

TOWN OF LANGLEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
124 South Main Street
Miami, Oklahoma 74354

**TOWN OF LANGLEY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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TOWN OF LANGLEY, OKLAHOMA

LIST OF TOWN OFFICIALS

June 30, 2011

Board of Trustees

Mayor	Margaret Rutherford
Member	Dee Anne Midgett
Member	Tommy Hopper
Member	Mike Turner
Member	Phil Bethel

Clerk/Treasurer

Christine Morrison

OBER & ASSOCIATES INC., PC

CERTIFIED PUBLIC ACCOUNTANTS
124 South Main
Miami, Oklahoma 74354
918-542-4401

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees
Town of Langley, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the Town of Langley, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Langley, Oklahoma'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 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 audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Langley, Oklahoma, as of June 30, 2011, 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.

As discussed in Note 4.A to the financial statements, certain errors resulting in overstatement (understatement) of previously reported capital assets and capital lease obligations payable as of June 30, 2011, were discovered by management of the Town during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2010, to correct the error.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012 on our consideration of the Town of Langley, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 31 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

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

OBER & ASSOCIATES, INC. PC

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
June 26, 2012

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

Town of Langley, Oklahoma
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 44,236.75	\$ 533,349.34	\$ 577,586.09
Cash held with third party administrator	89,847.84	-	89,847.84
Certificates of deposit	50,000.00	300,000.00	350,000.00
Accounts receivable	-	35,256.57	35,256.57
Prepaid insurance	1,717.84	3,433.10	5,150.94
Due from other governments	167,040.82	-	167,040.82
Total Current Assets	<u>352,843.25</u>	<u>872,039.01</u>	<u>1,224,882.26</u>
Non-Current Assets:			
Restricted Assets:			
Cash and cash equivalents	-	272,679.84	272,679.84
Investments	-	38,794.52	38,794.52
Capital Assets:			
Capital Assets, net of accumulated depreciation	1,749,574.87	4,042,479.09	5,792,053.96
Other Assets:			
Bond issuance costs, net of accumulated amortization	-	75,956.94	75,956.94
Total Non-Current Assets	<u>1,749,574.87</u>	<u>4,429,910.39</u>	<u>6,179,485.26</u>
Total ASSETS	<u>2,102,418.12</u>	<u>5,301,949.40</u>	<u>7,404,367.52</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	5,113.86	3,640.49	8,754.35
Accrued payroll taxes payable	8,105.99	2,822.61	10,928.60
Accrued interest payable	9,693.23	21,565.08	31,258.31
Current portion of notes payable	-	38,910.00	41,735.73
Total Current Liabilities	<u>22,913.08</u>	<u>66,938.18</u>	<u>92,676.99</u>
Non-Current Liabilities:			
Payable from restricted assets:			
Meter deposits payable	-	36,965.00	36,965.00
Capitalized lease obligations	244,657.83	-	244,657.83
Notes payable	-	1,696,731.00	685,834.95
Total Non-Current Liabilities	<u>244,657.83</u>	<u>1,733,696.00</u>	<u>967,457.78</u>
Total Liabilities	<u>267,570.91</u>	<u>1,800,634.18</u>	<u>1,060,134.77</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,504,917.04	2,306,838.09	3,811,755.13
Restricted for:			
Debt service	-	147,795.62	147,795.62
Capital projects	-	100,001.00	100,001.00
Meter deposits	-	63,677.74	63,677.74
County fire funds	89,847.84	-	89,847.84
Unrestricted	<u>240,082.33</u>	<u>883,002.77</u>	<u>1,123,085.10</u>
Total NET ASSETS	<u>\$ 1,834,847.21</u>	<u>\$ 3,501,315.22</u>	<u>\$ 5,336,162.43</u>

The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental activities:						
General Government:						
Managerial	\$ 49,684.04	\$ 625.00	\$ -	\$ (49,059.04)	\$ -	\$ (49,059.04)
City Clerk/Treasurer	14,901.50	-	-	(14,901.50)	-	(14,901.50)
Maintenance and operation	67,239.31	-	-	(67,239.31)	-	(67,239.31)
Capital outlay	234.00	-	-	(234.00)	-	(234.00)
Total General Government	132,058.85	625.00	-	(131,433.85)	-	(131,433.85)
Public Safety and Judiciary:						
Animal control	6,005.79	-	-	(6,005.79)	-	(6,005.79)
City attorney	3,545.00	-	-	(3,545.00)	-	(3,545.00)
Fire	74,709.44	3,759.03	4,397.72	(66,552.69)	-	(66,552.69)
Municipal court	3,300.00	-	-	(3,300.00)	-	(3,300.00)
Police	217,598.89	25,640.96	-	(191,957.93)	-	(191,957.93)
Total Public Safety and Judiciary	305,159.12	29,399.99	4,397.72	(271,361.41)	-	(271,361.41)
Transportation:						
Street and alley	42,810.86	-	-	(42,810.86)	-	(42,810.86)
Culture, Parks and Recreation:						
Library	66,621.08	5,067.27	2,643.00	(58,910.81)	-	(58,910.81)
Parks	21,670.17	-	23,650.00	1,979.83	-	1,979.83
Total Culture, Parks and Recreation	88,291.25	5,067.27	2,643.00	(56,930.98)	-	(56,930.98)
Total Governmental Activities	568,320.08	35,092.26	7,040.72	(502,537.10)	-	(502,537.10)
Business-type activities:						
Utilities	721,253.54	301,510.53	-	-	(96,760.76)	(96,760.76)
Total Business-Type Activities	721,253.54	301,510.53	-	-	(96,760.76)	(96,760.76)
Total primary government	\$ 1,289,573.62	\$ 336,602.79	\$ 7,040.72	(502,537.10)	(96,760.76)	(599,297.86)

(599,297.86) continued

The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
General revenues:						
Taxes				820,713.34	-	820,713.34
Sales and use taxes				12,034.36	-	12,034.36
Franchise tax				9,816.52	-	9,816.52
Cigarette tax				4,906.75	-	4,906.75
Alcoholic beverage tax						
Reimbursements restricted for transportation purposes:						
Motor vehicle tax				4,837.81	-	4,837.81
Gasoline tax				1,027.78	-	1,027.78
Insurance reimbursements				2,563.09	-	2,563.09
Investment income				1,062.19	6,411.56	7,473.75
Miscellaneous				19,188.43	-	19,188.43
Rental of property				1,415.00	-	1,415.00
Loss on disposal of assets				(17,698.98)	-	(17,698.98)
Transfers				(363,942.37)	363,942.37	-
Total general revenues, special items, and transfers				495,923.92	370,353.93	866,277.85
Change in net assets				(6,613.18)	273,593.17	266,979.99
Net assets - beginning				1,936,910.10	3,227,722.05	5,164,632.15
Prior period adjustment				(95,449.71)	-	(95,449.71)
Net assets - ending				\$ 1,834,847.21	\$ 3,501,315.22	\$ 5,336,162.43

The accompanying notes are an integral part of these financial statements.

**Town of Langley, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 44,236.75
Cash held with third party administrator	89,847.84
Certificates of deposit	50,000.00
Prepaid insurance	1,717.84
Due from other governments	<u>167,040.82</u>
Total ASSETS	<u>\$ 352,843.25</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 5,113.86
Accrued payroll taxes	<u>8,105.99</u>
Total LIABILITIES	<u>13,219.85</u>
Fund Balances:	
Restricted for:	
County fire funds	89,847.84
Unassigned	<u>249,775.56</u>
Total Fund Balances	<u>339,623.40</u>
Total LIABILITIES AND FUND BALANCES	<u>\$ 352,843.25</u>
Reconciliation to Statement of Net Assets:	
Total Governmental fund balances	\$ 339,623.40
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities of \$2,086,158.42 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$336,583.55.	1,749,574.87
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(9,693.23)
Capitalized lease obligations	<u>(244,657.83)</u>
Net assets of governmental activities	<u>\$ 1,834,847.21</u>

The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Statement Of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General Fund
Revenues:	
Taxes	\$ 853,336.56
Grants	30,690.72
Charges for services	8,826.30
Fines and forfeitures	25,640.96
Licenses and fees	625.00
Investment income	1,062.19
Sale and lease of property	1,415.00
Miscellaneous	19,188.43
Reimbursements	<u>2,563.09</u>
Total Revenues	<u>943,348.25</u>
Expenditures:	
General Government:	
Managerial	49,684.04
City Clerk/Treasurer	14,901.50
Maintenance and operation	58,893.09
Capital outlay	4,896.65
Public Safety and Judiciary:	
Animal control	6,005.79
City attorney	3,545.00
Fire	65,955.82
Municipal court	3,300.00
Police	220,075.87
Transportation:	
Street and alley	42,810.86
Culture, Parks and Recreation:	
Library	62,703.79
Parks	<u>49,966.91</u>
Total Expenditures	<u>582,739.32</u>
Excess (deficiency) of revenues over expenditures	360,608.93
Other Financing Sources (Uses):	
Transfer in (out)	<u>(363,942.37)</u>
Total Other Financing Sources (Uses)	<u>(363,942.37)</u>
Net change in fund balances	(3,333.44)
Fund balance - beginning	<u>342,956.84</u>
Fund balances - ending	<u>\$ 339,623.40</u>
	(continued)

The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Statement Of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds (3,333.44)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	50,162.69
Depreciation expense	<u>(70,764.57)</u>
	<u>(20,601.88)</u>

Cost of capital assets disposals - Under the current financial resources measurement focus, in the funds, disposals of capital assets are unreported. In the government-wide statement, however, the assets disposed of had been capitalized previously and thus have a "book value" that needs to be removed.

Cost of capital assets disposed	(31,960.00)
Accumulated depreciation on capital assets disposed	<u>14,261.02</u>
	<u>(17,698.98)</u>

Repayment of capital lease obligations is reported as an expenditure in governmental funds and, thus has the effect of reducing fund balance because current financial resources have been used. For the Town as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payments made on capital lease obligations	<u>34,059.52</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued interest payable	<u>961.60</u>
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Change in Net Assets of Governmental Activities	<u>\$ (6,613.18)</u>
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The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Statement of Net Assets
Proprietary Fund
June 30, 2011

	<u>Langley Public Works Authority</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 533,349.34
Investments	300,000.00
Accounts receivable	35,256.57
Prepaid insurance	<u>3,433.10</u>
Total Current Assets	<u>872,039.01</u>
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents	272,679.84
Investments	38,794.52
Capital Assets:	
Capital assets, net of accumulated depreciation	4,042,479.09
Other Assets:	
Bond issuance costs, net of accumulated amortization	<u>75,956.94</u>
Total Noncurrent Assets	<u>4,429,910.39</u>
Total Assets	<u>5,301,949.40</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	3,640.49
Payroll taxes payable	2,822.61
Loan interest payable	21,565.08
Current portion of notes payable	<u>38,910.00</u>
Total Current Liabilities	<u>66,938.18</u>
Noncurrent Liabilities:	
Payable from restricted assets:	
Meter deposits	36,965.00
Notes payable	<u>1,696,731.00</u>
Total Noncurrent Liabilities	<u>1,733,696.00</u>
Total Liabilities	<u>1,800,634.18</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,306,838.09
Restricted for debt service, capital projects and meter deposits	311,474.36
Unrestricted	<u>883,002.77</u>
Total net assets	<u>\$ 3,501,315.22</u>

The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Langley Public Works Authority
Operating Revenues:	
Water revenues	\$ 237,607.02
Sewer revenues	60,513.51
Water tap fees	2,400.00
Other revenues	<u>990.00</u>
Total Operating Revenues	<u>301,510.53</u>
Operating Expenses:	
Depreciation and amortization	150,166.46
Dispatching	127.00
Engineering	19,207.50
Insurance	78,621.33
Licenses, permits and testing	18,905.33
Miscellaneous expense	16,606.96
Office expense	3,071.55
Payroll tax expense	10,129.47
Per diem	13,750.00
Printing	460.69
Professional fees	12,356.14
Reimbursements and refunds	812.11
Repairs and maintenance	27,349.08
Retirement matching	6,607.18
Salaries and wages	135,392.50
Supplies	105,885.34
Travel	9,669.61
Uniforms	3,180.65
Utilities	<u>35,683.33</u>
Total Operating Expenses	<u>647,982.23</u>
Operating Income (Loss)	<u>(346,471.70)</u>
Non-Operating Revenues (Expenses)	
Interest income	6,411.56
Grant income	322,982.25
Interest expense	<u>(73,271.31)</u>
Total Non-operating Revenue (Expenses)	<u>256,122.50</u>
Net Income (Loss) Before Transfers	(90,349.20)
Transfers in (out)	<u>363,942.37</u>
Change in net assets	273,593.17
Total net assets - beginning	3,227,722.05
Prior period adjustment	<u>-</u>
Total net assets - ending	<u>\$ 3,501,315.22</u>

The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Langley Public Works Authority</u>
Cash Flows From Operating Activities	
Cash received from customers for gas and sewer services	\$ 304,032.20
Cash paid for salaries and benefits	(152,643.01)
Cash paid for goods and services	<u>(344,369.44)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(192,980.25)</u>
Cash Flows From Noncapital Financing Activities	
Transfers from general fund	363,942.37
Grant income	<u>322,982.25</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>686,924.62</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(37,754.00)
Interest payments on capital debt	(73,053.53)
Meter deposits	5,075.00
Meter deposit returns	<u>(5,015.00)</u>
Net Cash Provided by (Used in) Capital and Related Activities	<u>(110,747.53)</u>
Cash Flows From Investing Activities	
Interest	6,411.56
Purchase of investments	(556.38)
Purchases of capital assets	<u>(307,651.73)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(301,796.55)</u>
Net increase (decrease) in cash and cash equivalents	81,400.29
Beginning cash and cash equivalents	<u>724,628.89</u>
Ending cash and cash equivalents	<u>\$ 806,029.18</u>
Reconciliation of net income to net cash provided (used)	
by operating activities:	
Operating Income (Loss)	\$ (346,471.70)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	150,166.46
Change in assets and liabilities:	
Decrease in accounts receivable	2,521.67
Decrease in prepaid insurance	316.26
Increase in accounts payable	1,000.92
Decrease in payroll taxes payable	<u>(513.86)</u>
Net cash provided by (used in) operating activities	<u>\$ (192,980.25)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF LANGLEY, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS**

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Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town of Langley, Oklahoma's ("Town") financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principals (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

1.A. Financial Reporting Entity

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Langley, Oklahoma
Blended Component Unit:	Langley Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

Blended Component Units

Component units that are blended into the reporting activity types of the Town's reports are presented below:

Component Unit	Brief Description/Inclusive Criteria	Reporting
Langley Public Works Authority	Created to finance, develop and operate the water and sewer activities. The current Board of Trustees serves as the governing body.	Enterprise Fund

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.A. Financial Reporting Entity: continued

above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

1.B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.B. Basis of Presentation: continued

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

<u>Fund</u>	<u>Brief Description</u>
Langley Public Works Authority	Accounts for the activities of the public trust in providing water and sewer services to the public.

Major and Non-Major Funds

<i>Major:</i>	General Fund	
	Proprietary Fund: Langley Public Works Authority	Accounts for activities of the public trust in providing water and sewer services to the public.

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.C. Measurement Focus and Basis of Accounting: continued

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

- c. Agency funds are not involved in the measurement of results or operations, therefore, measurement focus is not applied to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash, Cash Equivalents and Investments

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Encumbrances

Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Deposits with Third-Party Administrator

Certain sales tax revenues designated for the Fire Department are received and disbursed by the Mayes County Clerk. For the year ended June 30, 2011, \$56,307.99 was received and \$46,236.65 was disbursed for fire department expenditures. The cash balance with Mayes County as of June 30, 2011 was \$89,847.84.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Fixed assets are defined by the Town as assets with an initial, individual cost of more than \$2,500.00 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Capital Assets: continued

Management determines on an item-by-item basis whether to capitalize or expense.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20 to 60 years
Improvements	20 to 60 years
Machinery and Equipment	3 to 20 years
Utility System	20 to 60 years
Infrastructure	20 to 60 years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserve by terms of promissory notes.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and capitalized lease obligations.

Long-term debt arising from cash transactions for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- c. Committed – amounts that can be spent only for specific purposes determined by a formal action of government's highest level of decision-making authority.
- d. Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Equity Classification: continued

- e. Unassigned – amounts that are available for any purpose; these amounts can be reported only in the Town’s General Fund.

1.E. Revenues, Expenditures and Expenses

Sales Tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption “Due from other governments”.

Use Tax

The Town levies a use-tax on personal property purchased outside the Town limits but stored, used or consumed within the Town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the Town in July and August are included under the caption “Due from other governments”.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies: continued

1.E. Revenues, Expenditures and Expenses: continued

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by activity)
	Capital Outlay
	Debt Service

Proprietary Fund – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

1.F. Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

1.G. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws, regulations, grants and contracts and demonstration of its stewardship over Town resources follows:

2.A. Fund Accounting Requirements

The Town complies, in all material respects, with state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 2. Stewardship, Compliance and Accountability: continued

2.B. Deposit and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bond. As required by 12 U.S.C. A., Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized for the fiscal year ended June 30, 2011.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

1. Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
2. Certificates of deposit 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;
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
4. 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;
5. 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 obligation of national mortgage associations;
6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs 1., 2., 3., and 4.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the Town and its public trusts complied, in all material respects, with these investment restrictions.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 2. Stewardship, Compliance and Accountability: continued

2.C. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restriction of Use</u>
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Water and Sewer Revenue	Debt Service and Utility Operations

For the year ended June 30, 2011 the Town complied, in all material respects, with those revenue restrictions.

2.D. Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2011, the Town had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2011, the Town incurred no such indebtedness.

Notes Payable

The various loan agreements relating to the notes payable issuances of Langley Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2011.

<u>Requirements</u>	<u>Level of Compliance</u>
Reserve Account Requirements (OWRB Loan Agreements) Account balance should be equal to \$100,423.56	Full Compliance

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 2. Stewardship, Compliance and Accountability: continued

2.D. Debt Restrictions and Covenants: continued

Meter Deposits Payable

The Langley Public Works Authority is required to have reserved funds available for the amount of meter deposits held. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2011.

<u>Requirements</u>	<u>Level of Compliance</u>
Reserve Account Requirements	
Account balance should be equal to the total meter deposits payable of \$36,965.00	Full Compliance

2.E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2011.

Note 3. Detail Notes – Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. Cash and Investments

Authorized Investments

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit or savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the Town's investments were exposed to custodial credit risk.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.A. Cash and Investments: continued

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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

3.B. Restricted Assets

The amounts reported as restricted assets are comprised of cash and certificates of deposits held in trust on behalf of the Langley Public Works Authority related to their required note payable reserve account, capital projects and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2011 are as follows:

Loan reserves	\$ 147,795.62
Capital projects	100,001.00
Meter deposits	<u>63,677.74</u>
	<u>\$ 311,474.36</u>

3.C. Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales and use tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities and sales tax receivable.

Accounts receivable as of June 30, 2011 is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$ -	\$ 35,256.57	\$ 35,256.57
Due from Other Governments	<u>167,040.82</u>	<u>-</u>	<u>167,040.82</u>
	<u>\$ 167,040.82</u>	<u>\$ 35,256.57</u>	<u>\$ 202,297.39</u>

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Governmental Activities:</i>				
Non-depreciable assets				
Land	\$ 514,675.37	\$ 4,662.65	\$ -	\$ 519,338.02
Total Non-depreciable assets	<u>514,675.37</u>	<u>4,662.65</u>	<u>-</u>	<u>519,338.02</u>
Depreciable assets				
Buildings and improvements	673,095.72	-	-	673,095.72
Machinery and equipment	880,184.64	45,500.04	31,960.00	893,724.68
Total capital assets being depreciated	<u>1,553,280.36</u>	<u>45,500.04</u>	<u>31,960.00</u>	<u>1,566,820.40</u>
Less: accumulated depreciation	<u>280,080.00</u>	<u>70,764.57</u>	<u>14,261.02</u>	<u>336,583.55</u>
Total accumulated depreciation	<u>280,080.00</u>	<u>70,764.57</u>	<u>14,261.02</u>	<u>336,583.55</u>
Governmental activities capital assets, net	<u>\$ 1,787,875.73</u>	<u>\$ (20,601.88)</u>	<u>\$ 17,698.98</u>	<u>\$ 1,749,574.87</u>
<i>Business-Type Activities:</i>				
Non-depreciable assets				
Land	\$ 110,364.10	\$ -	\$ -	\$ 110,364.10
Construction in process	28,290.00	222,982.25	-	251,272.25
Total Non depreciable assets	<u>138,654.10</u>	<u>222,982.25</u>	<u>-</u>	<u>361,636.35</u>
Depreciable assets				
Sewer system	\$ 2,826,829.31	\$ -	\$ -	\$ 2,826,829.31
Water system	2,555,766.03	30,786.27	-	2,586,552.30
Machinery and equipment	150,502.17	53,883.21	-	204,385.38
Buildings and improvements	177,799.97	-	-	177,799.97
Total capital assets being depreciated	<u>5,710,897.48</u>	<u>84,669.48</u>	<u>-</u>	<u>5,795,566.96</u>
Less: accumulated depreciation for	<u>1,967,612.60</u>	<u>147,111.62</u>	<u>-</u>	<u>2,114,724.22</u>
Total accumulated depreciation	<u>1,967,612.60</u>	<u>147,111.62</u>	<u>-</u>	<u>2,114,724.22</u>
Business-Type activities capital assets, net	<u>\$ 3,881,938.98</u>	<u>\$ 160,540.11</u>	<u>\$ -</u>	<u>\$ 4,042,479.09</u>

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 3. Detail Notes -- Transaction Classes/Accounts: continued

3.D. Capital Assets

Depreciation expense was charged to governmental activities as follows:

General Government	\$	8,346.22
Public Safety and Judiciary:		
Fire		43,644.87
Police		9,902.93
Culture, Parks and Recreation:		
Library		3,917.29
Parks		4,953.26
Total depreciation expense	\$	<u>70,764.57</u>

3.E. Long-Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

As of June 30, 2010, the governmental long-term debt of the financial reporting entity consisted of the following:

The Town executed a lease to purchase a 2008 International Fire Truck on September 23, 2008. The truck was purchased for \$294,627.00. The amount of the lease is \$294,627.00 with interest at 5.12%, payable in annual installments of \$33,986.61 and maturing August 18, 2018. The payments will be made using the sales tax money held by a third party administrator. Future payments are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 22,790.32	\$ 11,196.29	\$ 33,986.61
2013	23,930.46	10,056.15	33,986.61
2014	25,183.95	8,802.66	33,986.61
2015	26,474.20	7,512.41	33,986.61
2016	27,830.54	6,156.07	33,986.61
2017 - 2019	92,328.27	9,631.56	101,959.83
	<u>\$ 218,537.74</u>	<u>\$ 53,355.14</u>	<u>\$ 271,892.88</u>

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.E. Long-Term Debt: continued

The Town executed a lease to purchase a 2007 Chevrolet Silverado and a 2007 Dodge Charger for the police department on May 26, 2010. The amount of the lease is \$38,500.00 with interest at 3.35, payable in monthly installments of \$1,125.81 and maturing June 5, 2013. Future payments are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 12,839.19	\$ 670.53	\$ 13,509.72
2013	13,280.90	228.82	13,509.72
	<u>\$ 26,120.09</u>	<u>\$ 899.35</u>	<u>\$ 27,019.44</u>

Business-Type Activities

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

A note payable due to Oklahoma Water Resources Board in the principal amount of \$1,840,000.00 with a variable rate of interest (currently 4.12%), and matures September 15, 2036. Future payments are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 38,910.00	\$ 71,464.68	\$ 110,374.68
2013	41,072.00	69,878.94	110,950.94
2014	42,226.00	68,298.94	110,524.94
2015	43,387.00	66,663.02	110,050.02
2016	45,555.00	64,722.89	110,277.89
2017 - 2021	257,117.00	236,520.28	493,637.28
2022 - 2026	314,089.00	284,546.42	598,635.42
2027 - 2031	384,288.00	145,375.73	529,663.73
2032 - 2037	568,997.00	89,178.16	658,175.16
	<u>\$ 1,735,641.00</u>	<u>\$ 1,096,649.06</u>	<u>\$ 2,832,290.06</u>

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.E. Long-Term Debt: continued

Changes in Long-Term Debt

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2011:

	Amount Outstanding July 1, 2010	Issued	Retired	Amount Outstanding June 30, 2011
Governmental Activities:				
Capitalized lease obligations	\$ 278,717.35	\$ -	\$ 34,059.52	\$ 244,657.83
Business-Type Activities:				
Notes payable	\$ 1,773,395.00	\$ -	\$ 37,754.00	\$ 1,735,641.00

Note 4. Other Information

4.A. Prior Period Adjustment

Government-wide net assets for governmental activities have been restated due to the Town omitting the purchase and disposal of assets, listing various assets twice, and the omission of a capital lease obligation.

Beginning Net Assets - Governmental Activities	\$ 1,936,910.10
Adjustment to:	
Correct capital assets at June 30, 2010	(56,949.71)
Correct capital lease obligation payable	<u>(38,500.00)</u>
Net Assets - Governmental Activities at June 30, 2010, restated	<u>\$ 1,841,460.39</u>

4.B. 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; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

4.C. Employee Retirement Plan

The Town offers a SIMPLE IRA Plan to its full time permanent employees. Employees may contribute a percentage of their gross pay, which the Town matches up to 3%. The amount of contribution from the Town for this plan was \$9,359.92 for fiscal year 2011.

Town of Langley, Oklahoma
Notes to the Financial Statements
June 30, 2011

Note 4. Other Information: continued

4.C. Proprietary Fund Rates and Charges

Water Rates and Charges

Residential Base Rate First 1,000 gallons - Inside City	\$ 18.50
Residential Base Rate First 1,000 gallons - Outside City	20.50
Use from 1,001 - 3,000 gallons - per 1,000	3.60
Use from 3,001 - 5,000 gallons - per 1,000	3.80
Use from 5,001 gallons - per 1,000	4.10
Use from 5,001 gallons - per 1,000 Outside City	4.15
Industrial Base Rate - first 1,000 gallons	22.00
Use from 1,001 - 3,000 gallons - per 1,000	3.65
Use from 3,001 - 5,000 gallons - per 1,000	3.85
Use from 5,001 gallons per 1,000	4.25

Sewer Rates and Charges

Residential Base Rate - First 3,000 gallons	\$ 12.50
Use from 3,001 - 5,000 gallons - per 1,000	1.50
Use from 5,001 - 10,000 gallons - per 1,000	1.25
Use from 10,001 gallons - per 1,000	1.00
Industrial Base Rate - first 1,000 gallons	15.00
Use from 1,001 - 5,000 gallons - per 1,000	1.50
Use from 5,001 - 10,000 gallons - per 1,000	1.75
Use from 10,001 gallons - per 1,000	2.00

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Notes to RSI – Budgetary Comparison Schedule

Town of Langley, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balance - Budget and Actual
Regulatory Basis - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to</u> <u>Final</u>	<u>Final to</u> <u>Actual</u>
Revenues:					
Charges for services	\$ 1,900.06	\$ 1,900.06	\$ 8,826.30	\$ -	\$ 6,926.24
Local sources	49,759.13	49,759.13	27,680.96	-	(22,078.17)
State sources	444,114.41	444,114.41	520,084.91	-	75,970.50
Miscellaneous	2,467.95	2,467.95	22,813.71	-	20,345.76
Total Revenues Collected	<u>498,241.55</u>	<u>498,241.55</u>	<u>579,405.88</u>	<u>-</u>	<u>81,164.33</u>
Expenditures:					
Animal Control	-	6,005.79	6,005.79	6,005.79	-
General Government	70,000.00	70,000.00	68,073.66	-	1,926.34
Library	68,145.00	68,145.00	62,703.79	-	5,441.21
Municipal Court	3,500.00	3,500.00	3,300.00	-	200.00
Parks	120,200.00	98,964.09	49,966.91	(21,235.91)	48,997.18
Fire Department	87,932.56	87,932.56	65,955.82	-	21,976.74
Police Department	201,860.00	217,090.12	220,075.87	15,230.12	(2,985.75)
Street and Alley	50,435.00	50,435.00	42,810.86	-	7,624.14
Town Attorney	7,800.00	7,800.00	3,545.00	-	4,255.00
Town Clerk	15,200.00	15,200.00	14,901.50	-	298.50
Town Management	47,000.00	47,000.00	45,400.12	-	1,599.88
Town Treasurer	-	-	-	-	-
Total Expenditures Paid	<u>672,072.56</u>	<u>672,072.56</u>	<u>582,739.32</u>	<u>-</u>	<u>89,333.24</u>
Excess (Deficit)	(173,831.01)	(173,831.01)	(3,333.44)	-	170,497.57
Cash fund balance, beginning of year	<u>173,831.01</u>	<u>173,831.01</u>	<u>174,472.73</u>	<u>-</u>	<u>641.72</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>171,139.29</u>	<u>\$ -</u>	<u>\$171,139.29</u>

Amounts reported for general fund cash fund in the Balance Sheet for Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting.

The differences are attributable to:

Due from other governments	167,040.82
Prepaid insurance	1,717.84
Accounts payable	(5,113.86)
Payroll taxes payable	(8,105.99)
Cash difference between budget and audit	<u>12,945.30</u>
Fund Balance - General Fund	<u>\$339,623.40</u>

The accompanying notes are an integral part of these financial statements.

Town of Langley, Oklahoma
Notes to Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

Budgetary Accounting

The Town prepares its budget for the General Fund on the cash basis of accounting. This differs from the accrual basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

INTERNAL CONTROL AND COMPLIANCE SECTION

OBER & ASSOCIATES INC., PC

CERTIFIED PUBLIC ACCOUNTANTS
124 South Main
Miami, Oklahoma 74354
918-542-4401

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

To the Mayor and Board of Trustees
Town of Langley, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Langley, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Langley, Oklahoma's basic financial statements and have issued our report thereon dated June 26, 2012. In our report we included an explanatory paragraph stating that certain errors resulting in overstatement (understatement) of previously reported capital assets and capital lease obligations as of June 30, 2010, were discovered and that net assets had been restated. Also, in our report we included an explanatory paragraph stating that the Town has not presented the Management's Discussion and Analysis as required by the Governmental Accounting Standards Board. 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 of Langley, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Langley, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Langley, Oklahoma'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.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Town of Langley, Oklahoma'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 Standard*.

To the Mayor and Board of Trustees
Town of Langley, Oklahoma
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This report is intended solely for the information and use of management, Board of Trustees, the Oklahoma State Auditor and Examiner and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
June 26, 2012