

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**

TABLE OF CONTENTS

Independent Auditor's Report

Government Wide Financial Statements

Statement of Net Assets

Statement of Activities

Fund Financial Statements

**Balance Sheet - Governmental Funds
Including Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets**

**Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

Statement of Fund Net Assets - Proprietary Funds

**Statement of Revenues, Expenses, and Changes in
Fund Net Assets - Proprietary Funds**

Statement of Cash Flows - Proprietary Funds

Notes to Financial Statements

Internal Control and Compliance

**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***

Schedule of Findings and Responses

JOE BOB SMITH
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 70 HWY 259 NORTH
BROKEN BOW, OKLAHOMA 74728
580-584-6840 FAX 580-584-7762

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

JOE BOB SMITH
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 70 HWY 259 NORTH
BROKEN BOW, OKLAHOMA 74728
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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	40,335	122,872	163,207
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	6,880	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)	8,905
NET ASSETS-BEGINNING					354,491	1,367,461
NET ASSETS-ENDING					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>

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
2011**

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>
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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

79,880

Cash and equivalents, beginning of year

97,964

Cash and equivalents, end of year

\$ 177,844

**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.

