

ANNUAL FINANCIAL REPORT
THE TOWN OF FORGAN, OKLAHOMA
INCLUDING THE
FORGAN PUBLIC WORKS AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**THE TOWN OF FORGAN, OKLAHOMA
INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY
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Management Letter and Comments

PUTNAM & COMPANY, PLLC

Certified Public Accountants

169 S.E. 32nd Street

Edmond, OK 73013

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INDEPENDENT AUDITOR'S REPORT

Honorable Governing Board
Town of Forgan, Oklahoma

We have audited the accompanying financial statements, each major fund, and the aggregate remaining fund information of the Town of Forgan, including the Forgan Public Works Authority, as of and for the year ended June 30, 2011, as listed in the table of contents, which collectively comprise a portion of the Town's basic financial statements required by accounting principles generally accepted in the United States of America, as applied to the Town's modified cash basis of accounting. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Town has not 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*. Accounting principles generally accepted in the United States of America, as applied to the Town's modified cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from modified cash basis transactions for the Town's governmental and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, business-type activities, and the aggregate remaining fund information of the Town of Forgan, including the Forgan Public Works Authority as of and for the year ended June 30, 2011, and the cash flows of its business-type activities for the year ended on the basis of accounting described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. Since the Town expended less than the annual threshold amount for Federal awards, it is exempt from Federal audit reporting requirements but must maintain records for review or audit by appropriate officials of Federal agencies, pass-through entities, and the General Accounting Office (GAO). The limited procedures that we performed with respect to this information do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, on our consideration of the Town's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants, 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* and should be considered in assessing the results of our audit.


Putnam & Company, PLLC

Edmond, Oklahoma
May 1, 2012

PUTNAM & COMPANY, PLLC

Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Governing Board
Town of Forgan, Oklahoma

We have audited the financial statements, each major fund, and the aggregate remaining fund information of the Town of Forgan, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's financial statements and have issued our report thereon dated May 1, 2012. The report on these financial statements is adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America because the Town has elected to prepare its financial statements in conformity with a modified cash basis of accounting, and the Town has not 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*. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose prescribed in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements 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.

We noted certain matters that we reported to management of Town of Forgan in a separate letter dated May 1, 2012.

This report is intended solely for the information and use of management, the audit committee and others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, though restricted in use, this report is a matter of public record, and its distribution is not limited.

Putnam & Company
Putnam & Company, PLLC

Edmond, Oklahoma
May 1, 2012

COMBINED FINANCIAL STATEMENTS

**THE TOWN OF FORGAN, OKLAHOMA
COMBINED BALANCE SHEET
MODIFIED CASH BASIS - ALL FUND TYPES
AS OF JUNE 30, 2011**

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	PROPRIETARY FUND TYPE	GOVERNMENTAL FUND TYPE	TOTALS (Memorandum Only)	
	General	Special Revenue	Trust and Agency	Enterprise	Debt Service	2011	2010
ASSETS							
Cash and Cash Equivalents	\$57,326	1,947	10,588	69,741	14,136	153,738	138,096
Plant & Equipment				446,035		446,035	446,035
Accumulated Depreciation				(265,169)		(265,169)	(256,230)
Net Plant & Equipment	0	0	0	180,866	0	180,866	189,805
Total Assets	\$57,326	1,947	10,588	250,607	14,136	334,604	327,901
LIABILITIES							
Warrants Outstanding	\$14,594	78		15,480		30,152	27,563
Encumbrances Outstanding						0	0
Refundable Meter Deposits			10,588			10,588	10,838
Long Term Debt							
FmHA Loan of 1978				33,530		33,530	41,079
FmHA Loan of 1990				65,304		65,304	66,812
Total Liabilities	14,594	78	10,588	114,314	0	139,574	146,292
FUND EQUITY							
Reserved for Debt Service					14,136	14,136	14,136
Unreserved Fund Equity	42,732	1,869	0	136,293		180,894	167,473
Total Fund Equity	42,732	1,869	0	136,293	14,136	195,030	181,609
Total Liabilities and Fund Equity	\$57,326	1,947	10,588	250,607	14,136	334,604	327,901

See accompanying notes to financial statements.

THE TOWN OF FORGAN, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	PROPRIETARY FUND TYPE	GOVERNMENTAL FUND TYPE	TOTALS (Memorandum Only)	
	General	Special Revenue	Trust and Agency	Enterprise	Debt Service	2011	2010
REVENUES:							
Taxes	\$19,869					19,869	17,218
Licenses and Permits	8,898					8,898	6,645
Intergovernmental	98,081					98,081	100,080
Charges for Service	50,064			177,759		227,823	215,991
Fines and Forfeitures	1,511					1,511	3,329
Interest	342	1		406		749	970
Miscellaneous	14,314	8,709		1,010		24,033	20,120
OEDA Grant		49,999				49,999	20,354
Total Revenues	193,079	58,709	0	179,175	0	430,963	384,707
EXPENDITURES:							
Personal Services	83,457			57,786		141,243	125,535
Maintenance and Operation	183,218	8,129		103,494		294,841	303,916
Capital Outlay	180	49,999				50,179	24,672
Depreciation				8,939		8,939	8,939
Interest Expense				6,194		6,194	7,071
Total Expenditures	266,855	58,128	0	176,413	0	501,396	470,133
Revenues Over/(Under) Expenditures	(73,776)	581	0	2,762	0	(70,433)	(85,426)
OTHER FINANCING SOURCES/(USES):							
Estopped Warrants						0	0
Reimbursement from Public Works Authority	83,854				0	83,854	70,474
Total Other Financing Sources (Uses)	83,854	0	0	0	0	83,854	70,474
Revenues and Other Financing Sources/(Uses) Over/(Under) Expenditures	10,078	581	0	2,762	0	13,421	(14,952)
Fund Balance, Beginning of Year	32,654	1,288	0	133,531	14,136	181,609	196,561
Fund Balance, End of Year	\$42,732	1,869	0	136,293	14,136	195,030	181,609

See accompanying notes to financial statements.

THE TOWN OF FORGAN, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund			Special Revenue Funds			TOTALS (Memorandum Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:									
Taxes	\$15,496	19,869	4,373			0	15,496	19,869	4,373
Licenses and Permits	5,980	8,898	2,918			0	5,980	8,898	2,918
Intergovernmental	97,517	98,081	564			0	97,517	98,081	564
Charges for Service	40,398	50,064	9,666			0	40,398	50,064	9,666
Fines and Forfeitures	2,996	1,511	(1,485)			0	2,996	1,511	(1,485)
Interest	414	342	(72)		1	1	414	343	(71)
Grants			0		49,999	49,999	0	49,999	49,999
Miscellaneous	10,894	14,314	3,420		8,709	8,709	10,894	23,023	12,129
Total Revenues	173,695	193,079	19,384	0	58,709	58,709	173,695	251,788	78,093
EXPENDITURES :									
Personal Services	85,201	83,457	1,744			0	85,201	83,457	1,744
Maintenance and Operation	184,396	183,218	1,178	1,288	8,129	(6,841)	185,684	191,347	(5,663)
Capital Outlay	180	180	0		49,999	(49,999)	180	50,179	(49,999)
Total Expenditures	269,777	266,855	2,922	1,288	58,128	(56,840)	271,065	324,983	(53,918)
Revenues Over/(Under) Expenditures	(96,082)	(73,776)	22,306	(1,288)	581	1,869	(97,370)	(73,195)	24,175
OTHER FINANCING SOURCES/(USES):									
Deobligation of Prior Year Funds			0			0	0	0	0
Transfer from Public Works Authority	63,428	83,853	20,425			0	63,428	83,853	20,425
Total Other Financing Sources/(Uses)	63,428	83,853	20,425	0	0	0	63,428	83,853	20,425
Revenues and Other Financing Sources/(Uses) Over/(Under) Expenditures	(32,654)	10,077	42,731	(1,288)	581	1,869	(33,942)	10,658	44,600
Fund Balance, Beginning Balance	32,654	32,654	0	1,288	1,288	0	33,942	33,942	0
Fund Balance, Ending Balance	\$0	42,731	42,731	0	1,869	1,869	0	44,600	44,600

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**THE TOWN OF FORGAN, OKLAHOMA
INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of the Town of Forgan, Oklahoma, including the Forgan Public Works Authority, relating to the funds included in the financial statements, conform to generally accepted accounting principles of state and local governments, except as noted below. The following represents the more significant accounting and reporting policies and practices of the Town:

(a) Fund Accounting

The accounts of the Town are organized on the basis of funds and a group of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The various funds are grouped by type in the financial statements. The types of funds maintained by the Town are as follows:

General Fund

The General Fund is the principal fund of the Town which accounts for all financial transactions not properly accounted for in other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for revenues derived from specific taxes or other designated revenue sources.

Debt Service Funds

As prescribed by State law, the Debt Service Funds receive all ad valorem taxes paid to the Town. Such taxes are used for the payment of principal and interest on the Town's bonded debt.

Capital Projects Funds

The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

**THE TOWN OF FORGAN, OKLAHOMA
INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Trust and Agency Funds

The Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity. (See Note 2).

Proprietary Fund

The Proprietary Fund is the principal fund of the Authority which accounts for operations financed and operated similar to businesses, such as services rendered to the general public on a fee basis.

(b) Basis of Accounting

The modified cash basis of accounting is followed. Revenues are recorded when received rather than when earned. Expenditures are basically recorded when paid, however, outstanding encumbrances, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

This method of accounting is a comprehensive basis of accounting which differs from the method required under generally accepted accounting principles. The Town has not 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*.

(c) Accounting for Fixed Assets

As the Town acquires fixed assets such as land, buildings and equipment, the related costs are charged as expenditures of the respective fund. Because detailed fixed assets records have not been maintained, accounting controls over the Town's general fixed assets do not presently exist.

**THE TOWN OF FORGAN, OKLAHOMA
INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(2) SUMMARY OF AMENDED LEASE AGREEMENT AND OPERATION AND MAINTENANCE CONTRACT:

The amended Lease Agreement and Operation and Maintenance Contract between the Town of Forgan and the Trustees of the Forgan Public Works Authority leases all utility facilities of the Town to the Authority together with and including the revenue from their use. The lease is for a term of 50 years from February 6, 1978, or until the note and any additional indebtedness is retired. The Town agreed to maintain the facilities and to submit to the Authority each month an itemized claim for reimbursement of all expenses for operating and maintaining systems, to maintain adequate and uniform rates for users of the systems, to bill, collect and deposit all charges and collections in the Authority's depository bank, to adequately insure and protect the Authority's interests, to maintain adequate records, and to comply with applicable laws. The Authority agreed to issue a note and spend the proceeds in improving the system, to fix and maintain adequate rates, to pay the operation and maintenance cost of the systems, to pay into the Town's general fund any excess funds remaining after indebtedness as approved by the Town and as permitted by the Security documents, to meet the required debt retirements, and to cooperate with the Town so that the system is efficiently operated and maintained.

(3) COLLATERAL REQUIREMENTS:

All funds belonging to the Authority were deposited with the Bank of Beaver City, and were insured by F.D.I.C.

(4) LONG-TERM DEBT:

The long-term debt outstanding for the Forgan Public Works Authority consists of the following notes payable.

Farmers Home Administration Loan of 1978

Loan Date:	May 1, 1978
Original Principal Balance:	\$160,000.00
Regular Payment:	\$ 786.00
Interest Rate:	5.00%

**THE TOWN OF FORGAN, OKLAHOMA
INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

(4) LONG-TERM DEBT (Continued):

The following is a summary of the activity and outstanding balance for the past year:

Farmers Home Administration Loan of 1978

<u>Balance, June 30, 2010</u>	<u>Principal Payments</u>	<u>Balance June 30, 2011</u>
\$41,079	\$7,549	\$33,530

Farmers Home Administration Loan of 1990

Loan Date:	July 28, 1990
Original Principal Balance:	\$82,900.00
Regular Payment:	\$529.00
Interest Rate:	7.125%

The following is a summary of the activity and outstanding balance for the past year:

<u>Balance, June 30, 2010</u>	<u>Principal Payments</u>	<u>Balance June 30, 2011</u>
\$66,812	\$1,508	\$65,304

(4) Risk Management and Litigation

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance coverage is obtained from various insurance carriers.

Management estimates that the amount of actual or potential claims against the Town as of June 30, 2011, will not materially affect the financial condition of the Town. Therefore, none of the Town's funds contains any provisions for this type of loss.

**COMBINING FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES**

THE TOWN OF FORGAN, OKLAHOMA
SCHEDULE OF REVENUES BY SOURCE
BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE/ (UNFAVORABLE)
TAXES:			
Franchise Tax	\$15,496	19,869	4,373
LICENSES AND PERMITS:			
Occupation Tax	144	235	91
User Tax	5,737	8,613	2,876
Dog Tax	99	50	(49)
Total Licenses and Permits	5,980	8,898	2,918
INTERGOVERNMENTAL:			
Alcoholic Beverage Tax	35,013	35,013	0
Sales Tax	57,522	57,522	0
Gas Tax	822	889	67
Cigar Tax	743	851	108
Commercial Vehicle Tax	3,417	3,806	389
Total Intergovernmental	97,517	98,081	564
CHARGES FOR SERVICES:			
Garbage Disposal Fees	39,683	49,274	9,591
Dog Pound Fees			0
Penalties	715	790	75
Total Charges for Services	40,398	50,064	9,666
FINES AND FORFEITURES	2,996	1,511	(1,485)
INTEREST	414	342	(72)
MISCELLANEOUS:			
Rent and Royalties	7,375	7,799	424
Return Check Charges	72	262	190
Other	3,447	6,253	2,806
Total Miscellaneous	10,894	14,314	3,420
TOTAL	\$173,695	193,079	19,384

See accompanying notes to financial statements.

**THE TOWN OF FORGAN, OKLAHOMA
SCHEDULE OF EXPENDITURES BY CLASSIFICATION
BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE/ (UNFAVORABLE)</u>
Personal Services	\$85,201	83,457	1,744
Maintenance and Operation	184,396	183,218	1,178
Capital Outlay	<u>180</u>	<u>180</u>	<u>0</u>
 TOTAL	 <u><u>\$269,777</u></u>	 <u><u>266,855</u></u>	 <u><u>2,922</u></u>

See accompanying notes to financial statements.

**THE TOWN OF FORGAN, OKLAHOMA
COMBINING BALANCE SHEET
MODIFIED CASH BASIS - BUDGETED SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2011**

	GRANT FUND #1	GRANT FUND #2	FIRE EQUIPMENT FUND	TOTALS (Memorandum Only)	
				2011	2010
<u>ASSETS</u>					
Cash and Cash Equivalents	\$285	337	1,325	1,947	2,382
Total Assets	<u>\$285</u>	<u>337</u>	<u>1,325</u>	<u>1,947</u>	<u>2,382</u>
<u>LIABILITIES</u>					
Warrants Outstanding	\$0		78	78	1,094
Encumbrances Outstanding				0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>78</u>	<u>78</u>	<u>1,094</u>
<u>FUND EQUITY</u>					
Unreserved Fund Equity	285	337	1,247	1,869	1,288
Total Fund Equity	<u>285</u>	<u>337</u>	<u>1,247</u>	<u>1,869</u>	<u>1,288</u>
Total Liabilities and Fund Equity	<u>\$285</u>	<u>337</u>	<u>1,325</u>	<u>1,947</u>	<u>2,382</u>

See accompanying notes to financial statements.

THE TOWN OF FORGAN, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - BUDGETED SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	GRANT FUND #1	GRANT FUND #2	FIRE EQUIPMENT FUND	TOTALS (Memorandum Only)	
				2011	2010
REVENUES:					
OEDA REAP Grant	\$0	49,999	0	49,999	20,354
Total Intergovernmental	0	49,999	0	49,999	20,354
Interest		1		1	3
Miscellaneous Other			8,709	8,709	6,725
Total Miscellaneous	0	0	8,709	8,709	6,725
Total Revenues	0	50,000	8,709	58,709	27,082
EXPENDITURES:					
Maintenance and Operation Capital Outlay		49,999	8,129	49,999	6,576
Total Expenditures	0	49,999	8,129	58,128	26,576
Revenues Over/(Under) Expenditures	0	1	580	581	506
OTHER FINANCING SOURCES/(USES):					
Transfer Among Funds				0	0
Revenues and Other Financing Sources/(Uses) Over/(Under) Expenditures	0	1	580	581	506
Fund Balance, Beginning of Year	285	336	667	1,288	782
Fund Balance, End of Year	\$285	337	1,247	1,869	1,288

See accompanying notes to financial statements.

**THE TOWN OF FORGAN, OKLAHOMA
COMBINING BALANCE SHEET
MODIFIED CASH BASIS - TRUST AND AGENCY FUND
AS OF JUNE 30, 2011**

	METER DEPOSIT FUND	
	2011	2010
<u>ASSETS</u>		
Cash and Cash Equivalents	\$10,588	10,838
Total Assets	\$10,588	10,838
<u>LIABILITIES</u>		
Outstanding Warrants	\$0	0
Refundable Meter Deposits	10,588	10,838
Total Liabilities	10,588	10,838
<u>FUND EQUITY</u>		
Unreserved Fund Equity	0	0
Total Fund Equity	0	0
Total Liabilities and Fund Equity	\$10,588	10,838

See accompanying notes to financial statements.

**THE TOWN OF FORGAN, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - TRUST AND AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>METER DEPOSIT FUND</u>	
	<u>2011</u>	<u>2010</u>
REVENUES	\$0	0
EXPENDITURES:		
Maintenance and Operation	<u>0</u>	<u>0</u>
Excess of Revenues Over/(Under) Expenditures	0	0
OTHER FINANCING SOURCES/(USES):		
Transfer from General Fund	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources/(Uses) Over/(Under) Expenditures	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u><u>\$0</u></u>	<u><u>0</u></u>

See accompanying notes to financial statements.

**THE TOWN OF FORGAN, OKLAHOMA
COMBINING BALANCE SHEET
PROPRIETARY FUND TYPE- MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	ENTERPRISE FUND	
	2011	2010
<u>ASSETS</u>		
Cash and Cash Equivalents	\$69,741	64,963
Plant & Equipment	446,035	446,035
Less: Accumulated Depreciation	(265,169)	(256,230)
Net Plant & Equipment	180,866	189,805
Total Assets	\$250,607	254,768
<u>LIABILITIES</u>		
Outstanding Warrants	\$15,480	13,346
Long-term Debt		
FmHA Loan of 1978	33,530	41,079
FmHA Loan of 1990	65,304	66,812
Total Liabilities	114,314	121,237
<u>FUND EQUITY</u>		
Unreserved Fund Equity	136,293	133,531
Total Fund Equity	136,293	133,531
Total Liabilities and Fund Equity	\$250,607	254,768

See accompanying notes to financial statements.

**FORGAN PUBLIC WORKS AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - - PROPRIETARY FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>ENTERPRISE FUND</u>	
	<u>2011</u>	<u>2010</u>
REVENUE:		
Charges for Service:		
Water	\$123,223	117,110
Sewer	49,288	48,884
Penalties	2,798	2,950
Reconnect Fees	1,600	1,700
Meter/Sewer Tap Fees	800	400
Meter Tampering Fines	50	50
Lagoon Fees		10
FSB Generator		1,088
Reimbursement		130
Interest	406	507
Miscellaneous	1,010	428
	<u>179,175</u>	<u>173,257</u>
EXPENDITURES:		
Personal Services	57,786	45,723
Maintenance & Operation	103,494	103,508
Depreciation	8,939	8,939
Interest Expense	6,194	7,071
	<u>176,413</u>	<u>165,241</u>
Excess of Revenue Over (Under) Expenditures	<u>2,762</u>	<u>8,016</u>
OTHER FINANCING SOURCES (USES):		
Estopped Warrants		
Transfer Among Funds		
	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,762	8,016
Fund Balance, Beginning of Year	<u>133,531</u>	<u>125,515</u>
Fund Balance, End of Year	<u>\$136,293</u>	<u>133,531</u>

See accompanying letter and notes to financial statements.

**THE TOWN OF FORGAN, OKLAHOMA
(INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY)
STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

Cash Flows from Operating Activities:	
Net Income (Loss) from Operations	\$2,762
Add (Deduct) Items Not Affecting Cash:	
Depreciation Expense	8,939
Increase in Warrants Outstanding	<u>2,134</u>
Net Cash Flow From Operating Activities	13,835
Cash Flows From Capital Financing Activities:	
Retirement of Long Term Debt	<u>(9,057)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,778
Cash and Cash Equivalents, June 30, 2010	<u>64,963</u>
Cash and Cash Equivalents, June 30, 2011	<u><u>\$69,741</u></u>

The notes to the financial statements are an integral part of this statement.

**THE TOWN OF FORGAN, OKLAHOMA
(INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY)
COMBINING BALANCE SHEET
DEBT SERVICE FUND - MODIFIED CASH BASIS
AS OF JUNE 30, 2011**

	FmHA RESERVE FUND OF	FmHA RESERVE FUND OF	TOTALS (Memorandum Only)	
	1978	1990	2011	2010
<u>ASSETS</u>				
Cash and Cash Equivalents	\$9,432	4,704	14,136	14,136
Total Assets	<u>\$9,432</u>	<u>4,704</u>	<u>14,136</u>	<u>14,136</u>
<u>LIABILITIES</u>				
Warrants Outstanding	\$0		0	
Encumbrances Outstanding			0	
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND EQUITY</u>				
Reserved for Debt Service	9,432	4,704	14,136	14,136
Total Fund Equity	<u>9,432</u>	<u>4,704</u>	<u>14,136</u>	<u>14,136</u>
Total Liabilities and Fund Equity	<u>\$9,432</u>	<u>4,704</u>	<u>14,136</u>	<u>14,136</u>

See accompanying notes to financial statements.

THE TOWN OF FORGAN, OKLAHOMA
(INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	FmHA RESERVE FUND OF 1978	FmHA RESERVE FUND OF 1990	TOTALS (Memorandum Only)	
			2011	2010
REVENUES:	\$0		0	0
EXPENDITURES:	0		0	
Revenues Over/(Under) Expenditures	0	0	0	0
OTHER FINANCING SOURCES/(USES):				
Transfer from Enterprise Fund		0	0	
Revenues and Other Financing Sources/(Uses) Over/(Under) Expenditures	0	0	0	0
Fund Balance, Beginning of Year	9,432	4,704	14,136	14,136
Fund Balance, End of Year	<u>\$9,432</u>	<u>4,704</u>	<u>14,136</u>	<u>14,136</u>

See accompanying notes to financial statements.

**TOWN OF FORGAN, OKLAHOMA
(INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY)
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Cash/ Beginning Balance at July 1, 2010</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Cash/ Ending Balance at June 30, 2011</u>
<u>Oklahoma Economic Development Authority</u>					
OEDA/REAP Contract # 209-11	\$49,999				0
OEDA/REAP Contract # 107-10	<u>49,999</u>		<u>49,999</u>	<u>49,999</u>	<u>0</u>
Total Federal Assistance	<u><u>\$99,998</u></u>	<u><u>0</u></u>	<u><u>49,999</u></u>	<u><u>49,999</u></u>	<u><u>0</u></u>

The notes to the financial statements are an integral part of this statement.

MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS
169 S.E. 32ND
EDMOND, OKLAHOMA 73013
(405) 348-3800
fax (405) 348-7965

May 1, 2012

Honorable Governing Board
Town of Forgan, Oklahoma

We have audited financial statements of the Town of Forgan, including the Forgan Public Works Authority, as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated May 1, 2012. As a part of our audit, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 1, 2012, on the financial statements of the Town of Forgan.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam

PUTNAM & COMPANY, PLLC

**THE TOWN OF FORGAN, OKLAHOMA
INCLUDING THE FORGAN PUBLIC WORKS AUTHORITY
MANAGEMENT LETTER COMMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Due to the limited size of the Town's staff, it is impossible to segregate all employee duties to preclude one individual from having complete control over entire financial transactions.
2. Detailed fixed asset records have not been maintained by the Town. As the Town acquires fixed assets, the related costs are charged as expenditures of the respective fund.
3. We reviewed purchase orders on a limited basis for both the Town and the Authority. We noted a few situations where documentation could be improved.

Problem Noted	Number of Occurrences
Invoice Date Before P.O. Date	3
Did Not Sign For Goods/Services	6
Paid From A Vendor's Statement	4
Incomplete Documentation	1

4. We also noted that purchase orders were not used for all purchases. We recommend that a purchase order be used for all purchases made by the Town.