
THE TOWN OF WAKITA

(Including the Wakita Utilities Authority and the Wakita Public Works Authority)

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

BECKY FLEMING, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Wakita, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each fund of the Town of Wakita, 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 management of the Town of Wakita. 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 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 opinions.

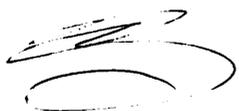
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each fund of the Town of Wakita as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 August 8, 2012, on our consideration of the internal control over financial reporting of the Town of Wakita, 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.

Accounting principles generally accepted in the United States of America require that historical pension information and the budgetary comparison information on pages 20 and 21 be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis 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.



Becky Fleming, C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
August 8, 2012

**THE TOWN OF WAKITA
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	(Memo Only)			
	Governmental Activities	Business-type Activities	Total 2012	Total 2011
ASSETS				
Current Assets				
Cash and demand deposits	180,013	167,252	347,265	217,857
Certificates of deposit	107,593	53,520	161,113	160,513
Restricted cash and investments	296,284	20,361	316,645	175,547
Prepaid expenses	0	1,868	1,868	2,071
Revenue and accounts receivable	19,487	19,035	38,522	39,603
Allowance for doubtful accounts	0	(1,465)	(1,465)	(1,602)
Internal balances	363	(363)	0	0
Total current assets	603,740	260,208	863,948	593,989
Noncurrent Assets				
Debt issue costs	0	13,393	13,393	0
Depreciable property and equipment	983,619	1,518,352	2,501,971	2,440,920
Accumulated depreciation	(525,445)	(565,573)	(1,091,018)	(1,006,080)
Net depreciable property and equipment	458,174	952,779	1,410,953	1,434,840
Land	0	160,000	160,000	160,000
Construction in progress	0	276,823	276,823	42,392
Total noncurrent assets	458,174	1,402,995	1,861,169	1,637,232
TOTAL ASSETS	1,061,914	1,663,203	2,725,117	2,231,221
LIABILITIES				
Current Liabilities				
Accounts payable	1,327	2,673	4,000	3,582
Construction accounts payable	0	0	0	42,392
Current portion of notes payable	1,075	8,501	9,576	1,012
Total current liabilities	2,402	11,174	13,576	46,986
Noncurrent Liabilities				
Meter deposits refundable	0	13,230	13,230	11,150
Notes payable, less current portion	15,804	250,361	266,165	16,965
Total noncurrent liabilities	15,804	263,591	279,395	28,115
TOTAL LIABILITIES	18,206	274,765	292,971	75,101
NET ASSETS				
Invested in capital assets, net of related debt	441,295	1,130,740	1,572,035	1,619,255
Restricted for:				
Fire department	288,861	0	288,861	167,109
Debt	0	20,361	20,361	0
Unrestricted	313,552	237,337	550,889	369,756
TOTAL NET ASSETS	1,043,708	1,388,438	2,432,146	2,156,120

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets (Memo Only)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:	(46,304)	351	9,841	24,000	(12,112)	(12,112)	(29,518)
General government	(46,304)				(12,112)	(12,112)	(29,518)
Police department	(44,701)	3,699	0	0	(41,002)	(41,002)	(47,283)
Street department *	(26,726)	0	2,991	0	(23,735)	(23,735)	18,885
Fire department	(33,682)	1,400	181,643	0	149,361	149,361	20,082
Total governmental activities	(151,413)	5,450	194,475	24,000	72,512	0	(37,834)
Business-type activities:	(53,165)	22,545	0	0	(30,620)	(30,620)	(42,798)
Administration	(53,165)				(30,620)	(30,620)	(42,798)
Sewer department	(40,841)	29,758	0	0	(11,083)	(11,083)	(5,819)
Trash department	(22,163)	28,200	0	0	6,037	6,037	6,220
Water department **	(70,795)	94,068	0	0	23,273	23,273	34,609
Gas department	(91,384)	131,608	0	0	40,224	40,224	35,690
Total business-type activities	(278,348)	306,179	0	0	27,831	27,831	27,902
Total all activities	(429,761)	311,629	194,475	24,000	72,512	27,831	(9,932)
General revenues:							
* Interest expense of \$1,064 is included in the street department							
** Interest of \$6,346 has been capitalized as part of the water project							
Total interest of \$7,410 was incurred for 2012							
Gain (loss) on disposal of capital assets	844				743	0	1,770
Investment income	13,056				0	0	12,238
Franchise and public service taxes	161,040				0	161,040	72,560
Sales and use taxes	161,040				0	161,040	72,560
Taxes:							
General revenues:							
Total general revenues and transfers	152,672				23,011	175,683	89,104
Transfers	(22,268)				22,268	0	0
Change in net assets	225,184				50,842	276,026	79,172
Beginning net assets	818,524				1,337,596	2,156,120	2,076,948
Ending net assets	1,043,708				1,388,438	2,432,146	2,156,120

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>
ASSETS	
Cash and demand deposits	180,013
Certificates of deposit	107,593
Restricted cash and investments	296,284
Revenue receivable	19,487
Due from other funds	363
TOTAL ASSETS	<u><u>603,740</u></u>
 LIABILITIES	
Accounts payable	<u>1,327</u>
TOTAL LIABILITIES	<u>1,327</u>
 FUND BALANCE	
Restricted:	
County fire tax for fire department	288,861
Workers comp reserves	7,423
Unrestricted:	
Unassigned	<u>306,129</u>
TOTAL FUND BALANCE	<u>602,413</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>603,740</u></u>
 Reconciliation of fund balance to net assets of governmental activities:	
Fund balance	602,413
Capital assets	983,619
Accumulated depreciation	(525,445)
Capital lease payable	<u>(16,879)</u>
Net assets	<u><u>1,043,708</u></u>

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General</u>
	<u>Fund</u>
REVENUES	
Sales and use taxes	161,040
Franchise taxes	13,056
Shared taxes	189,663
Grants	28,413
Fines and fees	3,719
Interest	844
Other revenues	<u>2,130</u>
TOTAL REVENUES	398,865
EXPENDITURES	
General government	24,215
Police department	41,301
Fire department	18,907
Street department	19,393
Debt service	2,162
Capital outlay	<u>39,950</u>
TOTAL EXPENDITURES	145,928
REVENUES OVER (UNDER) EXPENDITURES	252,937
OTHER FINANCING SOURCES (USES)	
Transfers-in (out)	<u>(22,268)</u>
NET OTHER FINANCING SOURCES (USES)	(22,268)
NET CHANGE IN FUND BALANCES	230,669
BEGINNING FUND BALANCE	<u>371,744</u>
ENDING FUND BALANCE	<u><u>602,413</u></u>
Reconciliation of net change in fund balance to change in net assets of governmental activities:	
Net change in fund balances - total governmental funds	230,669
Capital asset purchases capitalized	39,950
Depreciation expense	(46,533)
Principal payments on capital lease	<u>1,098</u>
Change in Net Assets of Governmental Activities	<u><u>225,184</u></u>

**THE TOWN OF WAKITA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	<u>Wakita Utilities Authority</u>
ASSETS	
Current Assets	
Cash and demand deposits	167,252
Certificates of deposit	53,520
Restricted cash and investments	20,361
Prepaid expenses	1,868
Accounts receivable	19,035
Allowance for doubtful accounts	<u>(1,465)</u>
Total current assets	260,571
Noncurrent Assets	
Debt issue costs	13,393
Depreciable property and equipment	1,518,352
Accumulated depreciation	<u>(565,573)</u>
Net depreciable property and equipment	952,779
Land	160,000
Construction in progress	<u>276,823</u>
Total noncurrent assets	<u>1,402,995</u>
TOTAL ASSETS	<u>1,663,566</u>
LIABILITIES	
Current Liabilities	
Accounts payable	2,673
Due to other funds	363
Current portion of notes payable	<u>8,501</u>
Total current liabilities	11,537
Noncurrent Liabilities	
Meter deposits refundable	13,230
Notes payable, less current portion	<u>250,361</u>
Total noncurrent liabilities	<u>263,591</u>
TOTAL LIABILITIES	275,128
NET ASSETS	
Invested in capital assets, net of related debt	1,130,740
Restricted for debt service	20,361
Unrestricted	<u>237,337</u>
TOTAL NET ASSETS	<u>1,388,438</u>

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Wakita Utilities Authority</u>
OPERATING REVENUES	
Sewer revenues	21,698
Trash revenues	28,200
Water revenues	94,068
Gas revenues	131,608
Late fees	1,955
Sewer surcharge	8,060
Other income	20,590
TOTAL OPERATING REVENUES	<u>306,179</u>
OPERATING EXPENSES	
Administration department	53,165
Sewer department	40,841
Trash department	22,163
Water department	70,795
Gas department	91,384
TOTAL OPERATING EXPENSES	<u>278,348</u>
OPERATING INCOME	27,831
NON-OPERATING REVENUES (EXPENSES)	
Interest income	743
NET NON-OPERATING REVENUES (EXPENSES)	<u>743</u>
INCOME BEFORE TRANSFERS	28,574
Transfers-in	22,268
INCREASE IN NET ASSETS	<u>50,842</u>
BEGINNING NET ASSETS	<u>1,337,596</u>
ENDING NET ASSETS	<u><u>1,388,438</u></u>

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Wakita Utilities Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	291,835
Other operating receipts	16,188
Cash payments for:	
Goods and services	(165,903)
Employees	<u>(69,570)</u>
Net cash provided from operations	72,550
Cash flows from capital financing activities:	
Principal payments	(9,051)
Interest payments (capitalized)	(6,338)
Grants transferred from general fund	24,000
Purchases of capital assets	(39,433)
Net transfers from restricted accounts	<u>(20,271)</u>
Net cash from capital financing activities	(51,093)
Cash flows from investing activities:	
Interest income	<u>577</u>
Net cash from investing activities	577
Net increase (decrease) in cash	<u>22,034</u>
Beginning cash	<u>145,218</u>
Ending cash	<u><u>167,252</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	27,831
Adjustments to income from operations:	
Depreciation	43,131
Change in assets and liabilities:	
(Increase) decrease in receivables	(2,466)
(Increase) decrease in prepaid expenses	203
Increase (decrease) in payables	1,156
Increase (decrease) in refundable deposits	<u>2,080</u>
Net cash provided by operations	<u><u>71,935</u></u>
** Activity in debt service accounts:	
Beginning cash	0
Transfers from operating account	20,271
Interest	14
Loan proceeds	267,900
Construction	(254,677)
Debt issue costs	<u>(13,147)</u>
Ending cash	<u><u>20,361</u></u>

** Activity in trust accounts is supplemental information.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012**

1. Summary of Significant Accounting Policies

The Town complies with generally accepted accounting principles (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless they conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities, it has chosen not to do so.

For the fiscal year ended June 30, 2011, the Town implemented the new financial reporting requirements of GASB-54, which establishes new fund balance classifications for governmental funds. Fund balance is now composed of three primary categories: Non-spendable, restricted, and unrestricted. Currently, the Town has no non-spendable fund balance. Restricted amounts reflect amounts that are restricted by external sources. Unrestricted balances consist of amounts that either have no restriction, or that have been internally restricted by the town board of trustees. Currently, the Town has no internally restricted resources.

1A. Financial Reporting Entity

The Town of Wakita (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In conformity with GASB-14, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the Town.

1B. Blended Component Units

The Wakita Utilities Authority (WUA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the WUA is reported as if it were part of the Town's operations because its purpose is to finance and provide water, sewer, trash, and gas services to the citizens of the Town. The WUA does not present separate financial statements.

The Wakita Public Works Authority (PWA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its purpose was to finance construction of a community health center for the citizens of the Town. Since its purpose has been fulfilled, it is currently inactive. However, the building is currently leased to the James Dennis Medical Foundation (Community Health Center) in a contract that expires June 30, 2015.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012**

1C. Basic Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's police, fire, streets and general administration are classified as governmental activities. The Town's water, sewer, trash, and gas services are classified as business-type activities.

1D. Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities are financed by taxes, intergovernmental revenues, grants, and other miscellaneous revenues. Business-type activities are financed by charges for services.

1E. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period. The Town uses one governmental fund, the general fund.

Proprietary Funds

The measurement focus of proprietary funds is economic resources, the objectives of which involve the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town uses only one proprietary fund, an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

1F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

The governmental funds financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

1G. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to be cash on hand, demand deposits, cash with fiscal agents, and short-term investments with original maturities of three months or less from the date of acquisition.

1H. Deposits and Investments

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1I. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012**

1J. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1K. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Utility systems	30 to 40 years
Equipment	5 to 20 years

GASB-34 required the Town to report and depreciate new infrastructure assets effective with its adoption in 2004. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Retroactive reporting is not required.

1L. Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are expensed as paid.

1M. Revenues and Expenditures

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as needed. When fund balances in governmental funds that are committed or assigned are available, it is the Town's policy to use the committed or assigned resources first. Program revenues in the government-wide statements 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 not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012**

applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

1N. Memo Only Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

2. Deposits and Investments

The Town has deposits of \$50,799 in excess of insured limits that are collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school Town direct debt.

3. Restricted Cash

Grant County sales taxes restricted for the Wakita fire department are recorded as restricted cash in the general fund. Although county funds, the Town records them on its books for purposes of oversight and control since the expenditure of these funds is material to the financial statements of the general fund. The balance at June 30 is \$288,861. Shared tax revenues of \$176,831 and expenditures of \$55,079 are included in these financial statements.

Workers compensation reserves of \$7,423 are on deposit at the Oklahoma Municipal Insurance Group (OMAG).

Debt service reserves are required by the Rural Development loan agreement. A debt service reserve of \$16,788 has been fully funded. A short-lived asset reserve is funded with monthly deposits of \$317. At year end, the balance of these reserve accounts is \$20,361, the required amount.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

4. Capital Assets

Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Depreciable assets				
Buildings	667,932	0	0	667,932
Leased equipment	55,200	0	0	55,200
Equipment	182,143	39,950	0	222,093
Infrastructure	38,394	0	0	38,394
Total depreciable assets	<u>943,669</u>	<u>39,950</u>	<u>0</u>	<u>983,619</u>
Accumulated depreciation				
Buildings	(368,061)	(22,514)	0	(390,575)
Leased equipment	(1,380)	(2,760)	0	(4,140)
Equipment	(108,511)	(19,339)	0	(127,850)
Infrastructure	(960)	(1,920)	0	(2,880)
Total depreciation	<u>(478,912)</u>	<u>(46,533)</u>	<u>0</u>	<u>(525,445)</u>
Net depreciable assets	<u>464,757</u>	<u>(6,583)</u>	<u>0</u>	<u>458,174</u>
Net governmental assets	<u>464,757</u>	<u>(6,583)</u>	<u>0</u>	<u>458,174</u>
Business-type activities				
Assets not depreciated				
Land	160,000	0	0	160,000
Construction in progress	42,392	234,431	0	276,823
Total assets not depreciated	<u>202,392</u>	<u>234,431</u>	<u>0</u>	<u>436,823</u>
Depreciable assets				
Buildings	10,000	0	0	10,000
Equipment	13,454	0	(4,226)	9,228
Utility systems	1,473,797	25,827	(500)	1,499,124
Total depreciable assets	<u>1,497,251</u>	<u>25,827</u>	<u>(4,726)</u>	<u>1,518,352</u>
Accumulated depreciation				
Buildings	(4,250)	(333)	0	(4,583)
Equipment	(7,566)	(1,416)	4,226	(4,756)
Utility systems	(515,352)	(41,382)	500	(556,234)
Total depreciation	<u>(527,168)</u>	<u>(43,131)</u>	<u>4,726</u>	<u>(565,573)</u>
Net depreciable assets	<u>970,083</u>	<u>(17,304)</u>	<u>0</u>	<u>952,778</u>
Net business-type assets	<u>1,172,475</u>	<u>217,127</u>	<u>0</u>	<u>1,389,602</u>

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	22,089	Administration	1,749
Police department	3,399	Sewer	24,255
Fire department	14,774	Water	15,847
Street department	6,270	Gas	1,280
Total governmental depreciation	<u>46,533</u>	Total business-type depreciation	<u>43,131</u>

5. Long-term Debt

	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Governmental activities					
Backhoe	5.766%	02/10/24	20,200	16,879	backhoe
Business-type activities					
Water system	3.250%	11/22/33	267,900	258,862	water system and revenues

Long-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental activities					
Backhoe lease-purchase	17,977	0	(1,098)	16,879	1,075
Business-type activities					
Water system note payable	0	267,900	(9,038)	258,862	8,501

A summary of debt service requirements to maturity by year is as follows:

	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
June 30:						
2013	1,075	921	1,996	8,501	8,287	16,788
2014	1,137	859	1,996	8,782	8,006	16,788
2015	1,202	794	1,996	9,071	7,717	16,788
2016	1,272	724	1,996	9,371	7,417	16,788
2017	1,345	651	1,996	9,680	7,108	16,788
2018-2022	7,983	1,997	9,980	53,405	30,535	83,940
2023-2027	2,865	129	2,994	62,813	21,127	83,940
2028-2032	0	0	0	73,882	10,058	83,940
2033-2034	0	0	0	23,357	576	23,933
Total	<u>16,879</u>	<u>6,075</u>	<u>22,954</u>	<u>258,862</u>	<u>100,831</u>	<u>359,693</u>

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

February 10, 2009, the Town entered into a \$20,200 15 year lease-purchase agreement for a backhoe. The lease carries a fixed annual interest rate of 5.766% and matures February 10, 2024. The Town is obligated to pay only such rental payments as are appropriated for that purpose annually. If the Town fails to budget funds for the lease, it will be deemed terminated at the end of the term last budgeted. The Town has the option to take title to the backhoe upon fulfillment of the lease.

July 22, 2011, the WUA issued a \$375,000 note for water system improvements. The note carries a fixed annual interest rate of 3.25% and matures July 22, 2051. The note is secured by all water revenues and a mortgage on the water system. At year end, \$267,900 had been drawn on the note. Debt service reserves required by the note are recorded as restricted cash (see Note 3).

6. Defined Benefit Pension Plans

Volunteer Firefighters

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the year ended June 30, 2012, 2011 and 2010 was \$840, \$960 and \$780 respectively equal to the required contribution for each year.

Town Employees

Plan Description. The Town's defined benefit pension plan, the Town of Wakita Plan and Trust (WPT), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. WPT is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer type plan administered by Bank One in Oklahoma City, OK. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in OMRF to the respective employer entities; for WPT, that authority rests with the Town of Wakita. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 100 North Broadway, Oklahoma City, OK 73102, or by calling 1-888-394-6673.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

Funding Policy. OMRF members are required to contribute 2.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate which is currently 6.76% of annual covered payroll. However, the Town is currently contributing 8.16% in order to prefund a future benefit increase. The contribution requirements of plan members and the Town are established and may be amended by the OMRF Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2010, the Town's annual pension cost was \$5,256. Actual contributions of \$6,344 exceeded the required contributions. The required contribution was determined as part of the January 1, 2011 actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by year based on the age of the employee, and (c) 3% per year cost-of-living adjustments. The actuarial value of WPT assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 80% to 120% of the current market value of the fund.

Fiscal Year Ending	Annual Pension Cost	Percentage APC Contributed	Net Pension Obligation
06/30/10	6,542	100%	0
06/30/11	6,544	109%	0
06/30/12	6,344	120%	0

Schedule of Funding Progress.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/12	158,752	Actuarial	187,193	EAN	28,441	84.8%	79,199	35.9%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

7. Workers' Compensation Plan

The Town participates in the Oklahoma Municipal Assurance Group (OMAG) Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any Loss Funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the plan. The amount of Town funds on deposit with OMAG at year end was \$7,423.

8. Long-term Maintenance and Repair Contract

During 2000/2001, the Town entered into a long-term contract for water tower repairs and maintenance. An annual maintenance fee began in 2004 with cost of service adjustments calculated every three years, but in no case to exceed 5% annually. The contract is subject to cancellation with 90 days written notice prior to the anniversary date. The cost for 2012 was \$6,218.

9. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Three claims were made during the year just ended; \$3,300 for repairs to the fire station roof and \$3,292 for water system repairs. The claims were a result of storm damage and the payments were used to reduce the cost of repairs.

10. Budgets and Budgetary Accounting

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. During the year, one budget amendment was approved.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2012

11. Subsequent Events

Management performed an evaluation of the Town's activity through August 8, 2012, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

12. Interfund Transactions

	General Fund	Utility Fund	Total
Transfers			
Sewer grant	(24,000)	24,000	0
Operating	1,732	(1,732)	0
Total	<u>(22,268)</u>	<u>22,268</u>	<u>0</u>

	General Fund	Utility Fund	Total
Internal Balances			
Payroll	(252)	252	0

**The Town of Wakita
Supplemental Pension Disclosures
As of and for the Year Ended June 30, 2012**

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/03	45,978	Actuarial	103,535	EAN	57,557	44.4%	73,994	77.8%
01/01/04	58,526	Actuarial	114,223	EAN	55,697	51.2%	72,541	76.8%
01/01/05	85,525	Actuarial	137,252	EAN	51,746	62.3%	73,929	70.0%
01/01/06	85,525	Actuarial	137,272	EAN	51,746	62.3%	73,929	70.0%
01/01/07	101,423	Actuarial	150,359	EAN	48,936	67.5%	76,108	64.3%
01/01/08	118,324	Actuarial	164,893	EAN	46,569	71.8%	78,338	59.4%
01/01/09	122,144	Actuarial	160,053	EAN	37,909	76.3%	79,796	47.5%
01/01/10	135,115	Actuarial	172,605	EAN	37,490	78.3%	80,241	46.7%
01/01/11	143,403	Actuarial	173,580	EAN	30,176	82.6%	80,171	37.6%
01/01/12	158,752	Actuarial	187,193	EAN	28,441	84.8%	79,199	35.9%

**THE TOWN OF WAKITA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	65,000	80,000	161,040	81,040
Franchise taxes	11,000	11,000	13,056	2,056
Shared taxes	11,300	61,300	189,663	128,363
Grants	28,500	28,500	28,413	(87)
Fines and fees	0	0	3,719	3,719
Interest	800	800	844	44
Other revenues	8,000	8,000	2,130	(5,870)
TOTAL REVENUES	124,600	189,600	398,865	209,265
EXPENDITURES				
General government	29,500	29,500	24,215	5,285
Police department	48,600	51,700	41,301	10,399
Fire department	9,500	19,500	18,907	593
Street department	22,700	21,038	19,393	1,645
Debt service	0	2,162	2,162	0
Capital outlay	0	40,900	39,950	950
TOTAL EXPENDITURES	110,300	164,800	145,928	18,872
REVENUES OVER (UNDER) EXPENDITURES	14,300	24,800	252,937	228,137
OTHER FINANCING SOURCES (USES)				
Transfers-in (out)	0	(20,387)	(22,268)	(1,881)
NET OTHER FINANCING SOURCES (USES)	0	(20,387)	(22,268)	(1,881)
NET CHANGE IN FUND BALANCES	14,300	4,413	230,669	226,256
BEGINNING FUND BALANCE	371,744	371,744	371,744	0
ENDING FUND BALANCE	386,044	376,157	602,413	226,256

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.
2. Interfund transfers were not budgeted correctly for the REAP grant transfers or the transfers for the insurance reimbursements for the water system.

INDEPENDENT AUDITOR'S 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

The Board of Trustees
The Town of Wakita, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, and each fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the Town of Wakita, and have issued our report thereon, dated August 8, 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

Management of the Town of Wakita is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the internal control over financial reporting of the Town of Wakita 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 the Town of Wakita's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Wakita'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 that we consider to be significant deficiencies in internal

control over financial reporting. 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. We consider the following deficiency in the Town's internal control to be a significant deficiency:

2012-1 Since the Town's clerk/treasurer is the only administrative employee, there is no segregation of duties between those maintaining the general ledger, the billing system, and performing reconciliations, and no compensating procedures to provide for oversight or review of those transactions. We recommend that the Town find ways for the trustees to provide oversight of the accounting functions, such as receiving unopened bank statements for review; reviewing utility billing and payment reports, and spending more time at town hall to become familiar with its operations.

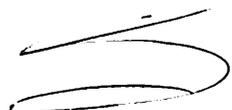
Response Since we are a small town with our clerk/treasurer as the only administrative and bookkeeping employee, we do not have a way of segregating duties. However, we will try to find ways to establish better oversight procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Wakita 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*.

The Town of Wakita's response to the findings identified in our audit is described above. We did not audit the Town of Wakita's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



, C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
August 8, 2012