

Town of Wright City, Oklahoma

**Financial Statements and Report
of Independent Auditor**

**As of and For the Year Ending
June 30, 2011**

**TOWN OF WRIGHT CITY, OKLAHOMA
FINANCIAL STATEMENTS
JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wright City, Oklahoma, (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wright City's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

The Town had not maintained complete detailed records relating to net capital assets of the business-type activities (reported as: cost of \$3,987,505, accumulated depreciation of \$1,679,445, and net of \$2,308,060) in the accompanying statement of net assets. As a result, I was unable to obtain sufficient audit evidence as to the financial statement assertions of existence or occurrence, completeness, rights and obligations, and valuation or allocation of the amounts reported in the statement of net assets for net capital assets of these activities at June 30, 2011, and the related depreciation expense of \$96,099 for business-type activities as reported in the accompanying statement of activities.

I also was unable to obtain sufficient audit evidence as to the above financial statement assertions of the amounts reported for the enterprise fund (Town of Wright City Public Works Authority) in the accompanying statement of fund net assets-proprietary funds as capital assets (net of accumulated depreciation) of \$2,308,060 and the related depreciation expense of \$96,099 reported in the accompanying statement of revenues, expenses, and changes in fund net assets-proprietary funds, and statement of cash flows-proprietary funds, respectively.

Further, the Town had not maintained complete detailed records relating to net capital assets of governmental activities (reported as: cost of \$516,436, accumulated depreciation of \$248,523, and net of \$267,913) in the accompanying statement of net assets. As a result, I was unable to obtain sufficient audit evidence as to the financial statement assertions of existence or occurrence, completeness, rights and obligations, and valuation or allocation of the amounts reported in the statement of net assets for net capital assets of these activities at June 30, 2011, and the related depreciation expense of \$23,175 for governmental activities as reported in the accompanying statement of activities.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the net capital assets of the business-type activities (reported as \$2,308,060) or governmental activities (reported as \$267,913), reported in the accompanying statement of net assets, and the related depreciation expense of \$96,099 for business-Type activities and \$23,175 for

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governmental activities as reported in the accompanying statement of activities been susceptible to satisfactory audit test, the accompanying statement of net assets and statement of activities referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, of the Town of Wright City, Oklahoma, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the capital assets (net of accumulated depreciation) of \$2,308,060 and the related depreciation expense of \$96,099, as reported for the enterprise fund (Town of Wright City Public Works Authority), in the accompanying statement of fund net assets-proprietary funds, statement of revenues, expenses, and changes in fund net assets-proprietary funds, and statement of cash flows-proprietary funds, been susceptible to satisfactory audit test, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary funds of the Town, as of June 30, 2011, and the respective change in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Finally, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds, each major fund, and the aggregate remaining fund information as of June 30, 2011, and the changes in financial position of the governmental funds, each major fund, and the aggregate remaining fund information of the Town for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

The Town of Wright City, Oklahoma, has not presented a management's discussion and analysis and a budgetary comparison schedule for the general fund that governmental 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 14, 2012, on my consideration of the Town of Wright City, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Joe Bob Smith
Certified Public Accountant
Broken Bow, Oklahoma

June 14, 2012

GOVERNMENT WIDE FINANCIAL STATEMENTS

**TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>PRIMARY GOVERNMENTAL ACTIVITIES</u>	<u>GOVERNMENT BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS:			
CASH AND EQUIVALENTS	\$ 25,987	121,291	147,278
ACCOUNTS RECEIVABLE-NET	7,162	26,342	33,504
RECEIVABLES-OTHER FUNDS	10,857	0	10,857
PREPAID EXPENSES	722	1,597	2,319
INVESTMENTS	0	0	0
TOTAL CURRENT ASSETS	<u>44,728</u>	<u>149,230</u>	<u>193,958</u>
NON-CURRENT ASSETS:			
CASH AND EQUIVALENTS-RESTRICTED	0	56,553	56,553
INVESTMENTS-RESTRICTED	10,000	4,306	14,306
NET CAPITAL ASSETS	267,913	2,308,060	2,575,973
TOTAL NON-CURRENT ASSETS	<u>277,913</u>	<u>2,368,919</u>	<u>2,646,832</u>
TOTAL ASSETS	<u>322,641</u>	<u>2,518,149</u>	<u>2,840,790</u>
LIABILITIES			
CURRENT LIABILITIES:			
CURRENT NOTES PAYABLE	0	15,194	15,194
ACCOUNTS PAYABLE	2,881	8,649	11,530
PAYABLES-OTHER FUNDS	0	10,857	10,857
PAYABLES-OTHER GOVERNMENTS	54	0	54
ACCRUED EXPENSES	1,458	5,732	7,190
TOTAL CURRENT LIABILITIES	<u>4,393</u>	<u>40,432</u>	<u>44,825</u>
NON-CURRENT LIABILITIES:			
CUSTOMER DEPOSITS	0	32,328	32,328
NOTES PAYABLE	0	1,069,023	1,069,023
TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>1,101,351</u>	<u>1,101,351</u>
TOTAL LIABILITIES	<u>4,393</u>	<u>1,141,783</u>	<u>1,146,176</u>
NET ASSETS			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	267,913	1,223,843	1,491,756
RESTRICTED FOR:			
DEBT SERVICE	0	29,651	29,651
CAPITAL PROJECTS	0	0	0
CEMETERY MEMORIAL FUND	10,000	0	10,000
UNRESTRICTED	<u>40,335</u>	<u>122,872</u>	<u>163,207</u>
TOTAL NET ASSETS	<u>\$ 318,248</u>	<u>1,376,366</u>	<u>1,694,614</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS
PRIMARY GOVERNMENT

PROGRAM REVENUES

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				BUSINESS TYPE ACTIVITIES	TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
GENERAL GOVERNMENT	\$ 54,013	6,860	0	0	(47,153)	0
PUBLIC SAFETY						
POLICE AND COURT	111,691	49,575	0	0	(62,116)	0
FIRE DEPARTMENT	11,262	3,728	0	4,388	(3,136)	0
PUBLIC HEALTH-MEDICAL CLINIC	0	0	0	1,931	1,931	0
STREETS AND CEMETERY	14,484	4,870	0	0	(9,614)	0
PARK IMPROVEMENTS	0	0	0	0	0	0
INTEREST EXPENSE	0	0	0	0	0	0
DEPRECIATION EXPENSE-UNALLOCATED	23,175	0	0	0	(23,175)	0
TOTAL GOVERNMENTAL ACTIVITIES	214,625	65,033	0	6,329	(143,263)	0
BUSINESS TYPE ACTIVITIES:						
WATER AND SEWER	394,408	394,859	6,924	0	0	7,375
TOTAL BUSINESS TYPE ACTIVITIES	394,408	394,859	6,924	0	0	7,375
TOTAL PRIMARY GOVERNMENT	609,033	459,892	6,924	6,329	(143,263)	7,375

GENERAL REVENUES:						
TAXES-						
SALES AND USE	\$ 60,943				60,943	0
FRANCHISE	13,794				13,794	0
ALCOHOLIC BEVERAGE	17,388				17,388	0
GASOLINE AND MOTOR VEHICLE	7,836				7,836	0
OTHER TAXES	500				500	0
INTEREST AND INVESTMENT INCOME	943				943	469
OTHER REVENUES	1,705				1,705	0
GAIN (LOSS) ON ASSETS DISPOSED	3,911				3,911	1,061
TRANSFERS	0				0	0
TOTAL GENERAL REVENUES & TRANSFERS	107,020				107,020	1,530
CHANGE IN NET ASSETS	(36,243)				(36,243)	8,905
NET ASSETS-BEGINNING	354,491				354,491	1,367,461
NET ASSETS-ENDING	318,248				318,248	1,376,366

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

**TOWN OF WRIGHT CITY, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	MAJOR FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	SPECIAL REVENUE FUND	OTHER FUNDS		
ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 21,552	\$ 1,611	\$ 2,824	\$	25,987
INVESTMENTS (RESTRICTED)	0	0	10,000		10,000
ACCOUNTS RECEIVABLE-NET	6,493	0	0		6,493
PREPAID EXPENDITURES	722	0	0		722
RECEIVABLE FROM OTHER FUNDS	0	0	0		0
TOTAL ASSETS	\$ 28,767	\$ 1,611	\$ 12,824	\$	43,202
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 2,336	\$ 545	\$ 0	\$	2,881
ACCRUED WAGES AND BENEFITS	1,458	0	0		1,458
ACCRUED EXPENSES	0	0	0		0
DUE TO OTHER GOVERNMENTS	54	0	0		54
TOTAL LIABILITIES	3,848	545	0	\$	4,393
 FUND BALANCES:					
RESERVED FOR RESTRICTED PURPOSES	0	0	10,000		10,000
UNRESERVED, REPORTED IN:					
GENERAL FUND	35,776				35,776
SPECIAL REVENUE FUND		1,735			1,735
CAPITAL PROJECTS			2,824		2,824
TOTAL FUND BALANCES	35,776	1,735	12,824	\$	50,335
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,624	\$ 2,280	\$ 12,824	\$	54,728

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Governmental Fund Balances	\$	50,335
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		267,914
Long term debt in governmental activities is not a current obligation and therefore is not reported in the funds.		0
Rounding		(1)
Net Assets of Governmental Activities	\$	318,248

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>MAJOR FUNDS</u>			<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>OTHER FUNDS</u>	
REVENUES:				
TAXES	\$ 92,625	\$ 7,836	\$ 0	\$ 100,461
CHARGES FOR SERVICES	3,728	4,870	0	8,598
GRANTS/DONATIONS	6,329	0	0	6,329
FINES AND COURT FEES	49,575	0	0	49,575
INTEREST	897	44	2	943
OTHER	8,117	450	0	8,567
TOTAL REVENUES	<u>161,271</u>	<u>13,200</u>	<u>2</u>	<u>174,473</u>
EXPENDITURES:				
CURRENT OPERATIONS:				
GENERAL GOVERNMENT	49,889	0	4,123	54,012
COURT	7,276	0	0	7,276
POLICE DEPARTMENT	104,415	0	0	104,415
FIRE DEPARTMENT	11,262	0	0	11,262
CLINIC	0	0	0	0
STREET AND ALLEY	0	9,150	0	9,150
CEMETERY MAINTENANCE	0	5,336	0	5,336
CAPITAL EXPENDITURES	3,939	3,000	0	6,939
DEBT SERVICE:	0	0	0	0
PRINCIPAL	0	0	0	0
INTEREST	0	0	0	0
TOTAL EXPENDITURES	<u>176,781</u>	<u>17,486</u>	<u>4,123</u>	<u>198,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,510)	(4,286)	(4,121)	(23,917)
OTHER FINANCING SOURCES (USES):				
CAPITAL LEASE PROCEEDS	0	0	0	0
PROCEEDS-LOSS OF CAPITAL ASSET	3,911	0	0	3,911
TRANSFERS FROM OTHER FUNDS	0	0	0	0
TRANSFERS TO OTHER FUNDS	0	0	0	0
NET OTHER FINANCING SOURCES (USES)	<u>3,911</u>	<u>0</u>	<u>0</u>	<u>3,911</u>
NET CHANGE IN FUND BALANCES	(11,599)	(4,286)	(4,121)	(20,006)
FUND BALANCES, BEGINNING	47,375	6,021	16,945	70,341
FUND BALANCES, ENDING	<u>\$ 35,776</u>	<u>\$ 1,735</u>	<u>\$ 12,824</u>	<u>\$ 50,335</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011**

Net change in fund balances-total governmental funds	\$ (20,006)
Capital expenditures recorded as reductions in net assets in the fund financial statements but capitalized as fixed assets in the government-wide financial statements	6,939
Depreciation expense - Statement of Activities	(23,175)
 Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Debt Proceeds	0
Capital lease principal payments	0
Change in net assets of governmental activities	\$ <u>(36,242)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2011

CURRENT ASSETS:

CASH AND EQUIVALENTS-UNRESTRICTED	\$	121,291
ACCOUNTS RECEIVABLE (NET)		26,342
OTHER CURRENT ASSETS		1,597
TOTAL CURRENT ASSETS		<u>149,230</u>

NON-CURRENT ASSETS:

CASH AND EQUIVALENTS-RESTRICTED		56,553
INVESTMENTS (CERTIFICATE OF DEPOSIT)		4,306
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)		2,308,060
TOTAL NON-CURRENT ASSETS		<u>2,368,919</u>

TOTAL ASSETS

2,518,149

CURRENT LIABILITIES:

ACCOUNTS PAYABLE		8,649
ACCRUED PAYROLL TAXES		1,977
ACCRUED INTEREST		3,755
CURRENT NOTES PAYABLE		15,194
DUE TO OTHER FUNDS		10,857
TOTAL CURRENT LIABILITIES		<u>40,432</u>

NON-CURRENT LIABILITIES:

CUSTOMERS DEPOSITS		32,328
NOTES AND CAPITAL LEASES PAYABLE		1,084,217
LESS-CURRENT NOTES		(15,194)
TOTAL NON-CURRENT LIABILITIES		<u>1,101,351</u>
TOTAL LIABILITIES		<u>1,141,783</u>

NET ASSETS:

INVESTED IN CAPITAL ASSETS-NET OF RELATED DEBT		1,223,843
RESTRICTED FOR DEBT SERVICE		29,651
UNRESTRICTED (DEFICIT)		122,872
TOTAL NET ASSETS		<u>1,376,366</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,518,149

**TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY 2011
OPERATING REVENUES:	
WATER SALES	\$ 151,963
SEWER AND SANITATION FEES	237,003
OTHER REVENUES	5,893
TOTAL OPERATING REVENUES	394,859
OPERATING EXPENSES:	
WATER PURCHASES	51,077
SANITATION SERVICES	29,975
PERSONAL SERVICE	83,108
SUPPLIES AND REPAIRS	17,696
FUEL	12,313
DEPRECIATION EXPENSE	99,922
INSURANCE	9,905
MAINTENANCE AND OPERATIONS-OTHER EXPENSES	11,921
PROFESSIONAL FEES	3,198
PAYROLL TAXES	6,960
LICENSE AND FEES	2,101
UTILITIES	17,091
TOTAL OPERATING EXPENSES	345,267
OPERATING INCOME (LOSS)	49,592
NON-OPERATING REVENUES & (EXPENSES):	
INTEREST INCOME	469
DONATIONS RECEIVED	6,924
SALES OF ASSETS- GAINS (LOSSES)	1,061
INTEREST EXPENSE	(49,141)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(40,687)
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	8,905
CAPITAL CONTRIBUTIONS & TRANSFERS:	
CHANGE IN NET ASSETS- INCREASE (DECREASE)	8,905
NET ASSETS-BEGINNING	1,367,461
NET ASSETS-ENDING	\$ 1,376,366

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	ENTERPRISE FUND PUBLIC WORKS AUTHORITY <u>2011</u>
Cash flow from operating activities:	
Cash received from customers	\$ 395,464
Cash paid to suppliers	(132,256)
Cash paid for personal services	(84,875)
Cash paid for other operating expenses	(27,012)
Net cash provided (used) by operating activities	<u>151,321</u>
 Cash flow from noncapital financing activities:	
Net cash provided (used) by noncapital financing activities	<u>0</u>
 Cash flow from capital and related financing activities:	
Interest paid on notes and leases payable	(49,141)
Principal paid on notes and leases payable	(15,216)
Donations and contributions received	6,924
Customer deposit refunds	(5,634)
Customer deposit receipts	4,226
Net cash provided (used) by capital and related financing activities	<u>(58,841)</u>
 Cash flow from investing activities:	
Investment and interest income	469
Cash payments for the purchase of property	(14,169)
Cash proceeds from the sale of property	1,100
Net cash provided (used) by investing activities	<u>(12,600)</u>
Net increase (decrease) in cash and equivalents	<u>79,880</u>
Cash and equivalents, beginning of year	<u>97,964</u>
Cash and equivalents, end of year	<u>\$ 177,844</u>

**TOWN OF WRIGHT CITY, OKLAHOMA
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

**ENTERPRISE FUND
PUBLIC WORKS
AUTHORITY
2011**

**Reconciliation of change in net assets to net cash
provided by operating activities**

Change in net assets	\$	<u>8,905</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-operating (income) expense		41,748
Depreciation and amortization		99,922
(Increase) decrease in accounts receivable		1,129
Increase (decrease) in accounts payable		(667)
Increase (decrease) in accrued liabilities		709
(Increase) decrease in prepaid expenses		253
Increase (decrease) in interest payable		383
(Gain) loss on disposal of property		(1,061)
Total adjustments		<u>142,416</u>
Net cash provided (used) by operating activities	\$	<u>151,321</u>
Cash and equivalents-unrestricted	\$	121,291
Cash and equivalents-restricted		56,553
Total cash and equivalents, end of year	\$	<u>177,844</u>

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies

These financial statements of The Town of Wright City, Oklahoma were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (U.S. GAAP). The following summary of the more significant accounting policies of the Town is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

A. Financial Reporting Entity

The Town of Wright City, Oklahoma, is an Incorporated Town under Title 11, of the Oklahoma statutes. Town services include: public safety, fire protection, street maintenance, public improvements, parks, cemetery maintenance, and general administration. The Wright City Public Works Authority provides water, sewer, and sanitation services.

B. Component Units

Entity status for financial reporting purposes is governed by GASB Statement No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are component Units-an amendment of GASB Statement No. 14*. GASB is the standard-setting body for the establishment of GAAP in governmental entities. Determination of the financial reporting entity of the Town is founded upon the objective of accountability. For financial reporting purposes, the Town includes all component units that are controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Town, obligations of the Town to finance any deficit that may occur, or receipt of significant subsidies from the Town. Component units are legally separate organizations for which the elected officials of the Town are financially accountable. Organizations are included for which the Town Council appoints a voting majority of the organizations governing body and for which the Town is able to impose its will on the organization, or there is potential for the organizations to impose specific financial benefits or impose specific financial burdens on the Town. Additional information on reports of component units may be obtained from the Town's offices at P.O. Box 370, Wright City, OK 74766.

Based on the foregoing criteria, the financial statements of the Wright City Public Works Authority are blended with the primary government and included in the accompanying financial statements. The Wright City Public Works Authority is a public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1951, Sections 176 to 180 on July 31, 1969, for the use and benefit of the Town of Wright City, Oklahoma. The Trust has as its purpose to furnish and supply to the inhabitants, owners, and occupants of property, and to industrial, commercial, and mercantile establishments and enterprises within the corporate limits of the Beneficiary Municipality and in territory

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

in reasonably convenient proximity thereto, and to the Beneficiary and any other governmental agencies or endeavors, utility services and physical facilities for all purpose that the same be authorized or proper as a function of the Beneficiary; and to fix, demand and collect charges, rates, rent, and fees for said services and facilities to the same extent as the Beneficiary itself might do; provided, that the furnishing of any services or facilities to any person delinquent in the payment of any indebtedness whatsoever to the Trust may be discontinued at any time. The Authority is empowered to lease, acquire, or construct the properties necessary to provide and maintain these services. It is also empowered to obtain funds for these purposes and in so doing, to incur indebtedness whether unsecured or secured by all or any part of the Trust Estate and its revenues.

C. Basis of Presentation-Fund Accounting

The Town's funds are grouped into three governmental fund types: general fund (a major fund), special revenue fund (a major fund), and other fund types. Other fund types include an improvement fund and a memorial fund. Proprietary funds include an enterprise fund for the Wright City Public Works Authority.

D. Financial Statement Presentation and Basis of Accounting

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. Pursuant to the election option made available by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the business-type activities and the enterprise fund financial statements.

1) GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Fiduciary funds nor component units that are fiduciary in nature are not included.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report fees, fines, and

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

forfeitures, and other charges to user of the Town's services; (2) operating grants and contributions that finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

The Town allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall Town management, accounting, financial reporting, payroll, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. These charges are reported in the statement of activities by inclusion in the program expenses for the various functions. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police and fire.

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

2) FUND FINANCIAL STATEMENTS

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

3) GOVERNMENTAL FUNDS

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

These governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues collected within 60 days of year-end as available. Sales and other tax revenues are accrued. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

4) PROPRIETARY FUNDS

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where that intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges for services that are accrued. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. At the fiscal year end, the Town had one proprietary fund: the enterprise fund for the Wright City Public Works Authority.

5) OTHER FUND TYPES

Improvement Fund - The improvement fund is accounted for as a governmental type fund but is combined with the memorial fund. The total of the two funds are reported in the column "other funds" in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Memorial Fund - The memorial fund is accounted for as a governmental type fund but is combined with the improvement fund. The total of the two funds are reported in the column "other funds" in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

These governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

E. Cash, Cash Equivalents, and Investments

The caption "Cash and cash equivalents" includes cash on hand, amounts in demand deposits (checking accounts, now accounts, and savings) and short-term investments with original maturities of three months or less from the date of acquisition. This definition is also true for the statement of cash flows for proprietary fund types. Restricted cash accounts are included in cash and cash equivalents. Investments are stated at fair market value (FMV). Certificates of deposit are reported at cost, which approximates FMV. Traded securities, if any, are valued at the last quoted stock exchange market value.

F. Encumbrances

Encumbrance accounting is when purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of the fiscal year end.

G. Budgets

The Town should prepare its annual budget under the Municipal Budget Act (Title 11 O.S. Section 17-201). The Town's budget would be prepared by item of appropriation category. The total budget would be based on the past year's actual revenue collected and expenditures paid.

Cities and towns under the Municipal Budget Act must adopt the final budget not less than seven days prior to the beginning of the budget year. Budget officers must submit budget message and summaries to the governing body not less than 30 days prior to the beginning of the budget year, and the governing body must conduct a proposed budget hearing not less than 15 days prior to the beginning of the budget year. The governing body should amend the budget to make supplemental appropriations to any fund.

A supplemental request for transfers of appropriations was not prepared and filed with the county excise board. The Town did not prepare budgets for the years ended June 30, 2005, 2006, 2007, 2008, 2009, 2010 and 2011.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

A combined statement of revenues, expenditures, and changes in fund balances - budget versus actual, general funds and special revenue funds, as required by generally accepted accounting principles (GAAP), is not included in the financial statements.

H. Risk Management

Significant losses are covered by commercial insurance for all Town operations. The types of insurance coverage carried by the Town are listed below:

<u>Type of Coverage-</u>	<u>Provided By-</u>	<u>Comments-</u>
Municipal Liability Protection Plan	OMAG	
A.) Property Damage		Per Occurrence - \$25,000 Property damage \$125,000 each other loss \$1,000,000 Aggregate
B.) Volunteers Medical		Per Occurrence – \$10,000 Volunteers Medical \$1,000,000 each other loss \$2,000,000 Annual Aggregate for A and B
Public Officials Bond Vehicles		Commercial Insurance State Risk Management Division
Workers Compensation	Comp-Source	

The Town is subject to risk of loss from tort claims, property loss, health claims, and workers compensation claims. Settlements have not exceeded insurance coverage for the current or prior three years. The Town retains the risk of loss for all deductibles and in the event, that settlements exceed coverage. There has not been a liability for unpaid claims recorded or accrued in the financial statements.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

J. GASB 34 Implementation

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

K. Inter-fund Receivables, Payables, Transfers, and Eliminations

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered or by loaning moneys between individual funds within the same reporting entity. These internal transactions between or within funds are eliminated in the government wide statements. Internal activity is not eliminated in proprietary and fiduciary fund financial statements.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in the statement.

Classification of inter-fund receivables, payables, and transfers:

Due from/to other funds-for short-term amounts owed for goods sold or services rendered.

Inter-fund loans receivable/payable-short term loans between individual funds.

Advances from/to other funds-non-current part of long-term loans between funds.

Other financing sources (uses)-governmental fund transfers from (to) other funds.

Contributions and transfers-proprietary fund transfers from (to) other funds.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

L. Accounting for General Capital Assets

As the Town acquires land, buildings, and equipment, the related costs are charged as capital expenditures of the respective fund at the time of purchase.

In the government wide financial statements, the Town's property, plant, and equipment is stated at historical cost. Assets with a life of more than one year and a cost of \$500 or more are capitalized and depreciated over the asset's estimated useful life.

Additions to the water and sewer system utility plant in service are recorded at cost, or if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterment's are capitalized.

The sale or disposition of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Because detailed fixed assets records have not been maintained of such assets that are still in service, accounting controls over the Town's net capital assets do not presently exist.

The Town does not maintain complete detail records of net capital assets of the Enterprise Fund still in service. Records necessary to establish the completeness of capital assets and related asset depreciation of the Enterprise Fund have not been maintained.

The Town has, in prior years, capitalized certain interest expenses on funds borrowed to finance water and sewer construction projects. The Town applies Financial Accounting Board Statements No. 34 and 62 and capitalizes the interest expense of water and sewer borrowings on construction projects less the related interest earned on related temporary interest bearing investments.

Depreciation has been calculated on each class of property using the straight-line method. Estimated useful lives are as follows:

Business-Type Activities

Water system (Including capitalized engineering, legal, and interest cost)	50 years
Sewer system	37 years
Other capitalized cost	10 years
Other public works equipment	10 years
Machinery	7 years
Office equipment	6 years
Vehicles	5 years

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

L. Accounting for General Capital Assets (Continued)

Governmental Activities

Town hall and other buildings	40 years
Fire department equipment	10 years
Cemetery equipment	10 years
Street and Alley equipment	10 years
Police department equipment	10 years
Vehicles	5 years
Office equipment	5 years

M. Compensated Absences and Fringe Benefits

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

- (A) The obligation is attributable to the employee services already rendered.
- (B) The obligation relates to rights that vest or accumulate.
- (C) The payment of compensation is probable.
- (D) The amount can be reasonably estimated.

The Town's financial statements have been prepared on a modified accrual basis and the cost of compensated absences and fringe benefits are recognized when the payments are made to employees. A liability for accrued compensated absences has not been recognized in the financial statements.

A summary of the Town's policies on fringe benefits follows:

Holidays - Eleven days per year

Vacation pay per year -

After one year of continuous service - Five days with pay

After two years of continuous service - Ten days with pay

Sick leave -

After one year of continuous service - Five days per year

Unused sick leave accumulates to a maximum of ten days

There is no payment for accrued sick leave upon separation from employment with the Town.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

N. Restricted vs. Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

NOTE 2. Deposits, Investments, and Restricted Assets

Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered or the City will not be able to recover collateral securities in the possession of an outside party.

The cash accounts and investments of the Town are required to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Wright City Public Works Authority is considered a separate entity from the Town for FDIC insurance purposes.

The entire Town's governmental and enterprise fund cash and investment accounts are insured up to FDIC limits of \$250,000 for the governmental funds and for the Wright City Public Works Authority. The remaining funds are uncollateralized. As shown in the summaries below, the Town's cash and investments were \$36,987 and are all insured. The Wright City Public Works Authority's cash and investments equaled \$182,150 and are all insured.

Cash deposits are reported at carrying amounts that reasonably estimate fair value. Cash equivalents include short-term highly liquid investments that are both-

- a. Readily convertible to known amounts of cash
- b. So near their maturity date that they present insignificant risk of changes in value due to changes in interest rates. (Generally, only investments with original maturities of three months or less meets this definition.)

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Cash and Cash Equivalents - Enterprise Fund

	ENDING BALANCE JUNE 30, 2010	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2011
<u>UNRESTRICTED:</u>				
GROSS REVENUE	\$ 23,911	42,242	0	66,153
SEWER CONSTRUCTION	0	0	0	0
SAVINGS-CAPITAL EXP	21,802	33,336	0	55,138
SAVINGS	0	0	0	0
TOTAL UNRESTRICTED	45,713	75,578	0	121,291
<u>RESTRICTED:</u>				
METER FUND	28,264	0	(1,363)	26,901
SAVINGS	23,987	5,665	0	29,652
TOTAL RESTRICTED	52,251	5,665	(1,363)	56,553
TOTAL ENTERPRISE FUND CASH	\$ 97,964	81,243	(1,363)	177,844

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Cash and Cash Equivalents - Governmental Funds

	ENDING BALANCE JUNE 30, 2010	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2011
<u>GENERAL FUNDS</u>				
<u>UNRESTRICTED:</u>				
GENERAL FUND	\$ 21,287		(10,468)	10,819
FIRE FUND	7,371		(4,122)	3,249
COURT FUND	0			0
POLICE DEPARTMENT	0			0
MEDICAL CLINIC	7,550		(66)	7,484
TOTAL GENERAL FUND				
CASH	36,208		(14,656)	21,552
<u>SPECIAL REVENUE</u>				
<u>FUNDS</u>				
<u>UNRESTRICTED:</u>				
STREET FUND	1,369		(1,083)	286
CEMETERY FUND	4,747		(3,422)	1,325
TOTAL	6,116		(4,505)	1,611
<u>OTHER FUNDS:</u>				
<u>UNRESTRICTED:</u>				
IMPROVEMENT FUND	6,945		(4,121)	2,824
TOTAL CASH ALL FUNDS				
	\$ 49,269		(23,282)	25,987

Investments

Statutes authorize the Town to invest in certificates of deposit and savings accounts or savings certificates, if they are insured or approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Town can invest in direct obligations of the United States. For financial statement purposes, only certificates of deposit and U.S. Government securities are classified as investments. For purpose of collateralization, certificates of deposit are included with deposits. The Town of Wright City has not entered into repurchase agreements during the year.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Investments – Enterprise Fund

	BEGINNING BALANCE JUNE 30, 2010	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2011
INVESTMENTS (AT COST): CERTIFICATES OF DEPOSIT - RESTRICTED FOR CUSTOMER DEPOSITS	\$4,306	---	---	\$4,306
TOTALS	<u>\$4,306</u>	<u>---</u>	<u>---</u>	<u>\$4,306</u>

The market value of the investments at June 30, 2011, was \$4,306.

Investments – Governmental Fund

	BEGINNING BALANCE JUNE 30, 2010	INCREASE	DECREASE	ENDING BALANCE JUNE 30, 2011
INVESTMENTS (AT COST): CERTIFICATES OF DEPOSIT - RESTRICTED (MEMORIAL FUND)	\$ 10,000			\$ 10,000
TOTALS	<u>\$ 10,000</u>	<u>---</u>	<u>---</u>	<u>\$ 10,000</u>

The market value of the investments at June 30, 2011, was \$10,000.

The above investments are not considered cash equivalents due to their original maturities and long-term nature.

Restricted Assets

As of June 30, 2011, the enterprise fund had savings account funds of \$29,652, which were restricted in use by a loan resolution agreement with Rural Development. The enterprise fund also had \$26,901 in cash and \$4,306 in certificates of deposit investments, which represented customer utility deposits. These deposits are restricted for customer deposit refunds as long as the customer accounts are active. There was \$10,000 invested in a restricted memorial fund certificate of deposit.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Lives
Town Hall and General	\$ 179,946	0	0	179,946	40
Fire Department	228,351	3,189	0	231,540	10
Cemetery Department	11,377	3,000	0	14,377	10
Street and Alley	12,789	0	0	12,789	10
Improvement Fund	3,383	0	0	3,383	10
Police Department	73,652	750	0	74,402	10
Total	509,498	6,939	0	516,437	
Less: Accumulated Depreciation	(225,348)	(23,175)	0	(248,523)	
Net Assets	\$ 284,150	(16,236)	0	267,914	

As of June 30, 2011, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded values were not available. The depreciation expense of \$23,175 was not allocated to functions.

Business Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Lives
Capitalized interest	\$ 2,990			2,990	50
Engineering cost	97,758			97,758	37 or 50
Legal cost	16,041			16,041	50
Equipment	140,820	14,169	(579)	154,410	7-10
Sewer system	732,841			732,841	37
Water system	1,067,762			1,067,762	50
Sewer system – 2006	1,830,111			1,830,111	37 or 50
CDBG Project	72,692			72,692	37
Land	1,000			1,000	NA
Total	3,973,915	14,169	(579)	3,987,505	
Less: Accumulated depreciation	(1,580,063)	(99,922)	540	(1,679,445)	
Net Assets	\$ 2,393,852	(85,753)	(39)	2,308,060	

Assets are recorded at cost or their estimated fair market value for those assets where recorded values were not available. Depreciation has been calculated on each class of property using the straight-line method.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4. Notes Payable and Leases

(Enterprise Fund – Notes Payable)

<u>USDA RURAL DEVELOPMENT</u>	<u>%</u>	<u>BALANCE JUNE 30, 2010</u>	<u>ADDITIONS</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2011</u>
NOTE 92-09	4.750	\$ 106,338		2,603	103,735
NOTE 92-10	4.375	559,169		7,008	552,161
NOTE 92-12	4.375	433,926		5,605	428,321
TOTAL DEBT OUTSTANDING		\$ 1,099,433	0	15,216	1,084,217

Note 92-09 is dated September 17, 1997, and first funded April 8, 1999. The debt was issued to finance water and sewer system construction.

Notes 92-10 and 92-12 (Totaling \$1,052,000) are dated April 4, 2006 and were issued to finance sewer system improvements.

The notes are secured by a mortgage on the Town's water and sewer systems including all real and personal property and including the revenues and profits from the operations of the systems.

Interest cost of \$49,141 was incurred on the USDA debt. Of the total interest incurred, all was expensed and none was capitalized.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4. Notes Payable and Leases (Continued)

Summary of other items applicable to long-term debt: *(Enterprise Fund)*

USDA Rural Development

	<u>Rate</u>	<u>Original Amount</u>	<u>Monthly Payment</u>	<u>Final Due Date</u>
Note 92-09	4.750	125,000	583	February 2037
Note 92-10	4.375	590,600	2,611	March 2046
Note 92-12	4.375	461,400	2,040	March 2046

The annual requirements to pay principal and interest on the above notes are as follows:

PERIOD ENDED:	PRINCIPAL	INTEREST	TOTAL
30-Jun-2012	\$ 15,194	47,614	62,808
30-Jun-2013	16,013	46,795	62,808
30-Jun-2014	16,669	46,139	62,808
30-Jun-2015	17,423	45,385	62,808
30-Jun-2016	18,148	44,660	62,808
30-Jun-2021	104,218	209,822	314,040
30-Jun-2026	129,916	184,124	314,040
30-Jun-2031	162,053	151,987	314,040
30-Jun-2036	202,120	111,920	314,040
30-Jun-2041	220,870	64,613	285,483
30-Jun-2046	181,593	14,751	196,344
	\$ 1,084,217	967,810	2,052,027

<u>PER FINANCIAL STATEMENTS:</u>	<u>PRINCIPAL</u>
CURRENT NOTES PAYABLE	\$ 15,194
LONG TERM DEBT	1,069,023
TOTAL	1,084,217
LOAN FUNDS NOT RECEIVED	0
TOTAL DEBT	\$ 1,084,217

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4. Notes Payable and Leases (Continued)

(Leases)

The Wright City Public Works Authority leases from the Town of Wright City, the water production, storage, transportation and distribution system and facilities, and the garbage and trash collection system and facilities including all tangible property and all interest, for a term of 50 years that commenced September 6, 1969, and terminates September 5, 2019. The stipulated lease payment is for the installation and construction of improvements to the leased property and the operation of the facilities for the benefit of the lessor. These ongoing improvements and operations will be the total consideration for the lease term and all renewals thereafter. At the expiration of the term of the lease, the lessee has the option to renew the lease for the same number of years under the same terms and conditions.

Farmers Home Administration (USDA Rural Development) Promissory Note - Summary of Covenants and Loan Resolution Provisions:

(The covenants are made by The Wright City Public Works Authority, which is a public trust. The Town of Wright City is the beneficiary of the trust. The Wright City Public Works Authority leases certain property from the Town as explained above.)

- To pay promptly, when due, any indebtedness due to the FMHA (USDA Rural Development).
- To keep the property insured as required by the FMHA (USDA Rural Development).
- To maintain the property in proper repair and to not remove any buildings or improvements on the property.
- To comply with all laws affecting the property.
- To not sell, transfer, or encumber the property without the written consent of the FMHA (USDA Rural Development).
- To provide adequate bond coverage for all employees handling substantial amounts of money.
- To maintain at all times adequate records and books concerning the Authority's business operations.
- To transmit to the FMHA (USDA Rural Development), annually, a proposed budget for the next fiscal year.
- To transmit to the FMHA (USDA Rural Development), annually, an audit report made by a qualified independent auditor.
- To submit proposed changes to by-laws and rate schedules to the FMHA (USDA Rural Development) for approval before adoption.
- To not incur any additional debt without FMHA (USDA Rural Development) written consent.
- To maintain and enforce adequate rate schedules on revenues sufficient to provide revenues and expenses to cover operation cost, pay note principal and interest when due, and to provide for adequate reserves for emergencies and contingencies.

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4. Notes Payable and Leases (Continued)

Should the Authority default in payment or performance of any covenant, the FMHA (USDA Rural Development) may foreclose and take possession of the secured property.

The revenues of the Authority are assigned and pledged to pay the FMHA (USDA Rural Development) debt.

The treasurer of the Authority is custodian of all funds and shall be covered by a fidelity bond of at least \$ 33,500.

The revenues and funds of the Authority shall be deposited into accounts insured by the FDIC.

The revenues of the Authority shall be used only in the following manner and order:

- (1) Operations and maintenance account - To pay the necessary monthly operating expenses.
- (2) Debt service account - To pay monthly FMHA (USDA Rural Development) note payments.
- (3) Reserve account - \$465 each month until \$62,808 (one year of all note payments) is accumulated and only to be used for:
 - A. Damage repairs.
 - B. Improvements, with prior FMHA (USDA Rural Development) approval.
 - C. Debt service payments, if the debt service account is not sufficient to make the payments.

When disbursements are made from the reserve account, monthly deposits of \$465 shall be made to the account until the required balance of \$62,808 is again accumulated.

Compliance with loan covenants and provisions:

The Town is currently in the process of making monthly payments of \$465 (10% of monthly payments to notes 92-10 and 92-12) to the reserve account to be in compliance with the reserve account provisions. The required balance in the reserve is \$62,808. The balance at June 30, 2010, was \$23,987 and at June 30, 2011, was 29,652. A portion of the reserve account was used during the year end June 30, 2010 for debt service payments.

The real estate mortgage to the FMHA (USDA Rural Development) provides that should the borrower default on payments or performance of any covenant, the Government at its option may:

- a. Declare all debts immediately due and payable.
- b. Take possession of, operate, and rent the secured property.
- c. Have a receiver appointed for the secured property.
- d. Foreclose the mortgage as provided by law.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5. Inter-fund Transfers and Loans

TRANSFERS-	IN	OUT	NET IN (OUT)
GOVERNMENTAL FUNDS:			
GENERAL FUND	\$ 0	0	0
SPECIAL REVENUE FUND	0	0	0
OTHER FUNDS	0	0	0
TOTALS	0	0	0
PROPRIETARY FUNDS:			
ENTERPRISE FUND			
TO GENERAL FUND	0	0	0
TO SPECIAL REVENUE	0	0	0
TOTALS	\$ 0	0	0

Inter-fund Loans:

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

NOTE 6. Employees' Retirement Plan

Oklahoma Firefighters Pension and Retirement System
Plan Description and Provisions:

All of the Town's eligible volunteer fire fighters participate in the retirement system, which is a cost sharing, multiple-employer defined benefit pension plan. State Statutes are the authority establishing contribution obligations and benefit provisions. All full time or voluntary firefighters hired before the age of 45 are eligible to participate.

All volunteer fire fighters who qualify for retirement shall be entitled to a monthly pension. The monthly pension of a volunteer fire fighter shall be in the amount retired volunteer fire fighters are receiving at the time a volunteer fire fighter begins to receive a pension for each year of credited service not to exceed thirty years. In determining the number of years of credited service, a fractional year of six (6) months or more shall be counted as one (1) full year and a fractional year of less than six (6) months shall not be counted in such determination. Retired volunteer fire fighters of a municipality shall receive a pension of not less than that which retired volunteer fire fighters of such municipality were receiving on June 30, 1985.

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6. Employees' Retirement Plan (Continued)

If a volunteer fire fighter terminates service after completing ten (10) years of credited service, the volunteer fire fighter shall receive a vested benefit. The volunteer fire fighter shall be entitled to a monthly pension commencing on the date the fire fighter reaches fifty (50) years of age or the date the fire fighter would have had twenty (20) years of credited service had the fire fighter's service continued uninterrupted, whichever is later. The monthly amount of such retirement benefit shall be the amount being paid to volunteer fire fighters at the time the member vests multiplied by the number of years of credited service. Credited service must be established at the time of the volunteer fire fighter's termination. If a volunteer fire fighter who terminates employment and receives a vested benefit dies prior to being eligible to receive benefits, the volunteer fire fighter's beneficiary shall be entitled to the volunteer fire fighter's normal monthly retirement benefit on the date the deceased volunteer fire fighter would have been eligible to receive the benefit. If the beneficiary is a surviving spouse and the beneficiary remarries, the benefits shall terminate.

Because information on the Fire Fighters Pension Plan is combined for all participating cities in the State of Oklahoma, certain other required disclosures such as membership information, funding status, actuarial assumptions, and trend information is presented in the System's annual report. Copies of the report can be obtained from the State retirement system.

**Oklahoma Firefighters Pension Plan -
Contributions required by State Statute:**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$ 1,080	100%
2000	960	100%
2001	840	100%
2002	1,440	100%
2003	517	100%
2004	780	100%
2005	940	100%
2006	800	100%
2007	900	100%
2008	960	100%
2009	1,680	100%
2010	1,624	100%
2011	1,624	100%

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7. Reserve of Fund Equity

The Town records indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves used by the Town:

Enterprise (Wright City Public Works Authority)
Amounts restricted for debt service - \$ 29,652

Other Governmental Funds:
Cemetery Memorial Fund principal restricted - \$10,000

NOTE 8. Deficit Fund Balances and Net Assets

There were no deficit fund balances or deficit net assets.

NOTE 9. Weyerhaeuser Guaranty Agreement

Weyerhaeuser Company made a guaranty agreement (the Agreement) with the Town of Wright City Public Works Authority (the Authority) on October 8, 1971, guarantying payment of certain debt to the U.S. Farmers Home Administration (USDA Rural Development) (the Government).

The Agreement provides that Weyerhaeuser Company is jointly and severally liable with the Authority to the Government for the repayment of a loan of \$ 133,500 from the Government dated March 15, 1973 (the Debt).

The original debt was in the form of revenue bonds. On February 23, 1978, the FMHA (USDA Rural Development) advanced funds to the Authority to redeem the bonds and the Authority executed a promissory note payable to the Government. Weyerhaeuser Company executed consent to the change in the form of debt.

The Agreement provides that Weyerhaeuser Company will pay the annual debt service requirements on the Debt. The initial estimated debt service requirements were:

First two years	(1971-1972)	\$ 6,675
Years:		
Three - Twelve	(1973-1983)	\$ 9,005
Thirteen - Forty	(1984-2011)	\$ 7,914

**TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9. Weyerhaeuser Guaranty Agreement (Continued)

The Agreement provides that when 223 additional users, outside the Town's corporate limits as of October 8, 1991, are connected to the system, in excess of the number of users outside the corporate limits on October 8, 1991, which was agreed to as being ten, there shall be no further liability on the Guarantor under the Guaranty Agreement.

The Agreement also provides that the Guarantor's payment be reduced on a pro rata basis for each new user or customer outside the Town's corporate limits who connects to the Authority's water and sewage system. The amount of the reduction is determined by dividing 223 into the annual debt service requirements in effect at the time the new customer is added.

NOTE 10. Grants and Contributions

The Town received grants and contributions as follows:

Fiscal year ended June 30, 2011:

GOVERNMENTAL ACTIVITIES:	
<u>(OPERATING)</u>	
GRANTS	\$ 0
PRIVATE CONTRIBUTIONS OR DONATIONS	0
TOTAL	0
<u>(CAPITAL)</u>	
FOR MEDICAL CLINIC	1,931
FOR FIRE DEPARTMENT	4,398
TOTAL	6,329
TOTAL GRANT/CONTRIBUTIONS - GOVERNMENTAL FUNCTIONS	\$ 6,329
BUSINESS TYPE ACTIVITIES:	
WATER & SEWER-ENTERPRISE FUND (WEYERHAEUSER COMPANY)	\$ 6,924
<u>(CAPITAL IMPROVEMENTS)</u>	
CDBG (WATER TOWER)	0
OTHER	0
TOTAL BUSINESS GRANTS & CONTRIBUTIONS	\$ 6,924

TOWN OF WRIGHT CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10. Grants and Contributions (Continued)

Grant programs are usually subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise because of any audits, is not believed to be material. On certain grants, only a failure of the recipient to comply with prescribed regulations will cause a forfeiture of the resources. For other grant resources, expenditures are the prime factor determining eligibility and revenue should be recognized when the expenditure is made.

NOTE 11. Construction and Other Significant Commitments

The Town has a substantial public works improvement sewer construction contract in progress with capital expenditures and funding that carried over into fiscal year 2007-2008. The budgeted total project cost was \$1,870,709. Final payments for the project were made during the year ended June 30, 2008.

NOTE 12. Contingencies, Risk, and Uncertainties

The Weyerhaeuser lumber mill located at Wright City shut down in 2009. The mill closure could have a severe adverse affect on the Town's financial operations.

NOTE 13. Subsequent Events

Subsequent events have been evaluated through June 14, 2012, which is the date the financial statements were available to be issued and were released. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

INTERNAL CONTROL AND COMPLIANCE

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

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wright City, Oklahoma, (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town of Wright City, Oklahoma's basic financial statements and have issued my report thereon dated June 14, 2012. The report on the basic financial statements was qualified as explained below. Except as discussed in the following sentences, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

- 1) The report portion applicable to the statement of net assets and related statement of activities for both governmental activities and business-type activities was qualified because the Town had not maintained complete detailed records relating to net capital assets.
- 2) The report portion applicable to the statement of net assets-proprietary funds, statement of revenues, expenses, and changes in fund net assets-proprietary funds, and statement of cash flows-proprietary funds, pertaining to the Town of Wright City Public Works Authority enterprise fund, was qualified because the Town had not maintained complete detailed records relating to net capital assets.

Internal Control over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

**JOE BOB SMITH
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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. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, referenced as findings 2011-1, 2011-2, 2011-3, and 2011-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-5.

The Town's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Town's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management and the Board of Trustees of the Town of Wright City, Oklahoma, and federal and state agencies as listed below. This report is not intended to be and should not be used by anyone other than these specified parties.

Federal and State of Oklahoma Agencies:

**State Auditor and Inspector - State of Oklahoma
United States Department of Agriculture - Rural Development
Oklahoma Department of Commerce**



**Joe Bob Smith
Certified Public Accountant**

**Broken Bow, Oklahoma
June 14, 2012**

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2011**

2011-1

CONDITION:

Absence of appropriate segregation of duties consistent with appropriate control objectives for the utility billing system and in the police department.

CRITERIA:

The general accounting function should be completely segregated from the cash receipt and disbursement functions.

CAUSE:

Inherent limitations of a small organization due to limited number of employees.

RECOMMENDATIONS:

Management should segregate duties as much as possible with staff available and check cash receipts, disbursements, and other transactions, closely on a frequent basis.

The Board of Trustees should review financial reports.

The Board of Trustees should review and approve all cash disbursements.

The Board of Trustees should approve all purchases and sales of property, equipment, or investments and transfers of investments.

The Board of Trustees should review and approve all banks or other depositories of funds.

The Board of Trustees should review and approve all transactions other than routine operating transactions prior to employees or management of the Town entering into the transactions.

RESPONSE:

The Board of Trustees and management of the Town of Wright City, Oklahoma (“the Town”), will review monthly financial reports and other documents and comply with the other recommendations listed above.

2011-2

CONDITION:

Inadequate provisions for the safeguarding and accounting for property, plant, and equipment.

CRITERIA:

Detailed records of property, plant, and equipment are maintained, are periodically compared to assets on hand, and are periodically updated.

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

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2011**

CAUSE:

Failure to maintain detail records of all fixed assets in service, acquired, and sold.
Periodic inventories of fixed assets were not completed.

RECOMMENDATIONS:

Detailed records of property, plant, equipment, and accumulated depreciation should be maintained.

The detailed records should be periodically compared with a physical inventory of assets on hand. A physical inventory of property and equipment should be completed and updated at least annually.

Accounting procedures and forms should be used to account for all additions to, retirements, and sales of assets.

RESPONSE:

The Board of Trustees and management of the Town have implemented procedures to complete an annual physical inventory of Town property and equipment and compare with accounting records of the same.

2011-3

CONDITION:

The Town's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Town's annual financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting

As is the case with many smaller entities, the Town has historically relied extensively on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the financial reporting process.

CRITERIA:

Inability to meet the Town's responsibilities for internal controls over financial reporting.

CAUSE:

Lack of financial reporting system to produce required financial reports.

EFFECT:

As a result of this condition, without reliance on its external auditors, the government lacks the necessary internal controls over the preparation of financial statements in accordance with GAAP.

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

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2011**

RECOMMENDATION:

The Town should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise, and continuing education to prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified firm other than the external auditor.

RESPONSE:

Management's position is that it is not cost effective to remedy this situation at this time.

2011-4

CONDITIONS:

Internal controls to ensure compliance with Oklahoma Statutes, loan agreements, Federal regulations, and other regulations were not in effect.

Failure to prepare and file budgets and supplemental budgets preventing actual expenditures in excess of budgeted expenditures.

Failure to implement and monitor compliance controls related to Oklahoma Statutes that apply to budgets.

CRITERIA:

Oklahoma Statutes applicable to receipts of money, purchase orders, budgets, and appropriations, USDA/FMHA loan agreements, grant provisions and regulations, IRS regulations, and CLEET regulations.

11 O.S. 1991, 12 AND 11 O.S. 1991, 27
62 O.S. 1991, 310 AND 74 O.S. SUPP. 1995, 3109(A)
62 O.S. 1991, 310 AND 62 O.S. SUPP. 1993, 477
20 O.S. SUPP. 1994, 1313.2

CAUSES:

Budgets and supplemental appropriations were not completed and filed. Controls were not effective for all compliance requirements.

RECOMMENDATIONS:

Management should conduct monthly reviews of compliance controls applicable to Oklahoma Statutes, loan provisions, and other compliance requirements.

Budgets and supplemental budgets should be prepared and filed as required by Oklahoma laws to prevent any actual expenditure in excess of budgeted expenditures.

All reports and financial statements required by The State of Oklahoma and Federal agencies should be filed as required by Statutes.

RESPONSE:

The Board of Trustees and management of the Town have implemented procedures to provide oversight and monitoring relating to budgets, receipts, purchase orders, payroll reports, cleet reports, and other matters.

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

**TOWN OF WRIGHT CITY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
THE YEAR ENDED JUNE 30, 2011**

2011-5

CONDITIONS:

Failure to prepare and file budgets and supplemental budgets preventing actual expenditures in excess of budgeted expenditures.

Failure to implement and monitor compliance controls related to Oklahoma Statutes that apply to budgets.

CRITERIA:

Oklahoma Statutes applicable to receipts of money, purchase orders, budgets, and appropriations, Federal regulations, and USDA/FMHA loan agreements, grant provisions, and regulations.

IRS REGULATIONS

CLEET RULES AND REGULATIONS

11 O.S. 1991, 12 AND 11 O.S. 1991, 27

62 O.S. 1991, 310 AND 74 O.S. SUPP. 1995, 3109(A)

62 O.S. 1991, 310 AND 62 O.S. SUPP. 1993, 477

20 O.S. SUPP. 1994, 1313.2

CAUSES:

Small office staff and time constraints resulted in all purchase orders not being fully completed and filed. Supplemental appropriations were not completed and filed. Failure to monitor loan covenants and other compliance provisions due to workload of small office staff. Absence of a sufficient level of control consciousness within the organization.

RECOMMENDATIONS:

The Board of Trustees and management of the Town should implement internal controls to insure compliance with applicable Federal, Oklahoma, and other laws and agreements.

RESPONSE:

The Board of Trustees and management of the Town have implemented procedures to monitor compliance with Oklahoma, Federal, USDA, and other regulations, agreements, and provisions.



**Joe Bob Smith
Certified Public Accountant**

**June 14, 2012
Broken Bow, Oklahoma**

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