Town of Wayne, Oklahoma

Financial Statements and Report of Independent Accountants

As of and For the Year Ending June 30, 2012

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Casey J. Russell CPA, Inc.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCPA

2812 NW 57th, Ste. 102
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

Report of Independent Accountants

To the Board of Trustees
Town of Wayne, 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 Wayne, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Wayne, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2012 on our consideration of the Town'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 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 our audit.

Management has elected to not present a management, discussion, and analysis, a budget to actual comparison and employee pension and retirement plan information as is requited by generally accepted accounting principles in the United States of America.

Casey J. Russell CPA, Inc.

July 17, 2012

Henry J. Hansell CPA, Inc.

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[illegible]

Town of Wayne, Oklahoma
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash in Bank - Unrestricted	$ 55,510.75	$ 288,678.95	$ 344,189.70
Cash in Bank - Restricted	78,290.44	64,680.33	142,970.77
Accounts Receivable, net	25,410.13	31,567.63	56,977.76
Total Current Assets	159,211.32	384,926.91	544,138.23
PROPERTY AND EQUIPMENT			
Capital Assets, net	80,453.17	893,489.41	973,942.58
TOTAL ASSETS	$ 239,664.49	$ 1,278,416.32	$ 1,518,080.81
CURRENT LIABILITIES			
Current Portion of Long Term Debt	$ -	$ 15,820.32	$ 15,820.32
Meter Deposits	-	57,075.00	57,075.00
Total Current Liabilities	-	72,895.32	72,895.32
LONG-TERM LIABILITIES			
Notes & Leases Payable	-	417,312.04	417,312.04
TOTAL LIABILITIES	-	490,207.36	490,207.36
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	80,453.17	460,357.05	540,810.22
Restricted for Debt Service	-	7,605.33	7,605.33
Restricted for Other Purpoese	78,290.44	57,075.00	135,365.44
Unrestricted	80,920.88	263,171.58	344,092.46
TOTAL NET ASSETS	239,664.49	788,208.96	1,027,873.45
TOTAL LIABILITIES AND NET ASSE	$ 239,664.49	$ 1,278,416.32	$ 1,518,080.81

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Statement of Activities
For the Year Ending June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants	Net (expense) revenue and Changes in net assets — Primary Government: Governmental Activities	Net (expense) revenue and Changes in net assets — Primary Government: Business-Type Activities	Total
Primary Government						
Governmental Activities						
General Government	342,043.29	9,598.11	258,500.00	(73,945.18)	-	(73,945.18)
Police Department	52,910.47	19,422.56	-	(33,487.91)	-	(33,487.91)
Fire Department	91,905.72	15,382.77	-	(76,522.95)	-	(76,522.95)
Streets Department	13,611.33	-	-	(13,611.33)	-	(13,611.33)
Total Governmental Activities	500,470.81	44,403.44	258,500.00	(197,567.37)	-	(197,567.37)
Business-Type Activities						
Administrative Department	48,031.48	8,993.69	-	-	(39,037.79)	(39,037.79)
Water Department	141,466.83	206,143.58	-	-	64,676.75	64,676.75
Sewer Department	52,644.25	73,215.17	-	-	20,570.92	20,570.92
Solid Waste	44,563.74	68,617.79	-	-	24,054.05	24,054.05
Ambulance	27,094.39	29,700.98	-	-	2,606.59	2,606.59
Economic Development	2,427.92	54.41	-	-	(2,373.51)	(2,373.51)
Total Business-Type Activities	316,228.61	386,725.62	-	-	70,497.01	70,497.01
Total Primary Government	$ 816,699.42	$ 431,129.06	$ 258,500.00	$ (197,567.37)	$ 70,497.01	$ (127,070.36)

General Revenues			
Sales Taxes	168,600.63	-	168,600.63
Franchise Taxes	20,737.18	-	20,737.18
Alcoholic Beverage Taxes	3,111.75	-	3,111.75
Motor Vehicle and Gasoline Taxes	5,182.45	-	5,182.45
Total General Government Revenue	197,632.01	-	197,632.01
Change in Net Assets	64.64	70,497.01	70,561.65
Net Assets Beginning	239,599.85	717,711.95	957,311.80
Net Assets Ending	$ 239,664.49	$ 788,208.96	$ 1,027,873.45

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2012

	General Fund
ASSETS	
Cash in Bank - Unrestricted	55,510.75
Cash in Bank - Restricted	78,290.44
Accounts Receivable, net	25,410.13
Total Assets	$ 159,211.32
LIABILITIES	
NET ASSETS	
Unassigned	80,920.88
Restricted	78,290.44
TOTAL NET ASSETS	159,211.32
TOTAL LIABILITIES AND NET ASSETS	$ 159,211.32

Reconcilation of Fund Financial Statements to Governmental Wide Financial Statements

Net Assets Unrestricted	159,211.32
Capital Leases included in the government wide financial statements but excluded in the individual fund financials	-
Fixed assets included in the government wide finanical statements but excluded in the individual fund financial statements	80,453.17
Net assets per the government wide financial statements	$ 239,664.49

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Net Assets
For the Year Ending June 30, 2012

Revenues	
Sales Taxes	$ 168,600.63
Franchise Taxes	20,737.18
Alcoholic Beverage Taxes	3,111.75
Motor Vehicle and Gasoline Taxes	5,182.45
Police Fines	19,422.56
Other Revenues	24,980.88
Grant Revenues	258,500.00
Total Revenues	500,535.45
Expenditures	
General Government	82,508.56
Police Department	48,378.80
Fire Department	78,229.05
Delta Housing	258,500.00
Street Department	13,611.33
Total Expenses	481,227.74
Change in Net Assets	19,307.71
Beginning Net Assets	139,903.61
Ending Net Assets	$ 159,211.32

Reconcilation of Fund Financial Statements to Governmental Wide Financial Statements

Change in Net Assets, Fund Financial Statements	19,307.71
Monies expended for debt service that reduce debt on the government wide financial statements but recorded as an expense on the fund financial statements.	-
Depreciation recorded in the governmental wide financial statements not recorded in the fund financial statements	(19,243.07)
Change in Net Assets per the Governmental Wide Financial Stateme	$ 64.64

The accompanying notes are an integral part of these financial statements

Town of Wayne, Oklahoma
Proprietary Fund
Statment of Net Assets
June 30, 2012

	Public Works Authority	Economic Development	Total Proprietary Funds
CURRENT ASSETS			
Cash in Bank - Unrestricted	242,608.95	46,070.00	288,678.95
Cash in Bank - Restricted	64,680.33	-	64,680.33
Accounts Receivable, net	31,567.63	-	31,567.63
Total Current Assets	338,856.91	46,070.00	384,926.91
PROPERTY AND EQUIPMENT			
Capital Assets, net	893,489.41	-	893,489.41
TOTAL ASSETS	$ 1,232,346.32	$ 46,070.00	$ 1,278,416.32
CURRENT LIABILITIES			
Current Portion of Long Term Debt	15,820.32	-	15,820.32
Meter Deposits	57,075.00	-	57,075.00
Total Current Liabilities	72,895.32	-	72,895.32
LONG-TERM LIABILITIES			
Notes Payable	417,312.04	-	417,312.04
TOTAL LIABILITIES	490,207.36	-	490,207.36
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	460,357.05	-	460,357.05
Restricted for Debt Service	7,605.33	-	7,605.33
Restricted for Other Purposes	57,075.00	-	57,075.00
Unrestricted	217,101.58	46,070.00	263,171.58
TOTAL NET ASSETS	742,138.96	46,070.00	788,208.96
TOTAL LIABILITIES AND NET ASSETS	$ 1,232,346.32	$ 46,070.00	$ 1,278,416.32

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Proprietary Funds
Statement of Activities and Changes in Net Assets
For the Year Ending June 30, 2012

	Public Works Authority	Economic Development	Total Proprietary Fund
Revenues			
Water Charges	$ 206,143.58	$ -	$ 206,143.58
Sewer Fees	73,215.17	-	73,215.17
Garbage Fees	68,617.79	-	68,617.79
Ambulance Fees	29,700.98	-	29,700.98
Other Fees and Charges	8,993.69	54.41	9,048.10
Total Revenues	386,671.21	54.41	386,725.62
Operating Expenses			
Administrative Expenses	48,031.48	2,427.92	50,459.40
Water Expenses	141,466.83	-	141,466.83
Sewer Expenses	52,644.25	-	52,644.25
Ambulance Expenses	27,094.39	-	27,094.39
Garbage Expenses	44,563.74	-	44,563.74
Total Operating Expenses	313,800.69	2,427.92	316,228.61
Operating Income (Loss)	72,870.52	(2,373.51)	70,497.01
Non-Operating Revenues and Expenses			
Grant Revenues	-	-	-
Transfers In/Out	-	-	-
Change in Net Assets	72,870.52	(2,373.51)	70,497.01
Beginning Net Assets	669,268.44	48,443.51	717,711.95
Ending Net Assets	$ 742,138.96	$ 46,070.00	$ 788,208.96

The accompanying notes are an integral part of these financial statements

Town of Wayne, Oklahoma
Proprietary Fund
Statement of Cash Flows
For the Year Ending June 30, 2012

	Public Works Authority	Economic Development
Cash flows from operating activities		
Receipts from customers	$ 375,319.13	$ 54.41
Payments to suppliers	(153,707.91)	(2,427.92)
Payments to employees	(93,878.41)	-
Net cash provided by operating activities	127,732.81	(2,373.51)
Cash flows from capital and related financing activities		
Principal paid on long term debt	(52,960.87)	-
Net cash flows from capital and related financing activities	(52,960.87)	-
Cash flows from investing activities		
Principal received on notes receivable	-	3,127.92
Net cash flows from investing activities	-	3,127.92
Net increase (decrease) in cash	74,771.94	754.41
Cash, Beginning of the Year	232,517.34	45,315.59
Cash, End of the Year	$ 307,289.28	$ 46,070.00
Reconcilement of change in net assets to net cash provided by operations		
Change in Net Assets	$ 72,870.52	$ (2,373.51)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	61,889.37	-
Change in assets and liabilities		
Meter Deposits	4,325.00	-
Accounts Receivable	(11,352.08)	-
Net cash provided by operating activities	$ 127,732.81	$ (2,373.51)
Cash - Unrestricted	242,608.95	46,070.00
Cash - Restricted	64,680.33	-
Total Cash on Hand	$ 307,289.28	$ 46,070.00

The accompanying notes are an integral part of these financial statements

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity
The Town of Wayne, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2012, the Town had only one component unit, the Wayne Public Works Authority.

Basis of Presentation-Fund Accounting
The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2012, the Town had governmental funds of general and fixed assets. The proprietary funds consisted of the Wayne Public Works Authority.

GASB 34

The Town had implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

Basis of Accounting
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.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments

using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

All 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 recognized in the accounting period in which the fund liability in incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather then expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in the proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of meter deposits.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. 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 June 30, 2012.

Budget
In accordance with Oklahoma Statutes, Title 68, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

Risk Management
Significant losses are covered by commercial insurance for all Town operations.

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.

Allowance for Doubtful Accounts
The Wayne Economic Development Authority, has made economic development loans to local businesses. During the year ending June 30, 2012, the Authority had a loan loss reserve of $-0-.

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Wayne is considered a separate entity from the Wayne Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)

2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)

3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Wayne's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of $250,000 for the governmental funds and $250,000 for the Wayne Public Works Authority. The remaining funds would be category 3.

As of June 30, 2012, the Town of Wayne and the Wayne Public Works Authority had collateral pledged in the amount of $194,762 from McClain Bank. The deposits uncollateralized totaled $-0-. It is a violation of Oklahoma state law to not have municipal deposits collateralized.

Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2012 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decrease	Ending Balance
Town Hall	$ 120,694.56	-	-	$ 120,694.56
Fire Department	239,296.00	-	-	239,296.00
Police Department	65,501.25	-	-	65,501.25
Total	425,491.81			425,491.81
Accumulated Depreciation	(325,795.57)	(19,243.07)	-	(345,038.64)
Net Assets	$ 99,696.24			$ 80,453.17

As of June 30, 2012, 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 were not available. Depreciation of $1,035 for general government, $13,677 was recorded for the fire department and $4,532 for the police department.

Proprietary Funds

	Beginning Balance	Increases	Decrease	Ending Balance
Water and Sewer System	$ 1,657,378.80	-	-	$ 1,657,378.80
Vehicles and Equipment	154,456.58	-	-	154,456.58
Total	1,811,835.38			1,811,835.38
Accumulated Depreciation	(856,456.00)	(61,890.37)	-	(918,346.37)
Net Assets	$ 955,379.38			$ 893,489.01

As of June 30, 2012, the proprietary 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 were not available. Depreciation of $61,890 for the proprietary funds was recorded as follows: $49,017 for the water system and $12,873 for the sewer system.

Note 4-Notes Payable

Wayne Public Works Authority

As of June 30, 2012, the Wayne Public Works Authority had three notes outstanding.

The second obligation has an outstanding balance of $79,481 as of June 30, 2012. The loan is due to mature in September, 2020 with zero interest. Payments are paid monthly in the amount of $729.17 per month. Principal paid on this obligation for the year ending June 30, 2012 was $8,750. Principal required to amortize this note till maturity is as follows:

	Principal
2012/2013	8,750
2013/2014	8,750
2014/2015	8,750
2015/2016	8,750
2016/2017	8,750
2017/2022	35,731
	$ 79,481

Balance, Beginning of Year	$ 88,231
Principal Paid During Year	8,750
Balance, End of Year	$ 79,481

The third obligation has an outstanding balance of $22,994 as of June 30, 2012. The original loan amount was $28,700, is due to mature in May 2036 and carries an interest rate of 4.5%. Monthly payments are due in the amount of $131 per month. Principal and interest paid on this obligation for the year ending June 30, 2012 was $523 and $1,049 respectively. Principal required to amortize this note till maturity is as follows:

	Principal	Interest
2012/2013	547	1,025
2013/2014	572	1,000
2014/2015	598	974
2015/2016	626	1,566
2016/2017	655	1,566
2017/2022	3,753	4,107
2022/2027	4,697	3,163
2027/2032	5,880	1,980
2032/2035	5,666	622
	$ 22,994	$ 16,002

Balance, Beginning of Year	$ 23,517
Principal Paid During Year	523
Balance, End of Year	$ 22,994

The fourth obligation has an outstanding balance of $330,658 as of June 30, 2012. The original loan amount was $392,000, is due to mature in August, 2038 and carries an interest rate of 4.75%. Monthly payments are due in the amount of $1,843 per month. Principal and interest paid on this obligation for the year ending June 30, 2012 was $6,221 and $15,895 respectively. Principal required to amortize this note till maturity is as follows:

	Principal	Interest
2012/2013	6,523	15,593
2013/2014	6,840	15,276
2014/2015	7,172	14,944
2015/2016	7,520	14,596
2016/2017	7,885	14,231
2017/2022	45,555	65,025
2022/2027	57,740	52,840
2027/2032	73,739	36,841
2032/2035	92,760	17,820
2035/2038	24,923	19,309
	$ 330,658	$ 266,474

Balance, Beginning of Year	$ 336,879
Principal Paid During Year	6,221
Balance, End of Year	$ 330,658

The water department was charged with $16,890 of interest for the year. The sewer department was charged with $1,049 of interest for the year.

Note - 5 Rural Development Loan Compliance

Wayne Public Works Authority's loans from Rural Development has a net revenue requirement, as well as a required debt service reserve amount. As of June 30, 2012, the WPWA has $17,227 on deposit in the reserve account. The reserve account is to be used for monthly loan payments in the event that WPWA is unable to otherwise make payments.

The new revenues of the Wayne Public Works Authority are required to be at least 125% of the average debt service. The following year is a summary of the net revenues and the debt service payments required for the year ended June 30, 2012.

Operating revenues	$ 386,726
Operating expenses	316,229
Net operating income (loss)	70,497
Other revenues and expenses:	
Miscellaneous income	-
Interest	-
Total Net operating income (loss)	$ 70,497
Required debt payments:	
Principal	7,070
Interest	16,618
Total debt service	23,688
Net revenue percentage requirment	125%
Net revenue required	29,610
Excess net revenues	$ 40,887

Note – 6 Volunteer Firefighter's Pension Plan

The Town participates in the Oklahoma State Firefighters Pension and Retirement system which applies only to the Town's volunteer firefighters. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. Contributions are made by the Town at the rate of $60 per volunteer firefighter per year. The total contribution for 2011/2012 was $1,260 and covered 21 volunteers.

Note – 7 Subsequent Events

Subsequent events have been evaluated through July 17, 2012, which is the date the financial statements were issued.

Casey J. Russell CPA, Inc.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCPA

2812 NW 57th, Ste. 102
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

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*

To the Board of Trustees
Town of Wayne, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wayne, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated July 17, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Wayne's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Wayne's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Wayne's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2012-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Wayne'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Town of Wayne's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Town of Wayne's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Casey J. Russell CPA, Inc.

Casey J. Russell CPA, Inc.
Oklahoma City, Oklahoma
July 17, 2012

Schedule of Current Findings and Questioned Costs

2012 - 1 Lack of Segregation of Duties

Condition: During our review of the internal control structure, we noted that several procedures lacks the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented.

Criteria: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

Cause and effect: The cause is due to limited personnel and the full effect is unknown.

Recommendation: The town should implement a policy of not accepting cash payments at city hall. The town should also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on a daily payment ledger. All payments, receipts, and a copy of the daily receipt ledger should be given directly to the Treasurer at the end of the day. The town clerk or other personnel, except for the Treasurer, should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the town clerk or other personnel should print off a payment listing from the system as well as a daily adjustment history to insure that no unnecessary adjustments have been made, the town clerk or other personnel should also prepare the deposit slip at this time and retain the carbon copy. These reports along with the original daily payment ledger and original of the deposit slip should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. The Treasurer should then staple all documents together and give these back to the town clerk or other personnel. When the Treasurer returns from the bank she should give the bank deposit receipt to the town clerk or other personnel who should compare the receipt to the previous documents given to her by the Treasurer and also compare the carbon copy of the deposit slip to the bank deposit receipt. The town clerk or other personnel should then staple everything together and maintain for the audit files.

Management's Response: In many cases due to our limited resources, controls will be limited. However, the town will consider incorporating these recommendations.