Town of Wayne, Oklahoma

Financial Statements and Report of Independent Accountants

As of and For the Year Ending June 30, 2014

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Independent Auditor's Report

To the Board of Trustees
Town of Wayne, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Wayne, as of and for the year ended June 30, 2014, 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 the modified cash-basis of accounting described in Note 1. This includes determining that the modified cash-basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wayne, as of June 30, 2014, and the respective changes in modified cash-basis financial position, and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information 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, 2014, on our consideration of the Town of Wayne's internal control over financial reporting 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 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 Town of Wayne's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with the respect to this matter.

Cary J. Russell CPA, L.L.

Oklahoma City, Oklahoma
September 30, 2014

Town of Wayne, Oklahoma
Statement of Net Position - Modified Cash Basis
June 30, 2014

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash in Bank - Unrestricted	$ 106,214.16	$ 308,449.36	$ 414,663.52
Cash in Bank - Restricted	101,237.70	68,988.24	170,225.94
Notes Receiable	-	18,175.00	18,175.00
Accounts Receivable, net	27,744.74	35,914.18	63,658.92
Total Current Assets	235,196.60	431,526.78	666,723.38
PROPERTY AND EQUIPMENT			
Capital Assets, net	116,078.34	1,016,572.10	1,132,650.44
TOTAL ASSETS	$ 351,274.94	$ 1,448,098.88	$ 1,799,373.82
CURRENT LIABILITIES			
Current Portion of Long Term Debt	$ -	$ 26,693.92	$ 26,693.92
Meter Deposits	-	58,755.00	58,755.00
Total Current Liabilities	-	85,448.92	85,448.92
LONG-TERM LIABILITIES			
Notes & Leases Payable	-	355,227.73	355,227.73
TOTAL LIABILITIES	-	440,676.65	440,676.65
NET POSITION			
Invested in Capital Assets, Net of Related Debt	116,078.34	634,650.45	750,728.79
Restricted for Debt Service	-	23,767.71	23,767.71
Restricted for Other Purpoese	101,237.70	109,739.73	210,977.43
Unrestricted	133,958.90	239,264.34	373,223.24
TOTAL NET POSITION	351,274.94	1,007,422.23	1,358,697.17
TOTAL LIABILITIES AND NET POSITION	$ 351,274.94	$ 1,448,098.88	$ 1,799,373.82

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants	Net (expense) revenue and Changes in net position — Primary Government: Governmental Activities	Net (expense) revenue and Changes in net position — Primary Government: Business-Type Activities	Total
Primary Government						
Governmental Activities						
General Government	87,478.75	5,425.30	-	(82,053.45)	-	(82,053.45)
Police Department	57,517.21	23,604.55	-	(33,912.66)	-	(33,912.66)
Fire Department	38,596.48	14,983.98	-	(23,612.50)	-	(23,612.50)
Streets Department	12,688.22	-	-	(12,688.22)	-	(12,688.22)
Total Governmental Activities	196,280.66	44,013.83	-	(152,266.83)	-	(152,266.83)
Business-Type Activities						
Administrative Department	61,092.09	5,475.99	-	-	(55,616.10)	(55,616.10)
Water Department	166,729.02	204,003.11	163,619.39	-	200,893.48	200,893.48
Sewer Department	60,625.06	67,772.00	-	-	7,146.94	7,146.94
Solid Waste	59,979.26	72,514.49	-	-	12,535.23	12,535.23
Ambulance	27,115.73	29,776.97	-	-	2,661.24	2,661.24
Economic Development	-	24.00	-	-	24.00	24.00
Total Business-Type Activities	375,541.16	379,566.56	163,619.39	-	167,644.79	167,644.79
Total Primary Government	$ 571,821.82	$ 423,580.39	$ -	$ (152,266.83)	$ 167,644.79	$ 15,377.96
General Revenues						
Sales Taxes				201,533.01	-	201,533.01
Franchise Taxes				22,313.28	-	22,313.28
Alcoholic Beverage Taxes				2,934.23	-	2,934.23
Motor Vehicle and Gasoline Taxes				6,331.99	-	6,331.99
Total General Government Revenue				233,112.51	-	233,112.51
Change in Net Position				80,845.68	167,644.79	248,490.47
Net Position Beginning				270,429.26	839,777.44	1,110,206.70
Net Position Ending				$ 351,274.94	$1,007,422.23	$ 1,358,697.17

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Governmental Funds
Balance Sheet - Modified Cash Basis
June 30, 2014

	General Fund
ASSETS	
Cash in Bank - Unrestricted	106,214.16
Cash in Bank - Restricted	101,237.70
Accounts Receivable, net	27,744.74
Total Assets	$ 235,196.60
LIABILITIES	
FUND BALANCES	
Unassigned	133,958.90
Restricted	101,237.70
TOTAL FUND BALANCES	235,196.60
TOTAL LIABILITIES AND FUND BALANCES	$ 235,196.60

Reconcilation of Total Governmental Fund Balances to Net Postion of Governmental Wide Financial Statements

Total Governmental Fund Balances	235,196.60
Capital Leases included in the government wide financial statements but excluded in the individual fund financials	-
Fixed assets included in the government wide finanical statements but excluded in the individual fund financial statements	116,078.34
Net Position per the government wide financial statements	$ 351,274.94

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
For the Year Ending June 30, 2014

Revenues	
Sales Taxes	$ 201,533.01
Franchise Taxes	22,313.28
Alcoholic Beverage Taxes	2,934.23
Motor Vehicle and Gasoline Taxes	6,331.99
Police Fines	23,604.55
Other Revenues	20,409.28
Total Revenues	277,126.34
Expenditures	
General Government	92,321.64
Police Department	55,658.19
Fire Department	75,440.17
Street Department	12,688.22
Total Expenses	236,108.22
Change in Net Assets	41,018.12
Beginning Net Assets	194,178.48
Ending Net Assets	$ 235,196.60

Reconcilation of Fund Financial Statements to Governmental Wide Financial Statements

Net Change in fund balances	41,018.12
Monies expended for debt service that reduce debt on the government wide financial statements but recorded as an expense on the fund financial statements.	53,294.49
Depreciation recorded in the governmental wide financial statements not recorded in the fund financial statements	(13,466.93)
Change in Net Position per the Governmental Wide Financial Statemen	$ 80,845.68

The accompanying notes are an integral part of these financial statements

Town of Wayne, Oklahoma
Proprietary Fund
Statment of Net Position - Modifed Cash Basis
June 30, 2014

	Public Works Authority	Economic Development	Total Proprietary Funds
CURRENT ASSETS			
Cash in Bank - Unrestricted	280,502.34	27,947.02	308,449.36
Cash in Bank - Restricted	68,988.24	-	68,988.24
Notes Receivable	-	18,175.00	18,175.00
Accounts Receivable, net	35,914.18	-	35,914.18
Total Current Assets	385,404.76	46,122.02	431,526.78
PROPERTY AND EQUIPMENT			
Capital Assets, net	1,016,572.10	-	1,016,572.10
TOTAL ASSETS	$ 1,401,976.86	$ 46,122.02	$ 1,448,098.88
CURRENT LIABILITIES			
Current Portion of Long Term Debt	26,693.92	-	26,693.92
Meter Deposits	58,755.00	-	58,755.00
Total Current Liabilities	85,448.92	-	85,448.92
LONG-TERM LIABILITIES			
Notes Payable	355,227.73	-	355,227.73
TOTAL LIABILITIES	440,676.65	-	440,676.65
NET POSITION			
Invested in Capital Assets, Net of Related Debt	637,650.45	-	637,650.45
Restricted for Debt Service	10,233.24	-	10,233.24
Restricted for Other Purposes	58,755.00	-	58,755.00
Unrestricted	254,661.52	46,122.02	300,783.54
TOTAL NET POSITION	961,300.21	46,122.02	1,007,422.23
TOTAL LIABILITIES AND NET POSITION	$ 1,401,976.86	$ 46,122.02	$ 1,448,098.88

The accompanying footnotes are an integral part of these financial statements

Town of Wayne, Oklahoma
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis
For the Year Ending June 30, 2014

	Public Works Authority	Economic Development	Total Proprietary Fund
Revenues			
Water Charges	$ 204,003.11	$ -	$ 204,003.11
Sewer Fees	67,772.00	-	67,772.00
Garbage Fees	72,514.49	-	72,514.49
Ambulance Fees	29,776.97	-	29,776.97
Other Fees and Charges	5,475.99	24.00	5,499.99
Total Revenues	379,542.56	24.00	379,566.56
Operating Expenses			
Administrative Expenses	61,092.09	-	61,092.09
Water Expenses	166,729.02	-	166,729.02
Sewer Expenses	60,625.06	-	60,625.06
Ambulance Expenses	27,115.73	-	27,115.73
Garbage Expenses	59,979.26	-	59,979.26
Total Operating Expenses	375,541.16	-	375,541.16
Operating Income (Loss)	4,001.40	24.00	4,025.40
Non-Operating Revenues and Expenses			
Grant Revenues	163,619.39	-	163,619.39
Transfers In/Out	-	-	-
Total Non-Operating Revenues and Expenses	163,619.39	-	163,619.39
Change in Net Position	167,620.79	24.00	167,644.79
Net Position, Beginning of Year	793,679.42	46,098.02	839,777.44
Net Position, End of Year	$ 961,300.21	$ 46,122.02	$ 1,007,422.23

The accompanying notes are an integral part of these financial statements

Town of Wayne, Oklahoma
Proprietary Fund
Statement of Cash Flows - Modified Cash Basis
For the Year Ending June 30, 2014

	Public Works Authority	Economic Development
Cash flows from operating activities		
Receipts from customers	$ 379,830.61	$ 24.00
Grants Received	163,619.39	-
Payments to suppliers	(206,348.02)	-
Payments to employees	(103,512.76)	-
Net cash provided by operating activities	233,589.22	24.00
Cash flows from capital and related financing activities		
Change in Fixed Assets	(214,704.25)	-
Principal paid on long term debt	(11,517.09)	-
Net cash flows from capital and related financing activities	(226,221.34)	-
Cash flows from investing activities		
Principal received on notes receivable	-	8,125.00
Net cash flows from investing activities	-	8,125.00
Net increase (decrease) in cash	7,367.88	8,149.00
Cash, Beginning of the Year	342,122.70	19,798.02
Cash, End of the Year	$ 349,490.58	$ 27,947.02
Reconcilement of changes in net position to net cash provided by operations		
Change in Net Position	$ 167,620.79	$ 24.00
Adjustments to reconcile change in net position to net cash provide by operating activities		
Depreciation	67,170.38	-
Change in assets and liabilities		
Meter Deposits	(1,490.00)	-
Accounts Receivable	288.05	-
Net cash provided by operating activities	$ 233,589.22	$ 24.00
Cash - Unrestricted	280,502.34	27,947.02
Cash - Restricted	68,988.24	-
Total Cash on Hand	$ 349,490.58	$ 27,947.02

The accompanying notes are an integral part of these financial statements

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Wayne, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2014, the Town had two component units, the Wayne Public Works Authority and the Wayne Economic Development Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2014, the Town had governmental funds of general and fixed assets. The proprietary funds consisted of the Wayne Public Works Authority and the Wayne Economic Development Authority.

GASB 34

The Town had 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 June 30, 2004.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole within the limitations of the modified cash basis of accounting. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement, within the limitations of the modified cash basis of accounting. 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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program

or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues 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 which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified cash 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 recognized in the accounting period in which the fund liability in incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified cash basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather then expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in the proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of meter deposits.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2014.

Budget
In accordance with Oklahoma Statutes, Title 68, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

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

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.

Allowance for Doubtful Accounts
The Wayne Economic Development Authority, has made economic development loans to local businesses. During the year ending June 30, 2014, the Authority had a loan loss reserve of $-0-.

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Wayne is considered a separate entity from the Wayne Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)

2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)

3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Wayne's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of $250,000 for the governmental funds and $250,000 for the Wayne Public Works Authority. The remaining funds would be category 3.

As of June 30, 2014, the Town of Wayne and the Wayne Public Works Authority had collateral pledged in the amount of $194,762 from McClain Bank. The deposits uncollateralized totaled $-0-. It is a violation of Oklahoma state law to not have municipal deposits collateralized.

Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2014 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decrease	Ending Balance
Town Hall	$ 126,154.22	7,161.13	-	$ 133,315.35
Fire Department	239,296.00	46,133.36	-	285,429.36
Police Department	73,439.37	-	-	73,439.37
Total	438,889.59			492,184.08
Accumulated Depreciation	(362,638.81)	(13,464.93)	-	(376,103.74)
Net Assets	$ 76,250.78			$ 116,080.34

As of June 30, 2014, 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 were not available. Depreciation of $2,318 for general government, $9,290 was recorded for the fire department and $1,859 for the police department.

Proprietary Funds

	Beginning Balance	Increases	Decrease	Ending Balance
Water and Sewer System	$ 1,675,978.80	214,704.25	-	$ 1,890,683.05
Vehicles and Equipment	177,104.58	-	-	177,104.58
Total	1,853,083.38			2,067,787.63
Accumulated Depreciation	(984,045.55)	(67,170.38)	-	(1,051,215.93)
Net Assets	$ 869,037.83			$ 1,016,571.70

As of June 30, 2014, the proprietary 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 were not available. Depreciation of $67,170.38 for the proprietary funds was recorded as follows: $50,378 for the water system and $16,793 for the sewer system.

Note 4-Notes Payable

Wayne Public Works Authority

As of June 30, 2014, the Wayne Public Works Authority had three notes outstanding.

The first obligation has an outstanding balance of $61,981 as of June 30, 2014. The loan is due to mature in September, 2020 with zero interest. Payments are paid monthly in the amount of $729.17 per month. Principal paid on this obligation for the year ending June 30, 2014 was $8,750. Principal required to amortize this note till maturity is as follows:

	Principal
2014/2015	8,750
2015/2016	8,750
2016/2017	8,750
2017/2018	8,750
2018/2019	8,750
2019/2022	18,231
	$ 61,981

Balance, Beginning of Year	$ 70,731
Principal Paid During Year	8,750
Balance, End of Year	$ 61,981

The second obligation has an outstanding balance of $316,941 as of June 30, 2014. The original loan amount was $392,000, is due to mature in August, 2038 and carries an interest rate of 4.75%. Monthly payments are due in the amount of $1,843 per month. Principal and interest paid on this obligation for the year ending June 30, 2014 was $5,767 and $16,349 respectively. Principal required to amortize this note till maturity is as follows:

	Principal	Interest
2014/2015	7,274	14,842
2015/2016	7,627	14,489
2016/2017	7,997	14,119
2017/2018	8,386	13,730
2018/2019	8,670	13,446
2019/2024	50,085	60,495
2024/2029	63,482	47,098
2029/2034	80,463	30,117
2034/2038	82,957	5,507
	$ 316,941	$ 213,843

Balance, Beginning of Year	$322,708
Principal Paid During Year	5,767
Balance, End of Year	$316,941

The water department was charged with $16,349 of interest for the year. The sewer department was charged with $-0- of interest for the year.

Note - 5 Rural Development Loan Compliance

Wayne Public Works Authority's loans from Rural Development has a net revenue requirement, as well as a required debt service reserve amount. As of June 30, 2014, the WPWA has $21,544 on deposit in the reserve account. The reserve account is to be used for monthly loan payments in the event that WPWA is unable to otherwise make payments.

The new revenues of the Wayne Public Works Authority are required to be at least 125% of the average debt service. The following year is a summary of the net revenues and the debt service payments required for the year ended June 30, 2014.

Operating revenues	$ 379,543
Operating expenses	375,541
Net operating income (loss)	4,001
Other revenues and expenses:	
Miscellaneous income	163,619
Interest	-
Total Net operating income (loss)	$ 167,621
Required debt payments:	
Principal	5,767
Interest	16,349
Total debt service	22,116
Net revenue percentage requirment	125%
Net revenue required	27,645
Excess net revenues	$ 139,976

Note – 6 Volunteer Firefighter's Pension Plan

The Town participates in the Oklahoma State Firefighters Pension and Retirement system which applies only to the Town's volunteer firefighters. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. Contributions are made by the Town at the rate of $60 per volunteer firefighter per year. The total contribution for 2013/2014 was $960 and covered 16 volunteers.

Note – 7 Subsequent Events

Subsequent events have been evaluated through September 30, 2014, which is the date the financial statements were issued.

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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

To the Board of Trustees
Town of Wayne

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 accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Wayne, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Wayne's basic financial statements, and have issued our report thereon dated September 30, 2014.

The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Wayne'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 Town of Wayne's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Wayne'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. 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 in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Wayne's financial statements are free from 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.

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 results 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.

Casey J. Russell CPA, Inc.

Oklahoma City, Oklahoma
September 30, 2014

Schedule of Current Findings and Responses

2014 - 1 Lack of Segregation of Duties

Condition: During our review of the internal control structure, we noted that several procedures lacks the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented.

Criteria: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

Cause and effect: The cause is due to limited personnel and the full effect is unknown.

Recommendation: The town should implement a policy of not accepting cash payments at city hall. The town should also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on a daily payment ledger. All payments, receipts, and a copy of the daily receipt ledger should be given directly to the Treasurer at the end of the day. The town clerk or other personnel, except for the Treasurer, should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the town clerk or other personnel should print off a payment listing from the system as well as a daily adjustment history to insure that no unnecessary adjustments have been made, the town clerk or other personnel should also prepare the deposit slip at this time and retain the carbon copy. These reports along with the original daily payment ledger and original of the deposit slip should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. The Treasurer should then staple all documents together and give these back to the town clerk or other personnel. When the Treasurer returns from the bank she should give the bank deposit receipt to the town clerk or other personnel who should compare the receipt to the previous documents given to her by the Treasurer and also compare the carbon copy of the deposit slip to the bank deposit receipt. The town clerk or other personnel should then staple everything together and maintain for the audit files.

Management's Response: In many cases due to our limited resources, controls will be limited. However, the town will consider incorporating these recommendations.