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**THE TOWN OF WAKITA**

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

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**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
The Town of Wakita, Oklahoma

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and budgetary comparison information on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the internal control over financial reporting of the Town of Wakita and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wakita's internal control over financial reporting and compliance.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
September 30, 2013

**THE TOWN OF WAKITA  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	(Memo Only)			
	Governmental Activities	Business-type Activities	Total 2013	Total 2012
<b>ASSETS</b>				
Current Assets				
Cash and demand deposits	193,678	141,595	335,273	347,265
Certificates of deposit	107,879	53,609	161,488	161,113
Restricted cash and investments	581,222	38,171	619,393	316,645
Prepaid expenses	0	0	0	1,868
Revenue and accounts receivable	22,354	21,885	44,239	38,522
Allowance for doubtful accounts	0	(1,477)	(1,477)	(1,465)
Internal balances	(21)	21	0	0
Total current assets	905,112	253,804	1,158,916	863,948
Noncurrent Assets				
Debt issue costs	0	0	0	13,393
Depreciable property and equipment	1,206,022	1,959,495	3,165,517	2,501,971
Accumulated depreciation	(581,298)	(616,308)	(1,197,606)	(1,091,018)
Net depreciable property and equipment	624,724	1,343,187	1,967,911	1,410,953
Land	0	160,000	160,000	160,000
Construction in progress	0	11,387	11,387	276,823
Total noncurrent assets	624,724	1,514,574	2,139,298	1,861,169
<b>TOTAL ASSETS</b>	<b>1,529,836</b>	<b>1,768,378</b>	<b>3,298,214</b>	<b>2,725,117</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	3,632	4,071	7,703	4,000
Construction accounts payable	0	0	0	0
Current portion of notes payable	1,137	5,168	6,305	9,576
Total current liabilities	4,769	9,239	14,008	13,576
Noncurrent Liabilities				
Meter deposits refundable	0	14,100	14,100	13,230
Notes payable, less current portion	14,667	354,732	369,399	266,165
Total noncurrent liabilities	14,667	368,832	383,499	279,395
<b>TOTAL LIABILITIES</b>	<b>19,436</b>	<b>378,071</b>	<b>397,507</b>	<b>292,971</b>
<b>NET POSITION</b>				
Net investment in capital assets	608,920	1,154,674	1,763,594	1,572,035
Restricted for:				
Fire department	572,266	0	572,266	288,861
Debt	0	38,171	38,171	20,361
Unrestricted	329,214	197,462	526,676	550,889
<b>TOTAL NET POSITION</b>	<b>1,510,400</b>	<b>1,390,307</b>	<b>2,900,707</b>	<b>2,432,146</b>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			(Memo Only)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2013	Total 2012
Governmental activities:								
General government	(85,748)	7,527	10,637		(67,584)		(67,584)	(12,112)
Police department	(54,088)	988	0	0	(53,100)		(53,100)	(41,002)
Street department *	(29,709)	0	3,091	0	(26,618)		(26,618)	(23,735)
Fire department	(35,680)	200	320,553	0	285,073		285,073	149,361
Total governmental activities	(205,225)	8,715	334,281	0	137,771	0	137,771	72,512
Business-type activities:								
Sewer department	(64,547)	29,137	0	0		(35,410)	(35,410)	(20,269)
Trash department	(22,300)	28,115	0	0		5,815	5,815	6,037
Water department **	(124,222)	90,190	0	0		(34,032)	(34,032)	7,963
Gas department	(87,081)	138,043	0	0		50,962	50,962	34,100
Total business-type activities	(298,150)	285,485	0	0	0	(12,665)	(12,665)	27,831
Total all activities	(503,375)	294,200	334,281	0	137,771	(12,665)	125,106	100,343
		General revenues:						
		Taxes:						
		Sales and use taxes			115,926	0	115,926	161,040
		Franchise and public service taxes			12,388	0	12,388	13,056
		Investment income			607	410	1,017	1,587
		Other revenues			0	14,124	14,124	0
		Donated capital assets			200,000	0	200,000	0
		Total general revenues and transfers			328,921	14,534	343,455	175,683
		Change in net position			466,692	1,869	468,561	276,026
		Beginning net position			1,043,708	1,388,438	2,432,146	2,156,120
		Ending net position			1,510,400	1,390,307	2,900,707	2,432,146

\* Interest expense of \$921 is included in the street department

\*\* Interest of \$10,726 is included in the water department

**THE TOWN OF WAKITA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and demand deposits	193,678
Certificates of deposit	107,879
Restricted cash and investments	581,222
Revenue receivable	<u>22,354</u>
<b>TOTAL ASSETS</b>	<u><u>905,133</u></u>
 <b>LIABILITIES</b>	
Accounts payable	3,632
Due to other funds	<u>21</u>
<b>TOTAL LIABILITIES</b>	<u>3,653</u>
 <b>FUND BALANCE</b>	
Restricted:	
County fire tax for fire department	572,266
Workers comp reserves	8,956
Unrestricted:	
Unassigned	<u>320,258</u>
<b>TOTAL FUND BALANCE</b>	<u>901,480</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>905,133</u></u>
 <b>Reconciliation of fund balance to net assets of governmental activities:</b>	
Fund balance	901,480
Capital assets	1,206,022
Accumulated depreciation	(581,298)
Capital lease payable	<u>(15,804)</u>
<b>Net assets</b>	<u><u>1,510,400</u></u>

**THE TOWN OF WAKITA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	115,926
Franchise taxes	12,388
Shared taxes	328,547
Grants	4,484
Fines and fees	1,008
Rental revenues	6,260
Interest	607
Other revenues	<u>2,697</u>
TOTAL REVENUES	471,917
 EXPENDITURES	
General government	56,734
Police department	50,688
Fire department	18,511
Street department	22,518
Debt service	1,996
Capital outlay	<u>22,403</u>
TOTAL EXPENDITURES	172,850
 REVENUES OVER EXPENDITURES	 299,067
 BEGINNING FUND BALANCE	 <u>602,413</u>
ENDING FUND BALANCE	<u>901,480</u>
 Reconciliation of net change in fund balance to change in net assets of governmental activities:	
Net change in fund balances - total governmental funds	299,067
Capital asset purchases capitalized	22,403
Depreciation expense	(55,853)
Principal payments on capital lease	1,075
Donated capital assets	<u>200,000</u>
Change in Net Assets of Governmental Activities	<u>466,692</u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>Wakita Utilities Authority</u>
<b>ASSETS</b>	
Current Assets	
Cash and demand deposits	141,595
Certificates of deposit	53,609
Restricted cash and investments	38,171
Due from other funds	21
Accounts receivable	21,885
Allowance for doubtful accounts	(1,477)
Total current assets	<u>253,804</u>
Noncurrent Assets	
Depreciable property and equipment	1,959,495
Accumulated depreciation	(616,308)
Net depreciable property and equipment	<u>1,343,187</u>
Land	160,000
Construction in progress	11,387
Total noncurrent assets	<u>1,514,574</u>
<b>TOTAL ASSETS</b>	<u><u>1,768,378</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	4,071
Current portion of notes payable	5,168
Total current liabilities	<u>9,239</u>
Noncurrent Liabilities	
Meter deposits refundable	14,100
Notes payable, less current portion	354,732
Total noncurrent liabilities	<u>368,832</u>
<b>TOTAL LIABILITIES</b>	<u>378,071</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,154,674
Restricted for debt service	24,071
Unrestricted	211,562
<b>TOTAL NET POSITION</b>	<u><u>1,390,307</u></u>

**THE TOWN OF WAKITA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Wakita Utilities Authority</u>
OPERATING REVENUES	
Sewer revenues	20,679
Trash revenues	28,115
Water revenues	90,190
Gas revenues	138,043
Late fees	1,643
Sewer surcharge	8,458
Other income	12,481
TOTAL OPERATING REVENUES	<u>299,609</u>
OPERATING EXPENSES	
Sewer department	64,547
Trash department	22,300
Water department	113,496
Gas department	87,081
TOTAL OPERATING EXPENSES	<u>287,424</u>
OPERATING INCOME	12,185
NON-OPERATING REVENUES (EXPENSES)	
Interest income	410
Interest expense	(10,726)
NET NON-OPERATING REVENUES (EXPENSES)	<u>(10,316)</u>
INCOME BEFORE TRANSFERS	1,869
Transfers-in	0
INCREASE IN NET POSITION	<u>1,869</u>
BEGINNING NET POSITION	<u>1,388,438</u>
ENDING NET POSITION	<u>1,390,307</u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Wakita Utilities Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	284,278
Other operating receipts	12,481
Cash payments for:	
Goods and services	(161,983)
Employees	<u>(71,649)</u>
Net cash provided from operations	63,127
Cash flows from capital financing activities:	
Principal payments	(6,062)
Interest payments	(10,726)
Purchases of capital assets	(68,517)
Net transfers from restricted accounts	<u>(3,800)</u>
Net cash from capital financing activities	(89,105)
Cash flows from investing activities:	
Interest income	<u>321</u>
Net cash from investing activities	<u>321</u>
Net increase (decrease) in cash	<u>(25,657)</u>
Beginning cash	<u>167,252</u>
Ending cash	<u>141,595</u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	12,185
Adjustments to income from operations:	
Depreciation	50,735
Change in assets and liabilities:	
(Increase) decrease in receivables	(3,929)
(Increase) decrease in prepaid expenses	1,868
Increase (decrease) in payables	1,398
Increase (decrease) in refundable deposits	<u>870</u>
Net cash provided by operations	<u>63,127</u>
** Activity in debt service accounts:	
Beginning cash	20,361
Transfers from operating account	3,800
Interest	1
Loan proceeds	107,100
Construction	<u>(107,191)</u>
Ending cash	<u>24,071</u>

\*\* Activity in trust accounts is supplemental information.

**The Town of Wakita  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

**1. Summary of Significant Accounting Policies**

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

For the fiscal year ended June 30, 2013, the City implemented the new financial reporting requirements of the following GASB statements:

GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in other pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, relating to proprietary fund accounting, eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

GASB 63 provides financial reporting guidance for deferred outflows and inflows of resources and identifies net position as the residual of all other elements presented in the statement of financial position. This Statement amends the net asset reporting requirements of other pronouncements by incorporating deferred outflows and inflows into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows and inflows of resources; and recognizes certain items currently being reported as assets and liabilities as outflows and inflows of resources.

**1A. Financial Reporting Entity**

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

**1B. Blended Component Units**

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

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

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

**1C. Basic Financial Statements**

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

**1D. Government-wide Financial Statements**

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

**1E. Fund Financial Statements**

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

**Governmental Funds**

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

**Proprietary Funds**

The measurement focus of proprietary funds is economic resources, the objectives of which involve the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

the private sector. The Town uses only one proprietary fund, an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

**1F. Basis of Accounting**

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

**Accrual Basis**

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

**Modified Accrual Basis**

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

**1G. Cash and Cash Equivalents**

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

**1H. Deposits and Investments**

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

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

**The Town of Wakita  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

**1I. Receivables**

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

**1J. Interfund Activity**

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

**1K. Capital Assets**

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

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

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

**1L. Compensated Absences**

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

**1M. Revenues and Expenditures**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as needed. When fund balances in governmental funds that are committed or assigned are available, it is the Town's policy to use the

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

committed or assigned resources first. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**1N. Memo Only Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**2. Deposits and Investments**

The Town has deposits of \$60,089 in excess of insured limits that are collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

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

**3. Restricted Cash**

Grant County sales taxes restricted for the Wakita fire department are recorded as restricted cash in the general fund. Although county funds, the Town records them on its books for purposes of oversight and control since the expenditure of these funds is material to the financial statements of the general fund. The balance at June 30 is \$572,266. Shared tax revenues of \$314,819 and expenditures of \$31,413 are included in these financial statements.

Workers compensation reserves of \$8,956 are on deposit at the Oklahoma Municipal Insurance Group (OMAG).

Debt service reserves are required by the Rural Development loan agreement. A debt service reserve of \$16,788 has been fully funded. A short-lived asset reserve is funded with monthly

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

deposits of \$317. At year end, the balance of these reserve accounts is \$24,071, the required amount.

**4. Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities</b>				
Depreciable assets				
Buildings	667,932	202,581	0	870,513
Leased equipment	55,200	0	0	55,200
Equipment	222,093	19,822	0	241,915
Infrastructure	38,394	0	0	38,394
Total depreciable assets	983,619	222,403	0	1,206,022
Accumulated depreciation				
Buildings	(390,575)	(29,439)	0	(420,014)
Leased equipment	(1,380)	(2,760)	0	(4,140)
Equipment	(130,610)	(21,734)	0	(152,344)
Infrastructure	(2,880)	(1,920)	0	(4,799)
Total depreciation	(525,445)	(55,853)	0	(581,297)
Net depreciable assets	458,174	166,550	0	624,724
Net governmental assets	458,174	166,550	0	624,724
<b>Business-type activities</b>				
Assets not depreciated				
Land	160,000	0	0	160,000
Construction in progress	276,823	(265,436)	0	11,387
Total assets not depreciated	436,823	(265,436)	0	171,387
Depreciable assets				
Buildings	10,000	0	0	10,000
Equipment	9,228	0	0	9,228
Utility systems	1,499,124	441,143	0	1,940,268
Total depreciable assets	1,518,352	441,143	0	1,959,495
Accumulated depreciation				
Buildings	(4,583)	(333)	0	(4,917)
Equipment	(4,756)	(1,416)	0	(6,172)
Utility systems	(556,234)	(48,985)	0	(605,219)
Total depreciation	(565,573)	(50,735)	0	(616,308)
Net depreciable assets	952,778	390,409	0	1,343,187
Net business-type assets	1,389,602	124,973	0	1,514,574

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	29,014	Administration	333
Police department	3,399	Sewer	27,022
Fire department	17,169	Water	21,627
Street department	6,270	Gas	1,752
Total governmental depreciation	<u>55,852</u>	Total business-type depreciation	<u>50,734</u>

**5. Long-term Debt**

	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
<b>Governmental activities</b>					
Backhoe	5.766%	2/10/2024	20,200	15,804	backhoe
<b>Business-type activities</b>					
Water system	3.250%	11/22/1933	375,000	359,900	water system and revenues

Long-term debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Governmental activities</b>					
Backhoe lease-purchase	16,879	0	(1,075)	15,804	1,137
<b>Business-type activities</b>					
Water system note payable	258,862	107,100	(6,062)	359,900	5,168

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

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

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

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

June 30:	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	1,137	859	1,996	5,167	11,620	16,787
2015	1,202	794	1,996	5,338	11,450	16,788
2016	1,272	724	1,996	5,514	11,274	16,788
2017	1,345	651	1,996	5,696	11,092	16,788
2018	1,423	573	1,996	5,884	10,904	16,788
2019-2023	8,443	1,537	9,980	32,464	51,476	83,940
2024-2028	982	16	998	38,182	45,757	83,939
2029-2033	0	0	0	44,910	39,028	83,938
2034-2038	0	0	0	52,823	31,116	83,939
2039-2043	0	0	0	62,131	21,808	83,939
2044-2048	0	0	0	73,087	10,862	83,949
2049-2050	0	0	0	28,706	868	29,574
Total	15,804	5,154	20,958	359,902	257,255	617,157

**6. Defined Benefit Pension Plans**

**Volunteer Firefighters**

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

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2013, 2012 and 2011 was \$1,200, \$840 and \$960 respectively equal to the required contribution for each year. After the July 2013 assessment was paid, the System changed the assessment date to January, causing the Town to pay 2 premiums during 2013.

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

Town Employees

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

Funding Policy. OMRF members are required to contribute 2.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate which is currently 6.56% of annual covered payroll. However, the Town is currently contributing 8.16% in order to prefund a future benefit increase. The contribution requirements of plan members and the Town are established and may be amended by the OMRF Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2013, the Town's annual pension cost was \$5,092. Actual contributions of \$6,334 exceeded the required contributions. The required contribution was determined as part of the January 1, 2012 actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by year based on the age of the employee, and (c) 3% per year cost-of-living adjustments. The actuarial value of WPT assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 80% to 120% of the current market value of the fund.

Fiscal Year Ending	Annual Pension Cost	Percentage APC Contributed	Net Pension Obligation
6/30/2011	6,544	109%	0
6/30/2012	6,344	120%	0
6/30/2013	6,334	124%	0

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

Schedule of Funding Progress.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2013	174,435	Actuarial	189,104	EAN	14,670	92.2%	82,112	17.9%

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

**7. Workers' Compensation Plan**

The Town participates in the Oklahoma Municipal Assurance Group (OMAG) Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any Loss Funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the plan. The amount of Town funds on deposit with OMAG at year end was \$8,956.

**8. Long-term Maintenance and Repair Contract**

During 2000/2001, the Town entered into a long-term contract for water tower repairs and maintenance. An annual maintenance fee began in 2004 with cost of service adjustments calculated every three years, but in no case to exceed 5% annually. The contract is subject to cancellation with 90 days written notice prior to the anniversary date. The cost for 2013 was \$6,902.

**9. Risk Management**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages

**The Town of Wakita**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. No claims were made during 2013.

**10. Budgets and Budgetary Accounting**

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

**11. Interfund Transactions**

	General	Utility	
Internal Balances	Fund	Fund	Total
Payroll	(22)	22	0

**12. Subsequent Events**

Management performed an evaluation of the Town's activity through September 30, 2013, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**The Town of Wakita  
Schedule of Funding Progress  
As of and for the Year Ended June 30, 2013**

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

**THE TOWN OF WAKITA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use taxes	78,500	103,500	115,926	12,426
Franchise taxes	12,000	13,000	12,388	(612)
Shared taxes	12,100	12,100	328,547	316,447
Grants	44,500	44,500	4,484	(40,016)
Fines and fees	0	0	1,008	1,008
Interest	800	800	607	(193)
Other revenues	8,500	8,500	2,697	(5,803)
<b>TOTAL REVENUES</b>	<b>156,400</b>	<b>182,400</b>	<b>465,657</b>	<b>283,257</b>
<b>EXPENDITURES</b>				
General government	29,500	61,500	56,734	4,766
Police department	55,600	55,600	50,688	4,912
Fire department	9,500	9,500	18,511	(9,011)
Street department	23,700	23,700	22,518	1,182
Debt service	2,000	2,000	1,996	4
Capital outlay	60,000	60,000	22,403	37,597
<b>TOTAL EXPENDITURES</b>	<b>180,300</b>	<b>212,300</b>	<b>172,850</b>	<b>39,450</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(23,900)</b>	<b>(29,900)</b>	<b>292,807</b>	<b>322,707</b>
<b>BEGINNING FUND BALANCE</b>	<b>602,413</b>	<b>602,413</b>	<b>602,413</b>	<b>0</b>
<b>ENDING FUND BALANCE</b>	<b>578,513</b>	<b>572,513</b>	<b>895,220</b>	<b>322,707</b>

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.
2. County fire tax funds were not budgeted.

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

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

The Board of Trustees  
The Town of Wakita, Oklahoma

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Wakita's basic financial statements, and have issued our report thereon dated September 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Wakita's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wakita's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Wakita's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described below.

2013-1: Since the Town's clerk/treasurer is the only administrative employee, there is no segregation of duties between those maintaining the general ledger, the billing system, and performing reconciliations, and no compensating procedures to provide for oversight or review of those transactions. We recommend that the Town find ways for the trustees to provide oversight of the accounting functions, such as receiving unopened bank statements for review; reviewing utility billing and payment reports, and spending more time at town hall to become familiar with its operations.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Town of Wakita are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Town of Wakita's Response to Findings**

The Town of Wakita's response to the findings identified in our audit is described below. The Town of Wakita's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

2013-1 response: Since we are a small town with our clerk/treasurer as the only administrative and bookkeeping employee, we do not have a way of segregating duties. However, we will try to find ways to establish better oversight procedures.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



, C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
September 30, 2013