

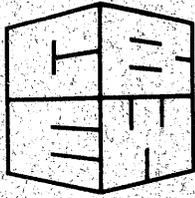
TOWN OF RIPLEY
Ripley, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2012

TOWN OF RIPLEY
Ripley, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

October 4, 2012

Honorable Board of Town Commissioners
Town of Ripley
Ripley, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ripley, Oklahoma, (Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 the 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 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 opinions.

As discussed in Note 1 to the financial statements, the Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

In our opinion, except for the effects, if any, on the financial statements of incomplete capital asset record keeping described in the preceding paragraph the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Ripley, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the Town of Ripley, Oklahoma, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Town of Ripley
October 4, 2012

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012, on our consideration of the Town's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 24 and 25 and the notes on page 26 be presented to supplement the basic financial statements. Such 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. 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.

The Town has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ripley's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

TOWN OF RIPLEY
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 45,645	\$ 67,643	\$ 113,288
Cash on hand	50	-	50
Investments	-	10,192	10,192
Cash deposit, insurance	3,050	-	3,050
Accounts receivable (net)	-	13,807	13,807
Accrued interest receivable	-	44	44
Due from other Funds (Note 3C)	69	31	100
Accrued governmental transfers	6,919	-	6,919
Restricted assets:			
Cash in bank (Note 3A & 3F)	-	6,132	6,132
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3B)	239,202	444,783	683,985
Total assets	\$ 294,935	\$ 542,632	\$ 837,567
Liabilities:			
Accounts payable	\$ 2,265	\$ 9,582	\$ 11,847
Due to Other Funds (Note 3C)	-	69	69
Notes payable (Note 3E)	-	32,924	32,924
Total liabilities	2,265	42,575	44,840
Net assets:			
Invested in capital assets, net of related debt	239,202	411,859	651,061
Restricted	-	6,132	6,132
Unrestricted	53,468	82,066	135,534
Total net assets	\$ 292,670	\$ 500,057	\$ 792,727

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
City clerk/ treasurer	\$ 8,533	\$ -	\$ -	\$ -	\$ (8,533)
General government	14,097	-	-	-	(14,097)
Total general government	<u>22,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,630)</u>
Public safety and judiciary:					
City attorney	2,592	-	-	-	(2,592)
Animal control	637	-	-	-	(637)
Fire	5,796	5,405	4,413	-	4,022
Civil Defense	1,116	-	-	-	(1,116)
Municipal court	300	-	-	-	(300)
Police	12,212	204	-	-	(12,008)
Total public safety and judiciary	<u>22,653</u>	<u>5,609</u>	<u>4,413</u>	<u>-</u>	<u>(12,631)</u>
Transportation:					
Street & alley	5,921	-	-	-	(5,921)
Total transportation	<u>5,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,921)</u>
Unallocated depreciation*	21,975	-	-	-	(21,975)
Total governmental activities	<u>73,180</u>	<u>5,609</u>	<u>4,413</u>	<u>-</u>	<u>(63,157)</u>
Business-type activities					
General operations	4,050	6,886	-	-	2,836
Water	45,072	69,772	-	-	24,700
Gas	79,939	74,540	-	-	(5,399)
Sewer	9,888	13,850	-	-	3,962
Sanitation	34,920	39,245	-	-	4,325
Financing costs	1,751	-	-	-	(1,751)
Unallocated depreciation*	23,864	-	-	-	(23,864)
Total business-type activities	<u>199,483</u>	<u>204,294</u>	<u>-</u>	<u>-</u>	<u>4,810</u>
Total	<u>\$ 272,663</u>	<u>\$ 209,903</u>	<u>\$ 4,413</u>	<u>\$ -</u>	<u>\$ (58,347)</u>

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(63,157)	4,810	(58,347)
General revenues:			
Taxes:			
Sales tax	35,560	-	35,560
Franchise taxes	8,913	-	8,913
Intergovernmental	5,256	-	5,256
Interest earnings	109	413	522
Miscellaneous	2,291	-	2,291
Total general revenues and transfers	<u>52,129</u>	<u>413</u>	<u>52,541</u>
Change in net assets	(11,028)	5,223	(5,805)
Net assets - beginning of year	<u>303,698</u>	<u>494,834</u>	<u>798,532</u>
Net assets - end of year	<u>\$ 292,670</u>	<u>\$ 500,057</u>	<u>\$ 792,727</u>

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF RIPLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Special Revenue Street & Alley (Non-Major)	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 45,528	\$ 117	\$ 45,645
Cash on hand	50	-	50
Cash, insurance deposit	3,050	-	3,050
Due from other funds (Note 3C)	69	-	69
Accounts receivable (net)	-	-	-
Accrued governmental transfers	6,256	663	6,919
Total assets	\$ 54,953	\$ 780	\$ 55,733
Liabilities:			
Accounts payable	\$ 2,267	\$ -	\$ 2,267
Total liabilities	2,267	-	2,267
Fund balances:			
Unassigned	53,041	427	53,468
Total fund balances	53,041	427	53,468

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Furniture & Equipment	\$ 342,584	
Buildings	25,529	
Accumulated Depreciation	(128,911)	
		239,202

Net assets of governmental activities	\$ 292,670
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The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Street & Alley (Non-Major)</u>	<u>Total Governmental Funds</u>
Revenues:			
Alcoholic beverage tax	\$ 1,203	\$ -	\$ 1,203
Tobacco Tax	506	-	506
Mileage and commercial vehicle tax	-	2,798	2,798
Gasoline excise tax	-	749	749
Sales tax	35,560	-	35,560
Franchise	8,913	-	8,913
Court fines	204	-	204
Interest	109	-	109
Outside fire runs	500	-	500
Rural fire subscriptions	4,905	-	4,905
Grants (Note 2)	4,413	-	4,413
Miscellaneous	2,291	-	2,291
Total revenues	<u>58,604</u>	<u>3,547</u>	<u>62,151</u>
Expenditures:			
Current:			
General government	22,630	-	22,630
Public safety	22,653	-	22,653
Transportation	868	5,054	5,922
Capital Outlay	-	-	-
Total expenditures	<u>46,151</u>	<u>5,054</u>	<u>51,205</u>
Excess of revenues over (under) expenditures	12,453	(1,507)	10,946
Other financing uses:			
Operating transfers in (out)	<u>(3,700)</u>	<u>3,700</u>	<u>-</u>
Excess of revenues over (under) expenditures & transfers	8,753	2,193	10,947
Fund balance - beginning of year	<u>44,288</u>	<u>(1,767)</u>	<u>42,521</u>
Fund balance - end of year	<u>\$ 53,041</u>	<u>\$ 426</u>	<u>\$ 53,468</u>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF RIPLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

Business-type Activities - Enterprise Funds

	<u>Public Works Authority (Major)</u>
Assets:	
Cash and investments:	
Cash & cash equivalents (Note 3A)	\$ 67,643
Investments	10,192
Accounts receivable (Net)	13,807
Accrued interest receivable	44
Due to other funds (Note 3C)	31
Restricted assets:	
Cash in bank (Note 3F)	6,132
 Capital assets:	
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	444,783
 Total assets	\$ 542,632
 Liabilities:	
Accounts payable	\$ 9,469
Accrued interest payable	113
Due to other funds (Note 3C)	69
Notes payable (Note 3E)	32,924
 Total liabilities	42,575
 Net assets:	
Invested in capital assets, net of related debt	411,859
Restricted	6,132
Unrestricted	82,066
 Net assets	\$ 500,057

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

Business-type Activities - Enterprise Funds

	<u>Public Works Authority (Major)</u>
Revenues:	
Gas revenue	\$ 74,540
Water revenue	69,772
Sewer revenue	13,850
Sanitation revenue	39,245
Miscellaneous income	6,887
Total revenues	<u>204,294</u>
Operating expense:	
Legal and accounting	4,050
Depreciation	23,864
Salaries and wages	47,899
Chemicals and water system expense	15,612
Natural gas costs	51,093
Gas system expense	10,407
Sewer system expense	9,888
Sanitation	34,920
Total operating expenses	<u>197,733</u>
Income before non-operating revenues, expenses & transfers	<u>6,561</u>
Non-operating revenues (expenses):	
Interest revenue	413
Interest expense	(1,751)
Transfers to general fund	-
Total non-operating revenues and expenses	<u>(1,338)</u>
Income (loss)	5,223
Net assets at beginning of year	<u>494,834</u>
Net assets at end of year	<u>\$ 500,057</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

Business-type Activities - Enterprise Funds

	<u>Public Works Authority (Major)</u>
Cash flows from operating activities:	
Cash received from customers & service users	\$ 206,157
Cash payments for goods & services & employees	(131,087)
Cash payments for employees	(47,899)
Net cash provided by operating activities	<u>27,171</u>
Cash flows from capital and related financing activities:	
Acquisition & construction of capital assets	-
Principal paid on debt	(4,366)
Interest paid on debt	(1,766)
Net change in due to/due from other funds	(249)
Transfers to general fund	69
Net cash provided (used) for capital and related financing activities	<u>(6,312)</u>
Cash flows from investing activities:	
(Purchase) liquidation of investments - unrestricted	(109)
Interest earned	446
Net cash provided by investing activities	<u>337</u>
Net increase (decrease) in cash & cash equivalents	21,196
Cash and cash equivalents - beginning of year	<u>52,579</u>
Cash and cash equivalents - end of year	<u>\$ 73,775</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>6,561</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	23,864
Change in assets and liabilities:	
(Increase) decrease in grants receivable	-
(Increase) decrease in accounts receivable	1,863
Increase (decrease) in accounts payable	(5,117)
Total adjustments	<u>20,610</u>
Net cash provided by operating activities	<u>\$ 27,171</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Agency Funds</u>
Assets:	
Cash and investments at cost	\$ <u>29,566</u>
Total assets	\$ <u><u>29,566</u></u>
Liabilities:	
Due to (from) other funds	\$ 31
Deposits	<u>29,535</u>
Total liabilities	\$ <u><u>29,566</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ripley, Oklahoma (Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

A. Reporting Entity

The Town of Ripley, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the Town of Ripley, Oklahoma.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Blended Component Units:

The Ripley Public Works Authority (PWA) was created pursuant to a Trust Indenture dated April 6, 1979 to provide improvements to the natural gas system and facilities for the benefit of the Town of Ripley, Oklahoma. The public works systems owned by the Town have been leased to the Trust. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of five trustees identical with the Town Council. The PWA is exempt from state and federal income taxes. The PWA is reported as an enterprise fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. The following is the Town's major governmental fund:

General fund – is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Other governmental fund of the Town that is considered a non-major fund includes:

Special Revenue funds – account for revenue sources that are designated to expenditures for specific purposes (not including expendable trusts or major capital projects). The Street and Alley Fund is the Town's only Special Revenue Fund.

Proprietary funds - are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20, the Town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) standards issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the Town's major Enterprise fund:

Ripley Public Works Authority – accounts for the operations of providing public works (water, sewer, gas distribution systems and refuse) to the Town.

There are no other enterprise funds of the Town to be considered non-major funds.

Fiduciary funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Town's only Agency fund is the Customer Meter Deposit Fund. Interest earnings from the Meter Deposit Fund are transferred to the General Fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and 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 certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (continued)

2. Restricted Cash and Investments

The restricted cash and investments are the result of financial requirements of two promissory notes between the Ripley Public Works Authority and the United States Department of Agriculture, Rural Development and consist of funds held in a Debt Service Fund, Reserve Fund-Water, Reserve Fund-Gas and a Maintenance Reserve Fund. Under the terms and provisions of the promissory notes, these special funds are maintained with the Trustee bank for the benefit of the holders of the notes. These funds are to be maintained so long as the notes are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the notes.

3. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

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

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of governmental fund type and proprietary fund type inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Building Improvements	40 - 100 years	40 - 100 years
Equipment	5 - 100 years	5 - 100 years
Water System	10 - 40 years	10 - 40 years
Gas System	10 - 40 years	10 - 40 years
Sewer System	10 - 40 years	10 - 40 years

The Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation.

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time regular employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Long-term Obligations

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Assets/Fund Balances

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *non-spendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Assets/Fund Balances (Continued)

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

11. Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Grants and Awards

The Town was the recipient of the following grants during the year.

1. The Oklahoma Department of Agriculture, Food and Forestry Services distributed \$4,413 to the Town during the year. The funding is in support of rural fire defense.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2012, the Town held deposits of approximately \$159,177.65 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2012 are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of Deposit	12.00	N/A	26,792	26,792
Total Investments			\$ <u>26,792</u>	\$ <u>26,792</u>
<u>Reconciliation to Statement of Net Assets</u>				
			\$ 16,600	
			<u>10,192</u>	
			\$ <u>26,792</u>	

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following credit risk: 100% in Certificates of Deposit.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. DETAILED NOTES CONCERNING THE FUNDS (continued)

B. Capital Assets

The Business-Type capital asset activity for the year ended is as follows:

	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
Governmental Activities:				
Building Improvements	25,529	-	-	25,529
Vehicles- Fire Equipment	260,574	-	-	260,574
Equipment	82,010	-	-	82,010
Total depreciable assets	368,113	-	-	368,113
Less accumulated depreciation:				
Building Improvements	(4,736)	(692)	-	(5,428)
Vehicles- Fire Equipment	(60,159)	(10,624)	-	(70,783)
Equipment	(42,041)	(10,659)	-	(52,700)
Total accumulated depreciation	(106,936)	(21,975)	-	(128,911)
Net governmental activities capital assets	\$ 261,177	\$ (21,975)	\$ -	\$ 239,202
	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
Business-Type Activities:				
Depreciable assets:				
Water system	\$ 212,647	\$ -	\$ -	\$ 212,647
Gas system	190,021	-	-	190,021
Sewer system	365,332	-	-	365,332
Equipment	65,389	-	-	65,389
Building Improvements	9,680	-	-	9,680
Total depreciable assets	843,069	-	-	843,069
Less accumulated depreciation:				
Water system	(132,399)	(5,496)	-	(137,895)
Gas system	(118,987)	(4,751)	-	(123,738)
Sewer system	(73,203)	(9,133)	-	(82,336)
Equipment	(48,524)	(4,242)	-	(52,766)
Building Improvements	(1,310)	(242)	-	(1,552)
Total accumulated depreciation	(374,423)	(23,864)	-	(398,287)
Net business-type activities capital assets	\$ 468,646	\$ (23,864)	\$ -	\$ 444,782

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. DETAILED NOTES CONCERNING THE FUNDS (continued)

C. Inter-fund Receivables and Payables

The following schedule reflects the Town's inter-fund due from and due to other funds:

	Due From	Due To
Ripley Public Works Authority	\$ 69	\$ -
General Fund	-	69
Ripley Public Works Authority	-	31
Meter Fund	31	-
Total all funds	\$ 100	\$ 100

D. Taxes Payable

The Town received excess taxes from Payne County that are to be paid back to the county in a timely manner. The county had clerical errors that caused them to pay out an excess of \$7,771 for Motor Vehicle Tax to the Street and Alley Fund, and \$2,947 for Alcoholic Beverage Tax to the General Fund for a total overpayment of \$10,718 as of June 30, 2007. The errors also occurred into August of 2007, bringing to total to be paid back as of October 4, 2007, \$18,882. During 2008, 2009, 2010, 2011 and 2012, \$2,873, \$4,514, \$4,488, \$4,552 and \$2,455 was returned to the county respectively, making the total due as of June 30, 2012 \$0.

E. Long-term Debt

The Town is not obligated in any manner for the debt of its component units. The following is a summary of long-term debt transactions of the proprietary fund:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
USDA Rural Dev. - water	\$ 37,290	\$ -	4,366	\$ 32,924
Total	\$ 37,290	\$ -	4,366	\$ 32,924

a. Long-term debt consists of:

A 40-year, 5% note with USDA Rural Development, payable in monthly installments of \$511, maturing April 5, 2019.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

3. DETAILED NOTES CONCERNING THE FUNDS (continued)

E. Long-term Debt (continued)

b. The conditions prescribed by the security agreement with USDA Rural Development are as follows:

As security for the notes payable to the USDA Rural Development, the Town of Ripley and the Ripley Public Works Authority have pledged the plant and equipment of the water and gas systems. Gross revenues of these facilities have been pledged as security for note and interest payments when due.

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2013	\$ 4,590	\$ 1,542	\$ 6,132
2014	4,825	1,307	6,132
2015	5,071	1,061	6,132
2016	5,331	801	6,132
2017-2019	13,107	6,916	20,023
Total	\$ <u>32,924</u>	\$ <u>11,627</u>	\$ <u>44,551</u>

F. Restricted Cash

Certain cash and temporary investments are designated for use as prescribed by the security agreement between the Ripley Public Works Authority and the United States Department of Agriculture, Rural Development. Those restrictions and current balances are as follows:

	Balance June 30, 2012
Debt Reserve Account - Water:	
This account is established to accumulate transfers from the Revenue Fund account at the rate of \$51 per month until a balance of \$6,132 is reached. Disbursements are restricted to paying the cost of repairing or replacing any damage to the facility which may be caused by an unforeseen catastrophe, or for making extensions, with prior approval from the government.	6,132
Total	\$ <u>6,132</u>

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters. The Town purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing 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 all claims submitted to it during the plan year.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund.

In addition to the Loss Fund, the Town maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR) is a non-refundable fund, which can reduce future premium increases. The Escrow Fund is made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense. The balances for 2011 and 2012 in the RSR Fund and the Escrow Fund are \$3,050 and \$3,050 respectively, and are reflected on the financial statements

B. Contingent Liabilities

The governing board of the Town is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

C. Employee Retirement Plans

Description of the Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

**TOWN OF RIPLEY
Ripley, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

4. OTHER INFORMATION (continued)

C. Employee Retirement Plans (continued)

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer fireman. Additional funding comes from a percentage of all taxes collected on premiums collected by insurance companies and an appropriation by the State of Oklahoma.

The Town's contributions to OFPRS were \$1,080 for 2009, \$840 for 2010, \$840 for 2011 and \$780 for 2012.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2012, which is the date the financial statements were available to be issued.

TOWN OF RIPLEY
Ripley, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2012

TOWN OF RIPLEY
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Alcoholic beverage tax	\$ -	\$ -	\$ 1,218	\$ 1,218
Tobacco tax	542	542	522	(20)
Sales tax	36,518	36,518	34,716	(1,802)
Franchise	8,657	8,657	8,913	256
Court fines	2,010	2,010	204	(1,806)
Dog license and tax	123	123	100	(23)
Interest	-	-	109	109
Rents & leases	-	-	-	-
Inspection fees/ refunds	-	-	622	622
Outside fire runs	675	675	500	(175)
Rural fire subscriptions	4,231	4,231	4,905	674
Grants (Note 2)	3,958	3,958	4,413	455
Miscellaneous & Donations	388	388	1,570	1,182
Total revenues	<u>57,102</u>	<u>57,102</u>	<u>57,792</u>	<u>690</u>
Expenditures:				
Personal services	31,150	31,150	27,735	3,415
Maintenance and operations	51,060	51,060	24,115	26,945
Capital outlay	11,600	11,600	-	11,600
Total expenditures	<u>93,810</u>	<u>93,810</u>	<u>51,850</u>	<u>41,960</u>
Excess of revenue over (under) expenditures	(36,708)	(36,708)	5,942	42,650
Other financing sources (uses):				
Operating transfers in (out)	-	-	(3,700)	(3,700)
Net changes in fund balance	(36,708)	(36,708)	2,242	38,950
Fund balance at beginning of year (non-GAAP budgetary basis)	46,741	46,741	46,741	-
Adjustments to conform with generally accepted accounting principles:				
Accrual basis adjustment	-	-	4,058	(4,058)
Fund balance at end of year (GAAP Basis)	\$ <u>10,033</u>	\$ <u>10,033</u>	\$ <u>53,041</u>	\$ <u>34,892</u>

The Notes to Required Supplemental Information are an integral part of this statement.

TOWN OF RIPLEY
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2012
(Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Mileage & commercial vehicle tax	\$ 3,150	\$ 3,150	\$ 319	\$ (2,831)
Gasoline excise tax	880	880	762	(118)
Total revenues	<u>4,030</u>	<u>4,030</u>	<u>1,081</u>	<u>(2,949)</u>
Expenditures:				
Maintenance and operations	3,328	3,328	5,054	(1,726)
Total expenditures	<u>3,328</u>	<u>3,328</u>	<u>5,054</u>	<u>(1,726)</u>
Excess of revenue over (under) expenditures	702	702	(3,973)	(4,675)
Other financing sources (uses):				
Operating transfers in (out)	-	-	3,700	3,700
Fund balance at beginning of year (non-GAAP budgetary basis)	35	35	35	0
Adjustments to conform with generally accepted accounting principles:				
Accrual basis adjustment	-	-	665	665
Fund balance at end of year (GAAP Basis)	<u>\$ 737</u>	<u>\$ 737</u>	<u>\$ 427</u>	<u>\$ (310)</u>

The Notes to Required Supplemental Information are an integral part of this statement.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2012
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted for all governmental funds on a modified cash basis, which is not consistent with generally accepted accounting principles (GAAP). The significant difference is that income is not budgeted until received. The enterprise fund adopts a budget on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the fiduciary funds. Budgetary data for the enterprise fund is not presented in these financial statements.

The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: personal services, maintenance and operations, capital outlay and transfers. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. The budget and all budget revisions at the legal level are subject to final approval by the Town Council. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end. The Town does not utilize encumbrance accounting. Encumbrances (accounts payable) are shown as expenditures and liabilities in the current year and are paid in the subsequent year.

BUDGET/GAAP RECONCILIATION

The nature and amount of the adjustments necessary to convert the budgetary basis information to actual GAAP data for the general fund is as follows:

Excess revenues over expenditures, non-GAAP Budgetary Basis	\$2,242
Increase (decrease)- taxes receivable	813
Increase (decrease)- insurance escrow	0
Increase (decrease)- due to/ due from other funds	69
(Increase) decrease- accounts payable	<u>5,629</u>
Excess revenues over expenditures (GAAP Basis)	\$8,753

TOWN OF RIPLEY
Ripley, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2012

TOWN OF RIPLEY
Ripley, Oklahoma

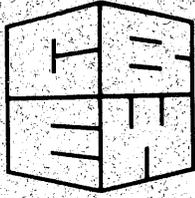
SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
Year Ended June 30, 2012

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Total Expenditures
State of Oklahoma Programs:				
<u>Passed through the Oklahoma Department of Agriculture:</u>				
Rural Fire Defense Grant		\$ 4,413	\$ 4,413	\$ 4,413
Total Expenditures of State Awards		\$ 4,413	\$ 4,413	\$ 4,413
Total Expenditures of Federal Awards		\$ -	\$ -	\$ -

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the combined financial statements.

TOWN OF RIPLEY
Ripley, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2012



CBEW
Professional
Group, LLP

Certified Public Accountants

DON K. ETHRIDGE, CPA
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206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

**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**

October 4, 2012

Honorable Town Board
Town of Ripley
Ripley, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ripley, Oklahoma, (Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 4, 2012. Our report on the Governmental Activities and Business-Type Activities was qualified because of the lack of fixed asset records and calculation of depreciation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

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 audit procedures for the purpose of expressing our opinion on the basic 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 12-1. 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.

Town of Ripley
October 4, 2012

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*.

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

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

TOWN OF RIPLEY
Ripley, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

12-1. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently the same individual is responsible for issuing purchase orders, writing checks, making deposits, posting transactions and reconciling the monthly bank statements. In addition, the same individual that receives payments is also responsible for billing and adjustment, and posting payments to subsidiary accounts receivable ledger.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and depositing activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The Town concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Town will strive to make changes in procedures that will improve the overall lack of segregation of duties.