCOUNTS RECEIVABLE (NET)	27,471
OTHER CURRENT ASSETS	1,850
TOTAL CURRENT ASSETS	<u>75,034</u>
 NON-CURRENT ASSETS:	
CASH AND EQUIVALENTS-RESTRICTED	52,251
INVESTMENTS (CERTIFICATE OF DEPOSIT)	4,306
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	2,393,852
TOTAL NON-CURRENT ASSETS	<u>2,450,409</u>
TOTAL ASSETS	<u>2,525,443</u>
 CURRENT LIABILITIES:	
ACCOUNTS PAYABLE	9,316
ACCRUED PAYROLL TAXES	1,268
ACCRUED INTEREST	3,372
CURRENT NOTES PAYABLE	14,601
DUE TO OTHER FUNDS	10,857
TOTAL CURRENT LIABILITIES	<u>39,414</u>
 NON-CURRENT LIABILITIES:	
CUSTOMERS DEPOSITS	33,736
NOTES AND CAPITAL LEASES PAYABLE	1,099,433
LESS-CURRENT NOTES	(14,601)
TOTAL NON-CURRENT LIABILITIES	<u>1,118,568</u>
TOTAL LIABILITIES	<u>1,157,982</u>
 NET ASSETS:	
INVESTED IN CAPITAL ASSETS-NET OF RELATED DEBT	1,294,419
RESTRICTED FOR DEBT SERVICE	23,987
UNRESTRICTED (DEFICIT)	49,055
TOTAL NET ASSETS	<u>1,367,461</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,525,443</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2010

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY <hr/> 2010 <hr/>
OPERATING REVENUES:	
WATER SALES	\$ 118,262
SEWER AND SANITATION FEES	285,608
OTHER REVENUES	8,028
TOTAL OPERATING REVENUES	<hr/> 411,898 <hr/>
OPERATING EXPENSES:	
WATER PURCHASES	56,143
SANITATION SERVICES	33,807
PERSONAL SERVICE	64,745
BAD DEBT EXPENSE	1,163
SUPPLIES AND REPAIRS	21,543
FUEL	8,637
DEPRECIATION EXPENSE	96,099
INSURANCE	11,591
MAINTENANCE AND OPERATIONS-OTHER EXPENSES	7,099
PROFESSIONAL FEES	945
PAYROLL TAXES	5,735
LICENSE AND FEES	1,908
UTILITIES	15,740
TOTAL OPERATING EXPENSES	<hr/> 325,155 <hr/>
OPERATING INCOME (LOSS)	86,743
NON-OPERATING REVENUES & (EXPENSES):	
INTEREST INCOME	234
DONATIONS RECEIVED	6,882
SALES OF ASSETS- GAINS (LOSSES)	(495)
INTEREST EXPENSE	(51,427)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<hr/> (44,806) <hr/>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	41,937
CAPITAL CONTRIBUTIONS & TRANSFERS:	
CHANGE IN NET ASSETS- INCREASE (DECREASE)	41,937
NET ASSETS-BEGINNING	1,325,524
NET ASSETS-ENDING	<hr/> \$ 1,367,461 <hr/>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2010

Cash flow from operating activities:	
Cash received from customers	\$ 404,144
Cash paid to suppliers	(144,785)
Cash paid for personal services	(71,421)
Cash paid for other operating expenses	(16,847)
Net cash provided (used) by operating activities	<u>171,091</u>
 Cash flow from noncapital financing activities:	
Net cash provided (used) by noncapital financing activities	<u>0</u>
 Cash flow from capital and related financing activities:	
Interest paid on notes and leases payable	(51,373)
Principal paid on notes and leases payable	(113,775)
Donations and contributions received	6,882
Acquisition and construction of capital assets	(54,916)
Proceeds from disposition of assets	300
Customer deposit refunds	(4,909)
Customer deposit receipts	5,150
Net cash provided (used) by capital and related financing activities	<u>(212,641)</u>
 Cash flow from investing activities:	
Investment and interest income	234
Other changes in equity (net assets) (Rounding)	3
Net cash provided (used) by investing activities	<u>237</u>
Net increase (decrease) in cash and equivalents	<u>(41,313)</u>
Cash and equivalents, beginning of year	<u>139,277</u>
Cash and equivalents, end of year	<u><u>\$ 97,964</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2010

Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ 41,937
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non-operating (income) expense	44,311
Depreciation and amortization	96,099
(Increase) decrease in accounts receivable	(7,754)
Increase (decrease) in accounts payable	(4,927)
Increase (decrease) in accrued liabilities	(941)
(Increase) decrease in prepaid expenses	708
Provision for bad debts	1,163
(Gain) loss on disposal of property	495
Total adjustments	<u>129,154</u>
Net cash provided (used) by operating activities	<u>\$ 171,091</u>
Cash and equivalents-unrestricted	\$ 45,713
Cash and equivalents-restricted	52,251
Total cash and equivalents, end of year	<u>\$ 97,964</u>

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Entity status for financial reporting purposes is governed by GASB Statement No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are component Units-an amendment of GASB Statement No. 14*. 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.

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

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. 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 assets 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.

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

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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 government-wide statements report using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, 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.

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.

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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. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues collected within 60 days of year-end as available. Sales and other tax revenues are accrued. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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.

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.

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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.

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 budgets for the years ended June 30, 2005, 2006, 2007, 2008, 2009 and 2010.

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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	

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.

