

AUDIT REPORT  
TOWN OF WAPANUCKA, OKLAHOMA  
JUNE 30, 2012

KERSHAW CPA & ASSOCIATES, PC

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TOWN OF WAPANUCKA, OKLAHOMA  
JUNE 30, 2012

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TOWN OF WAPANUCKA, OKLAHOMA  
JUNE 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Wapanucka, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wapanucka, Oklahoma, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town of Wapanucka, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wapanucka, Oklahoma'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 of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental & Business-Type Activities is not readily determinable.

In our opinion, except for the effects, if any, on the financial statements of improper capital asset recordkeeping described in the preceding paragraph, the financial statements referred to above present

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fairly, in all material respects, the modified cash basis financial position of the governmental activities and each major fund of the Town of Wapanucka, Oklahoma, as of June 30, 2012, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2014, on our consideration of the Town of Wapanucka, Oklahoma's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 compliance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Town of Wapanucka has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However, the Town has not presented the Management's Discussion and Analysis or Budgetary Comparison Information required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

April 22, 2014

**TOWN OF WAPANUCKA, OKLAHOMA**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2012**

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>2012<br/>Total</u>   |
|---|------------------------------------|-------------------------------------|-------------------------|
| <b><u>ASSETS</u></b>                            |                                    |                                     |                         |
| <b><u>Current Assets:</u></b>                   |                                    |                                     |                         |
| Cash in Bank - Unrestricted                     | \$ 33,852                          | \$ (985)                            | \$ 32,867               |
| Cash in Bank - Restricted                       | -                                  | 18,416                              | 18,416                  |
| Total Current Assets                            | <u>33,852</u>                      | <u>17,431</u>                       | <u>51,283</u>           |
| <b><u>Capital Assets:</u></b>                   |                                    |                                     |                         |
| Capital Assets, Net of Accum. Depr.             | -                                  | -                                   | -                       |
| Total Capital Assets                            | <u>-</u>                           | <u>-</u>                            | <u>-</u>                |
| <b>TOTAL ASSETS</b>                             | <b><u>\$ 33,852</u></b>            | <b><u>\$ 17,431</u></b>             | <b><u>\$ 51,283</u></b> |
| <b><u>LIABILITIES</u></b>                       |                                    |                                     |                         |
| <b><u>Current Liabilities:</u></b>              |                                    |                                     |                         |
| Customer Deposits                               | \$ -                               | \$ 3,770                            | \$ 3,770                |
| Notes Payable - Current Portion                 | -                                  | 25,522                              | 25,522                  |
| Total Current Liabilities                       | <u>-</u>                           | <u>29,291</u>                       | <u>29,291</u>           |
| <b><u>Long-Term Liabilities:</u></b>            |                                    |                                     |                         |
| Notes Payable                                   | -                                  | 25,522                              | 25,522                  |
| Less: Current Maturities                        | -                                  | (25,522)                            | (25,522)                |
| Total Long-Term Liabilities                     | <u>-</u>                           | <u>-</u>                            | <u>-</u>                |
| <b>TOTAL LIABILITIES</b>                        | <b><u>-</u></b>                    | <b><u>29,291</u></b>                | <b><u>29,291</u></b>    |
| <b><u>NET ASSETS</u></b>                        |                                    |                                     |                         |
| Invested in capital assets, net of related debt | -                                  | (25,522)                            | 25,522                  |
| Restricted for:                                 |                                    |                                     | -                       |
| Debt Service                                    | -                                  | 18,416                              | 18,416                  |
| Other Purposes                                  | -                                  | -                                   | -                       |
| Unrestricted                                    | <u>33,852</u>                      | <u>(4,754)</u>                      | <u>29,098</u>           |
| <b>TOTAL NET ASSETS</b>                         | <b><u>33,852</u></b>               | <b><u>(11,860)</u></b>              | <b><u>21,992</u></b>    |
| <b>TOTAL LIABILITIES &amp; NET ASSETS</b>       | <b><u>\$ 33,852</u></b>            | <b><u>\$ 17,431</u></b>             | <b><u>\$ 51,283</u></b> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF WAPANUCKA, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Functions/Programs                    | Expenses          | Program Revenues        |  |  | Net<br>(Expenses)/<br>Revenue |
|---------------------------------------|-------------------|-------------------------|--|--|-------------------------------|
|                                       |                   | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                               |
| <b>Governmental activities:</b>       |                   |                         |  |  |                               |
| General Government                    | \$ 39,277         | \$ -                    | \$ 4,413                                 | \$ -                                   | \$ (34,865)                   |
| Public Safety                         | 8,400             | 4,650                   | -  | -                                      | (3,750)                       |
| Highways & Streets                    | -                 | -                       | -  | -                                      | -                             |
| Debt Service - Interest               | 8,182             | -                       | -  | -                                      | (8,182)                       |
| Capital Outlay                        | -                 | -                       | -  | -                                      | -                             |
| <b>Total Governmental Activities</b>  | <b>55,859</b>     | <b>4,650</b>            | <b>4,413</b>                             | <b>-</b>                               | <b>(46,797)</b>               |
| <b>Business-type activities:</b>      |                   |                         |  |  |                               |
| Water, Sewer & Sanitation             | 148,367           | 115,890                 | -  | 48,968                                 | 16,492                        |
| <b>Total Business-type Activities</b> | <b>148,367</b>    | <b>115,890</b>          | <b>-</b>                                 | <b>48,968</b>                          | <b>16,492</b>                 |
| <b>Total</b>                          | <b>\$ 204,226</b> | <b>\$ 120,540</b>       | <b>\$ 4,413</b>                          | <b>\$ 48,968</b>                       | <b>\$ (30,305)</b>            |

**Changes in Net Assets:**

|   | Governmental<br>Activities | Business-Type<br>Activities | Total            |
|---|----------------------------|-----------------------------|------------------|
| Net (expense)/revenue                         | \$ (46,797)                | \$ 16,492                   | \$ (30,305)      |
| <b>General revenues:</b>                      |                            |                             |                  |
| <b>Taxes:</b>                                 |                            |                             |                  |
| Sales Tax                                     | 23,525                     | -                           | 23,525           |
| Cigar Tax                                     | 336                        | -                           | 336              |
| Use Tax                                       | 1,404                      | -                           | 1,404            |
| <b>Intergovernmental:</b>                     |                            |                             |                  |
| Alcoholic Beverage Tax                        | 5,592                      | -                           | 5,592            |
| Motor Vehicle Tax                             | 3,048                      | -                           | 3,048            |
| Gasoline Excise Tax                           | 801                        | -                           | 801              |
| Franchise Taxes                               | 6,482                      | -                           | 6,482            |
| Rental Income                                 | 2,980                      | -                           | 2,980            |
| Miscellaneous Income                          | 12,132                     | 20,366                      | 32,498           |
| Interest Income                               | 10                         | 4                           | 14               |
| Transfers - Internal Activity                 | 400                        | (400)                       | -                |
| <b>Total general revenues &amp; transfers</b> | <b>56,711</b>              | <b>19,970</b>               | <b>76,681</b>    |
| <b>Changes in net assets</b>                  | <b>9,914</b>               | <b>36,461</b>               | <b>46,375</b>    |
| Net assets - beginning                        | 23,608                     | 10,915                      | 34,523           |
| Net assets - prior year adjustment            | 330                        | (59,237)                    | (58,907)         |
| <b>Net assets - ending</b>                    | <b>\$ 33,852</b>           | <b>\$ (11,860)</b>          | <b>\$ 21,992</b> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF WAPANUCKA, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|   | General<br>Fund         | Cemetery<br>Fund       | Total<br>Governmental<br>Funds |
|---|-------------------------|------------------------|--------------------------------|
| <b><u>ASSETS</u></b>                        |                         |                        |                                |
| Cash and cash equivalents                   | \$ 25,055               | \$ 8,797               | \$ 33,852                      |
| <b>TOTAL ASSETS</b>                         | <b><u>\$ 25,055</u></b> | <b><u>\$ 8,797</u></b> | <b><u>\$ 33,852</u></b>        |
| <b><u>LIABILITIES &amp; FUND EQUITY</u></b> |                         |                        |                                |
| <b>LIABILITIES:</b>                         |                         |                        |                                |
| Accounts Payable                            | \$ -                    | \$ -                   | \$ -                           |
| Payroll Taxes Payable                       | -                       | -                      | -                              |
| <b>TOTAL LIABILITIES</b>                    | <b><u>-</u></b>         | <b><u>-</u></b>        | <b><u>-</u></b>                |
| <b>FUND BALANCES:</b>                       |                         |                        |                                |
| Restricted                                  | -                       | 8,797                  | 8,797                          |
| Assigned                                    | -                       | -                      | -                              |
| Unassigned                                  | 25,055                  | -                      | 25,055                         |
| <b>TOTAL FUND BALANCES</b>                  | <b><u>25,055</u></b>    | <b><u>8,797</u></b>    | <b><u>33,852</u></b>           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>  | <b><u>\$ 25,055</u></b> | <b><u>\$ 8,797</u></b> | <b><u>\$ 33,852</u></b>        |

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$0, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. -

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Assets of Governmental Activities **\$ 33,852**

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF WAPANUCKA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|   | General<br>Fund  | Cemetery<br>Fund | Total<br>Governmental<br>Funds |
|---|------------------|------------------|--------------------------------|
| <b>REVENUES:</b>  |                  |                  |                                |
| Taxes:  |                  |                  |                                |
| Sales Tax   | \$ 23,525        | \$ -             | \$ 23,525                      |
| Cigar Tax   | 336              | -                | 336                            |
| Use Tax   | 1,404            | -                | 1,404                          |
| Intergovernmental:                                      |                  |                  |                                |
| Alcoholic Beverage Tax                                  | 5,592            | -                | 5,592                          |
| Motor Vehicle Tax                                       | 3,048            | -                | 3,048                          |
| Gasoline Excise Tax                                     | 801              | -                | 801                            |
| Grants  | 4,413            | -                | 4,413                          |
| Franchise Taxes   | 6,482            | -                | 6,482                          |
| Fire Runs   | 4,400            | -                | 4,400                          |
| Fines & Forfeitures                                     | 250              | -                | 250                            |
| Rental Income   | 2,980            | -                | 2,980                          |
| Donations   | 3,762            | 4,808            | 8,570                          |
| Miscellaneous Income                                    | 1,993            | 1,569            | 3,562                          |
| Interest Income   | 4                | 6                | 10                             |
| <b>TOTAL REVENUES</b>                                   | <b>58,990</b>    | <b>6,383</b>     | <b>65,373</b>                  |
| <b>EXPENDITURES:</b>                                    |                  |                  |                                |
| Current:  |                  |                  |                                |
| General Government:                                     |                  |                  |                                |
| Personal Services                                       | 7,432            | 2,249            | 9,682                          |
| Maintenance & Operations                                | 24,416           | 5,180            | 29,596                         |
| Public Safety:  |                  |                  |                                |
| Personal Services                                       | -                | -                | -                              |
| Maintenance & Operations                                | 8,400            | -                | 8,400                          |
| Debt Service  | 8,182            | -                | 8,182                          |
| Capital Outlay  | -                | -                | -                              |
| <b>TOTAL EXPENDITURES</b>                               | <b>48,430</b>    | <b>7,429</b>     | <b>55,859</b>                  |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>10,560</b>    | <b>(1,046)</b>   | <b>9,514</b>                   |
| <b>OTHER FINANCING SOURCES (USES):</b>                  |                  |                  |                                |
| Operating Transfers In                                  | 400              | -                | 400                            |
| Operating Transfers Out                                 | -                | -                | -                              |
| Capital Debt Proceeds                                   | -                | -                | -                              |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>             | <b>400</b>       | <b>-</b>         | <b>400</b>                     |
| <b>NET CHANGES IN FUND BALANCES</b>                     | <b>10,960</b>    | <b>(1,046)</b>   | <b>9,914</b>                   |
| FUND BALANCE - BEGINNING OF YEAR                        | 13,767           | 9,841            | 23,608                         |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT                    | 329              | 1                | 330                            |
| <b>FUND BALANCE - END OF YEAR</b>                       | <b>\$ 25,055</b> | <b>\$ 8,797</b>  | <b>33,852</b>                  |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements



**TOWN OF WAPANUCKA, OKLAHOMA  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2012**

|   | <u>Wapanucka Public<br/>Works Authority<br/>Enterprise Fund<br/>June 30, 2012</u> |
|---|---|
| <b><u>ASSETS:</u></b>                           |   |
| <b>Current Assets:</b>                          |   |
| Cash in Bank - Unrestricted                     | \$ (985)  |
| Cash in Bank - Restricted                       | 18,416  |
| <b>Total Current Assets</b>                     | <b>17,431</b>   |
| <b>Noncurrent Assets:</b>                       |   |
| Capital assets, net of accumulated depreciation | -   |
| <b>Total Noncurrent Assets</b>                  | <b>-</b>  |
| <b>TOTAL ASSETS</b>                             | <b>\$ 17,431</b>  |
| <b><u>LIABILITIES:</u></b>                      |   |
| <b>Current Liabilities:</b>                     |   |
| Customer Deposits                               | \$ 3,770  |
| Notes Payable - Current Maturities              | 25,522  |
| <b>Total Current Liabilities</b>                | <b>29,291</b>   |
| <b>Noncurrent Liabilities:</b>                  |   |
| Notes Payable                                   | 25,522  |
| Less: Current Maturities                        | (25,522)  |
| <b>Total Noncurrent Liabilities</b>             | <b>-</b>  |
| <b>TOTAL LIABILITIES</b>                        | <b>29,291</b>   |
| <b><u>NET ASSETS:</u></b>                       |   |
| Invested in capital assets, net of related debt | (25,522)  |
| Restricted for debt service                     | 18,416  |
| Unrestricted                                    | (4,754)   |
| <b>TOTAL NET ASSETS</b>                         | <b>(11,860)</b>   |
| <b>TOTAL LIABILITIES &amp; NET ASSETS</b>       | <b>\$ 17,431</b>  |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF WAPANUCKA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|   | <u>Wapanucka Public<br/>Works Authority<br/>Enterprise Fund<br/>June 30, 2012</u> |
|---|---|
| <b><u>OPERATING REVENUES:</u></b>                             |   |
| Charges for Services:   |   |
| Water and Sewer Income  | \$ 111,354  |
| Miscellaneous Income  | 4,536   |
| <b>TOTAL OPERATING REVENUES</b>                               | <u>115,890</u>  |
| <b><u>OPERATING EXPENSES:</u></b>                             |   |
| Payroll and related costs                                     | 23,198  |
| Contracted services   | 47,386  |
| Utilities and telephone                                       | 5,347   |
| Insurance and bonds   | 3,891   |
| Repairs and maintenance                                       | 13,649  |
| Chemicals   | 1,328   |
| Testing and lab fees  | 5,779   |
| Office supplies and expense                                   | 1,574   |
| Trash service   |   |
| Legal fees  | 1,148   |
| <b>TOTAL OPERATING EXPENSES</b>                               | <u>103,298</u>  |
| <b>NET OPERATING INCOME (LOSS)</b>                            | <u>12,593</u>   |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                      |   |
| Grant Revenues  | 48,968  |
| Insurance recoveries  | 20,366  |
| Capital Outlay  | (42,796)  |
| Interest Income   | 4   |
| Interest Expense  | (2,274)   |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>                | <u>24,269</u>   |
| <b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b> | 36,861  |
| Transfers in  | -   |
| Transfers out   | (400)   |
| <b>CHANGE IN NET ASSETS</b>                                   | 36,461  |
| <b>TOTAL NET ASSETS - BEGINNING</b>                           | 10,915  |
| <b>TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT</b>               | (59,237)  |
| <b>TOTAL NET ASSETS - ENDING</b>                              | <u>\$ (11,860)</u>  |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF WAPANUCKA, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|  | <b>June 30, 2012</b> |
|--|----------------------|
| <b><u>Net Cash Flows from Operating Activities:</u></b>  |                      |
| Cash Receipts from Customers   | \$ 115,890           |
| Payments to Suppliers and Laborers for Goods & Services  | (103,298)            |
| Receipts of Customer Utility Deposits, Net of Refunds  | (399)                |
| <b>Net Cash Provided (Used) by Operating Activities</b>  | <b>12,194</b>        |
| <b><u>Net Cash Flows from Non-Capital Financing Activities:</u></b>                                  |                      |
| Transfers to other funds   | (400)                |
| Transfers from other funds   | -                    |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                  | <b>(400)</b>         |
| <b><u>Net Cash Flows from Capital &amp; Related Financing Activities:</u></b>                        |                      |
| Capital grants   | 48,968               |
| Additions to Capital Assets  | (42,796)             |
| Insurance Proceeds   | 20,366               |
| Loan Proceeds received   | -                    |
| Principal paid on Notes Payable  | (27,108)             |
| Interest paid  | (2,274)              |
| <b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>                        | <b>(2,843)</b>       |
| <b><u>Net Cash Flows from Investing Activities:</u></b>  |                      |
| Interest Income  | 4                    |
| <b>Net Cash Provided (Used) by Investing Activities</b>  | <b>4</b>             |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>8,954</b>         |
| <b>Cash &amp; Cash Equivalents, Beginning of Year</b>  | <b>10,915</b>        |
| <b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>  | <b>(2,438)</b>       |
| <b>Cash &amp; Cash Equivalents, End of Year</b>  | <b>\$ 17,431</b>     |
| <b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>   |                      |
| Operating Income (Loss)  | \$ 12,593            |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities |                      |
| Depreciation   | -                    |
| (Increase)Decrease in Accounts Receivable  | -                    |
| Increase(Decrease) in Accounts Payable   | -                    |
| Increase(Decrease) in Water Deposits   | (399)                |
| <b>Net Cash Provided (Used) by Operating Activities</b>  | <b>\$ 12,194</b>     |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Town of Wapanucka, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, sanitation, water, public improvements, 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 Wapanucka Public Works Authority.

B. 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 funds types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2012, the Town had governmental funds of general fund and cemetery care. The proprietary funds consisted of the Wapanucka Public Works Authority.

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 except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town.

Proprietary Fund Types

The Public Works Authority Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, on a continuing basis, are financed through user charges, paid by the general public. The Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when received and expenses are recorded when paid. All proprietary fund fixed assets have been expensed and are not capitalized.

C. Total Columns (Memorandum Only) & Beginning Fund Balances

Total Columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

D. Basis of Accounting

The Town of Wapanucka prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund types recognize revenues, expenditures, and liabilities when received or paid. Grant income is recognized when received.

E. Budget and Budgetary Procedures

The Town's annual operating budget represents appropriations as authorized by the Town Council and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department.

F. Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Restricted cash consists of monies held in conjunction with the Wapanucka Public Works Authority customer deposits.

G. 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.

H. Accounts Receivable

As a result of the use of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not required.

I. Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined statement of assets, liabilities and fund balances.

J. Property & Equipment

Public domain (infrastructure) general capital assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations are

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

recorded as expenditures in the fund making the expenditure and capitalized at cost. The Town of Wapanucka does not maintain detailed asset records. The town has not established a capitalization threshold because it does not maintain capital asset records

K. Equity Classification

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special fund and revenue source is listed below:

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u> |
|-----------------------------------|-----------------------|
| Cemetery Fund                     | Donations             |

L. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2012, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current(further classified by activity) Capital Outlay

Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

- M. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

1. For the first time the financial statement should include:
  - a. A Management Discussion and Analysis (MD&A) section providing analysis of the Town's overall financial position and results of operations. However, the Town has chosen not to present the required MD&A for the current year.
  - b. Financial statements prepared using full accrual accounting for all of the Town's activities, except for including the General capital assets or infrastructure (roads, bridges, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

N. Risk Management

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

O. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The annual budget was has not been prepared or filed with the State Auditor and Inspector's office.

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are fund balance and retained earnings deficits for the Town for this fiscal year. This is due in part to the fact that the Town does not report Capital Assets in its financial statements. The Long-term Debt related to these assets is included in the financial statements and therefore creates negative fund balances.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2012, the Town held deposits of approximately \$51,283 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name. The Town of Wapanucka is considered a separate entity from the Wapanucka Public Works Authority for FDIC deposit insurance.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Federal Housing Administrator, and in obligations of the National Mortgage Association.

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RESTRICTED ASSETS

The Authority is required to establish a debt reserve fund that will be used to repay Community Resource Group, Inc. only in the event that adequate revenue is not available from operations to make a monthly installment.

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

|                       |                          |
|-----------------------|--------------------------|
| Customer Deposits     | \$ 3,770                 |
| Debt Reserve          | 3,448                    |
| REAP Grant Account    | <u>11,198</u>            |
| Total Restricted Cash | <u>\$18,416</u><br>===== |

NOTE 5 - CAPITAL ASSETS

The Town does not maintain capital assets records.

NOTE 6 - LONG-TERM DEBT

Wapanucka Public Works Authority:

On May 28, 2004, the Authority received a loan of \$140,454.39 from Community Resource Group, Inc. for system improvements. The loan was scheduled for repayment over a term of 120 months (10 years) at 4.9% interest per annum, maturing May 28, 2014. Amortized monthly installments of principal and interest will be required with the first installment due 30 days from the date of the note. Monthly installments were to be in the amount of \$1,583.66. Payments are to be made by automatic draft of the Authority's account.

On August 24, 2009, the Authority refinanced its loan with Landmark Bank and received additional loan proceeds of \$8,480 to pay operating expenses. The loan was scheduled for repayment of \$864.83 per month at 6.75% interest per annum.

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

|                              | Balance at<br>June 30, 2011 | Additions   | Deductions         | Balance at<br>June 30, 2012 |
|------------------------------|-----------------------------|-------------|--------------------|-----------------------------|
| Note Payable - CRG, Inc.     | \$ 33,285                   | \$ -        | \$ (17,768)        | \$ 15,517                   |
| Note Payable - Landmark Bank | \$ 19,345                   | \$ -        | \$ (9,340)         | \$ 10,005                   |
| Total Long-Term Debt         | <u>\$ 52,630</u>            | <u>\$ -</u> | <u>\$ (27,108)</u> | <u>\$ 25,522</u>            |

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2012, are as follows:

CRG, INC.

| Year Ending<br>June 30, | Principal        | Interest        | Total            |
|-------------------------|------------------|-----------------|------------------|
| 2013                    | \$ 15,517        | \$ 3,487        | \$ 19,004        |
| 2014                    | -                | -               | -                |
| 2015                    | -                | -               | -                |
| 2016                    | -                | -               | -                |
| 2017                    | -                | -               | -                |
| 2018-2022               | -                | -               | -                |
| Total                   | <u>\$ 15,517</u> | <u>\$ 3,487</u> | <u>\$ 19,004</u> |

Landmark Bank

| Year Ending<br>June 30, | Principal        | Interest      | Total            |
|-------------------------|------------------|---------------|------------------|
| 2013                    | \$ 10,005        | \$ 373        | \$ 10,378        |
| 2014                    | -                | -             | -                |
| 2015                    | -                | -             | -                |
| 2016                    | -                | -             | -                |
| 2017                    | -                | -             | -                |
| 2018-2022               | -                | -             | -                |
| Total                   | <u>\$ 10,005</u> | <u>\$ 373</u> | <u>\$ 10,378</u> |

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The Town's restricted net assets are described in Note 4 above.

TOWN OF WAPANUCKA, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

Governmental Fund Balances

Town of Wapanucka, Oklahoma  
 Disclosure of Fund Balances Reported on Balance Sheet  
 For Fiscal Year Ending June 30, 2012

|                 | General<br>Fund | Cemetery<br>Fund | Total<br>Governmental<br>Funds |
|-----------------|-----------------|------------------|--------------------------------|
| FUND BALANCES:  |                 |                  |                                |
| Restricted for: |                 |                  |                                |
| Cemetery Fund   | \$ -            | \$ 8,797         | \$ 8,797                       |
| Unassigned      | 25,055          | -                | 25,055                         |
| Total           | \$ 25,055       | \$ 8,797         | \$ 33,852                      |

NOTE 8 - COMMITMENTS & CONTINGENCIES

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Compensated Absences - Compensated absences have not been determined because the Town prepares its financial statements on the modified cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

NOTE 9 - OPERATING TRANSFERS

Interfund operating transfers for the year ended June 30, 2012, were as follows:

TOWN OF WAPANUCKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

| OPERATING TRANSFERS:             | TRANSFERS IN | TRANSFERS OUT |
|----------------------------------|--------------|---------------|
| GENERAL:                         |              |               |
| Cemetery Fund                    | \$ -         | \$ -          |
| Wapanucka Public Works Authority | 400.00       | -             |
| Total General Fund               | \$ 400.00    | \$ -          |
| SPECIAL REVENUE FUNDS:           |              |               |
| Cemetery Fund:                   |              |               |
| General Fund                     | \$ -         | \$ -          |
| Wapanucka Public Works Authority | -            | -             |
| Total Special Revenue Funds      | \$ -         | \$ -          |
| ENTERPRISE FUNDS                 |              |               |
| Wapanucka Public Works Authority |              |               |
| General Fund                     | \$ -         | \$ 400.00     |
| Cemetery Fund                    | -            | -             |
| Total Enterprise Funds           | \$ -         | \$ 400.00     |
|                                  | \$ 400.00    | \$ 400.00     |

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through April 22, 2014, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2012.

NOTE 11 - PRIOR YEAR ADJUSTMENTS

The prior year adjustment to Total Net Assets for the Governmental Funds included the following:

Cash Accounts        \$ 330

The prior year adjustment to Total Net Assets for the PWA included the following:

Cash Accounts        \$ (2,438)  
Notes Payable        (52,630)  
Deposits Payable    (4,169)  
Total Adjustment    \$(59,237)

The note payables and deposits payable were not included in the financial statements in the previous year.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town Council  
Town of Wapanucka, Oklahoma

We have audited the financial statements of the governmental activities and each major fund and the aggregate remaining funds of the Town of Wapanucka, State of Oklahoma, as of June 30, 2012, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 22, 2014, which was qualified for the effect on the basic financial statements for the improper capital asset recordkeeping. The Town has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that it has not presented an MD&A or Budgetary Comparison Information. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in accordance with Oklahoma Statutes.

### Internal Control Over Financial Reporting

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

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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 weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 12-01, 12-02, 12-03 and 12-04. 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 the Town of Wapanucka's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are included in the Schedule of Findings as Item 12-05. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the board of trustees and management of the Town of Wapanucka, Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

*Kershaw CPA & Associates, P.C.*  
Kershaw, CPA & Associates, PC

April 22, 2014

TOWN OF WAPANUCKA, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2012

Internal Control Findings:

Item 12-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the Town.

Item 12-02: Meter Deposits

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

Condition: The Authority does not keep a ledger regarding the balance of customer meter deposits.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: It is recommended that the organization properly report and account for the balance of customer deposits.

Response: The Authority is aware of the problem, however, some of the much older records were several years ago, and reconstruction of the ledger is not feasible.

TOWN OF WAPANUCKA, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2012

Item 12-03: Bank Deposits

Criteria: Daily bank deposits reduce the risk of lost or stolen cash on hand.

Condition: Receipts are not being deposited on a daily basis. During the current audit, it was noted that deposits of revenues continue to be held in some cases for extended periods. Some tax receipts from early in the fiscal year that were confirmed with outside entities have still not been deposited at yearend.

Cause: The cost of fuel for going to the bank to make daily deposits is such that the Town is not cost effectively able to make daily deposits.

Effect: These conditions result in weakened control over cash receipts and could result in excess cash being maintained on-hand during the month or checks being misplaced or lost.

Recommendation: All receipts should be deposited daily and not retained on-site.

Response: At this time the Town is not able to cost effectively make such deposits.

Item 12-04: Overdrawn Account

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The PWA operating account had a negative book balance at the end of the year.

Cause/Effect: This leaves the Authority subject to overdraft charges if all of the items clear the bank before a deposit is made.

TOWN OF WAPANUCKA, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2012

Recommendation: Checks should not be written for amounts that exceed account balances.

Response: The Town is aware of the problem.

COMPLIANCE FINDINGS;

Item 12-05: Payroll Reporting and Compliance

Criteria: The Town is required to withhold one half social security tax and applicable federal and state income tax from gross wages and timely remit such funds to the United States Treasury, the Oklahoma Tax Commission and the OESC. Reporting payroll activity on IRS forms 941, 940, Oklahoma forms OW-8, OES-3 is required at various periods during the year, monthly, quarterly or annually.

Condition: Payroll taxes for previous & current years for the Town and PWA were not paid in a timely manner and are still past due. The payroll tax forms for those time period were not file either.

Cause/Effect: The past due taxes have left the Town subject to additional tax liability, penalties, and interest charges by the taxing agencies.

Recommendation: The Town needs to get into compliance with the filing requirements and pay the past due balances.

Response: Payroll tax forms that were not previously filed have been prepared and filed. The Town is trying to get caught up on past due amounts and has monthly payments plans with the taxing agencies to get caught up.