

TOWN OF LEEDEY, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2012

**TOWN OF LEEDEY, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2012**

Roy McClendon

Mayor

Beth Bailey

Trustee

Danny Holcomb

Trustee

Burt Steward

Trustee

Rod Gamble

Trustee

Loura Lee

Town Clerk/Treasurer

TOWN OF LEEDEY, OKLAHOMA
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JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Town Trustees
Town of Leedey, 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 Leedey, Oklahoma, 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 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.

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, each major fund, and the aggregate remaining fund information of the Town of Leedey, Oklahoma, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 19, 2014, on our consideration of the Town of Leedey, Oklahoma, internal control over financial reporting and on our tests of

its compliance with certain provisions of laws, regulations, contracts, 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 the management's discussion and analysis and budgetary comparison information 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. The Town has not presented the management's discussion and analysis. The budgetary comparison information is presented on page 23. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying financial information presented in the Other Supplementary Information section is presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Leedey, Oklahoma. The combining and individual nonmajor fund financial statements and the comparative financial information for the PWA Utility Fund are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial and certain other 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 basic financial statements taken as a whole.

McCulley + McCulley

Weatherford, Oklahoma

March 19, 2014

TOWN OF LEEDEY, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

| | PRIMARY GOVERNMENT | | |
|--|--|--|---------------------|
| | GOVERN- MENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| Cash on Hand | \$ | \$ | \$ |
| Cash in Bank | 176,150 | 118,732 | 294,882 |
| Certificate of Deposit | 40,310 | 13,048 | 53,358 |
| Cash in Insurance Escrow | | 252 | 252 |
| Restricted Assets: | | | |
| Cash in Bank | | 7,627 | 7,627 |
| Certificate of Deposit | | 6,400 | 6,400 |
| Accounts Receivable, Net: | | | |
| Services | | 11,215 | 11,215 |
| Taxes | 40,874 | | 40,874 |
| Intergovernmental | 1,638 | | 1,638 |
| Prepaid Expenses | 14,885 | 3,913 | 18,798 |
| Capital Assets | | | |
| Net of Accumulated Depreciation | 352,574 | 510,778 | 863,352 |
| TOTAL ASSETS | <u>626,431</u> | <u>672,089</u> | <u>1,298,520</u> |
| LIABILITIES | | | |
| Accounts Payable | 5,005 | 3,779 | 8,784 |
| Accrued and Withheld Payroll | | | |
| Taxes Payable | 125 | 128 | 253 |
| Accrued Compensated Absences | 3,035 | 2,315 | 5,350 |
| Customer Deposits | | 14,027 | 14,027 |
| TOTAL LIABILITIES | <u>8,165</u> | <u>20,249</u> | <u>28,414</u> |
| NET ASSETS | | | |
| Investment in Capital Assets, Net of Related Debt | 352,574 | 510,778 | 863,352 |
| Unrestricted Net Assets | 265,692 | 141,062 | 406,754 |
| TOTAL NET ASSETS | <u>\$ 618,266</u> | <u>\$ 651,840</u> | <u>\$ 1,270,106</u> |

The accompanying notes are an integral part of these statements.

**TOWN OF LEEDEY, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | |
|---|-------------------|----------------------------|---|---|--|---------------------------------|---------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CON- TRIBUTIONS | CAPITAL GRANTS AND CON- TRIBUTIONS | PRIMARY GOVERNMENT | | |
| | | | | | GOVERN- MENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTAL |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 90,320 | \$ | \$ | \$ 26,000 | \$ (64,320) | \$ | \$ (64,320) |
| Law Enforcement | 10,607 | 500 | 25 | 134 | (9,948) | | (9,948) |
| Fire Protection | 12,259 | | 27,357 | 4,416 | 19,514 | | 19,514 |
| Street and Alley | 10,910 | | 3,785 | 40,320 | 33,195 | | 33,195 |
| Cemetery | 0 | | | | 0 | | 0 |
| Parks and Recreation | 15,290 | 22,685 | 27 | | 7,422 | | 7,422 |
| Depreciation Expense | 44,405 | | | | (44,405) | | (44,405) |
| Other Governmental Activities | 21,500 | | | | (21,500) | | (21,500) |
| TOTAL GOVERNMENTAL ACTIVITIES | 205,291 | 23,185 | 31,194 | 70,870 | (80,042) | 0 | (80,042) |
| Business-type Activities: | | | | | | | |
| Water | 64,800 | 73,614 | | | | 8,814 | 8,814 |
| Sewer | 6,721 | 28,761 | | | | 22,040 | 22,040 |
| Trash | 29,118 | 45,279 | | | | 16,161 | 16,161 |
| Other Utility Fund Expense | 93,822 | | | | | (93,822) | (93,822) |
| | 0 | | | | | 0 | 0 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 194,461 | 147,654 | 0 | 0 | 0 | (46,807) | (46,807) |
| TOTAL PRIMARY GOVERNMENT | \$ 399,752 | \$ 170,839 | \$ 31,194 | \$ 70,870 | (80,042) | (46,807) | (126,849) |
| General Revenues | | | | | | | |
| Sales and Use Taxes | | | | | 266,673 | | 266,673 |
| Intergovernmental Revenue | | | | | 15,101 | | 15,101 |
| Cigarette Taxes | | | | | 3,334 | | 3,334 |
| Franchise Taxes | | | | | 8,647 | | 8,647 |
| Donations | | | | | 635 | | 635 |
| Interest Income | | | | | 490 | 369 | 859 |
| Royalties | | | | | 3,525 | | 3,525 |
| Late Penalties | | | | | | 2,422 | 2,422 |
| Sales of Capital Assets | | | | | 2,587 | | 2,587 |
| Other Income | | | | | 904 | 2,943 | 3,847 |
| Transfers | | | | | (45,900) | 45,900 | 0 |
| Total General Revenues and Transfers | | | | | 255,996 | 51,634 | 307,630 |
| Change in Net Assets | | | | | 175,954 | 4,827 | 180,781 |
| NET ASSETS | | | | | | | |
| Beginning of Year | | | | | 442,312 | 647,013 | 1,089,325 |
| End of Year | | | | | \$ 618,266 | \$ 651,840 | \$ 1,270,106 |

The accompanying notes are an integral part of these statements.

**TOWN OF LEEDEY, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED ACCRUAL BASIS
JUNE 30, 2012**

| | GENERAL FUND | REAP GRANT 12-112 | OTHER GOVERN- MENTAL FUNDS | TOTAL GOVERN- MENTAL FUNDS |
|--|-----------------------|-------------------------|-------------------------------------|-------------------------------------|
| ASSETS | | | | |
| Cash in Bank | \$ 172,843 | \$ | \$ 3,307 | \$ 176,150 |
| Certificate of Deposit | 22,000 | | 18,310 | 40,310 |
| Accounts Receivable, Net: | | | | |
| Taxes | 40,874 | | | 40,874 |
| Intergovernmental | 892 | | 746 | 1,638 |
| Prepaid Expenses | 14,885 | | | 14,885 |
| TOTAL ASSETS | \$ 251,494 | \$ 0 | \$ 22,363 | \$ 273,857 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 5,005 | \$ | \$ | \$ 5,005 |
| Accrued and Withheld Payroll | | | | |
| Taxes Payable | 125 | | | 125 |
| Accrued Compensated Absences | 3,035 | | | 3,035 |
| TOTAL LIABILITIES | 8,165 | 0 | 0 | 8,165 |
| FUND BALANCES | | | | |
| Nonspendable | 14,885 | | | 14,885 |
| Restricted | | | 8,650 | 8,650 |
| Committed | | | 8,925 | 8,925 |
| Assigned | | | 4,788 | 4,788 |
| Unassigned | 228,444 | | | 228,444 |
| TOTAL FUND BALANCES | 243,329 | 0 | 22,363 | 265,692 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 251,494 | \$ 0 | \$ 22,363 | |

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.

352,574

Net Assets of Governmental Activities

\$ 618,266

The accompanying notes are an integral part of these statements.

TOWN OF LEEDEY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED ACCRUAL
YEAR ENDED JUNE 30, 2012

| | <u>GENERAL FUND</u> | <u>REAP GRANT 12-112</u> | <u>OTHER GOVERN- MENTAL FUNDS</u> | <u>TOTAL GOVERN- MENTAL FUNDS</u> |
|---|-------------------------|----------------------------------|---|---|
| REVENUES | | | | |
| Sales and Use Tax | \$ 266,673 | \$ | \$ 29,919 | \$ 266,673 |
| Intergovernmental Revenue | 19,517 | 40,320 | 29,919 | 89,756 |
| Cigarette Tax | 3,334 | | | 3,334 |
| Franchise Tax | 8,647 | | | 8,647 |
| Interest | 335 | | 155 | 490 |
| Donations | 28,017 | | 27 | 28,044 |
| Royalties | 3,513 | | 12 | 3,525 |
| Short-term Rental of Facilities | 20,695 | | 1,990 | 22,685 |
| Insurance Proceeds | 0 | | | 0 |
| Police Fines | 500 | | | 500 |
| Sales of Capital Assets | 2,500 | | 87 | 2,587 |
| Other Income | 904 | | | 904 |
| TOTAL REVENUES | <u>354,635</u> | <u>40,320</u> | <u>32,190</u> | <u>427,145</u> |
| EXPENDITURES | | | | |
| Administrative and Salaries | 64,320 | | 26,000 | 90,320 |
| Fire Department | 12,259 | | | 12,259 |
| Law Enforcement | 10,607 | | | 10,607 |
| Park and Recreation | 10,349 | | 4,941 | 15,290 |
| Maintenance & Operations | 21,500 | | | 21,500 |
| Cemetery | | | | 0 |
| Street and Alley | | | 10,910 | 10,910 |
| Capital Outlay | 36,128 | 40,320 | 134 | 76,582 |
| TOTAL EXPENDITURES | <u>155,163</u> | <u>40,320</u> | <u>41,985</u> | <u>237,468</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | <u>199,472</u> | <u>0</u> | <u>(9,795)</u> | <u>189,677</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 100 | | 8,950 | 9,050 |
| Transfers (Out) | (54,950) | | 0 | (54,950) |
| TOTAL OTHER FINANCING | <u>(54,850)</u> | <u>0</u> | <u>8,950</u> | <u>(45,900)</u> |
| NET CHANGE IN FUND BALANCES | <u>144,622</u> | | <u>(845)</u> | <u>143,777</u> |
| FUND BALANCE | | | | |
| Beginning of Year | 98,707 | | 23,208 | 121,915 |
| End of Year | <u>\$ 243,329</u> | <u>\$ 0</u> | <u>\$ 22,363</u> | <u>\$ 265,692</u> |

The accompanying notes are an integral part of these statements.

**TOWN OF LEEDEY, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 143,777

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

32,177

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 175,954

The accompanying notes are an integral part of these statements.

TOWN OF LEEDEY, OKLAHOMA
STATEMENT OF NET ASSETS
BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUND
LEEDEY PUBLIC WORKS AUTHORITY
JUNE 30, 2012

ASSETS

Current Assets:

| | | |
|--------------------------|----|---------|
| Cash on Hand | \$ | 124 |
| Cash in Bank | | 118,732 |
| Certificate of Deposit | | 13,048 |
| Cash in Insurance Escrow | | 252 |

Restricted Assets:

| | | |
|-----------------------------|--|----------------|
| Cash in Bank | | 7,627 |
| Certificate of Deposit | | 6,400 |
| Accounts Receivable, Net | | 11,215 |
| Prepaid Expenses | | 3,913 |
| Total Current Assets | | 161,311 |

Noncurrent Assets:

| | | |
|--------------------------------|--|----------------|
| Capital Assets, Net of | | |
| Accumulated Depreciation | | 510,778 |
| Total Noncurrent Assets | | 510,778 |

TOTAL ASSETS

672,089

LIABILITIES

Current Liabilities:

| | | |
|----------------------------------|--|---------------|
| Accounts Payable | | 3,779 |
| Accrued Compensated Absences | | 2,315 |
| Accrued Payroll Taxes Payable | | 128 |
| Customer Deposits | | 14,027 |
| Current Portion Long-term Debt | | |
| Total Current Liabilities | | 20,249 |

Noncurrent Liabilities

| | | |
|-------------------------------------|--|----------|
| Long-term Debt | | |
| Total Noncurrent Liabilities | | 0 |

TOTAL LIABILITIES

20,249

NET ASSETS

| | | |
|---|--|---------|
| Invested in Capital Assets, Net of Related Debt | | 510,778 |
| Unrestricted | | 141,062 |

TOTAL NET ASSETS

\$ 651,840

The accompanying notes are an integral part of these statements.

**TOWN OF LEEDEY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - ENTERPRISE FUND
LEEDEY PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES

| | | |
|------------------------------|----|--------|
| Water Sales | \$ | 73,614 |
| Trash Collections | | 45,279 |
| Sewer Sales | | 28,761 |
| Late Penalties | | 2,422 |
| Refund of Insurance Reserves | | |
| Other Revenue | | 2,943 |
| | | 2,943 |

TOTAL OPERATING REVENUES

153,019

OPERATING EXPENSES

| | | |
|---------------------------|--|--------|
| Compensation and Benefits | | 42,170 |
| Depreciation | | 23,579 |
| Insurance | | 9,553 |
| Administration | | 15,632 |
| Water Department | | 64,800 |
| Solid Waste Management | | 29,118 |
| Professional Fees | | 2,888 |
| Sewer Department | | 6,721 |
| Other | | |
| | | 6,721 |

TOTAL OPERATING EXPENSES

194,461

INCOME (LOSS) FROM OPERATIONS

(41,442)

NONOPERATING REVENUES (EXPENSES)

| | | |
|-----------------|--|-----|
| Interest Income | | 369 |
| | | 369 |

**INCOME (LOSS) BEFORE
TRANSFERS**

(41,073)

TRANSFERS IN (OUT)

| | | |
|-----------------|--|--------|
| Transfers In | | 46,000 |
| Transfers (Out) | | (100) |
| | | (100) |

NET TRANSFERS IN (OUT)

45,900

CHANGE IN NET ASSETS

4,827

TOTAL NET ASSETS

| | | |
|-------------------|----|---------|
| Beginning of Year | | 647,013 |
| | | 647,013 |
| End of Year | \$ | 651,840 |

The accompanying notes are an integral part of these statements.

**TOWN OF LEEDEY, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
BUSINESS - TYPE ACTIVITIES - ENTERPRISE FUND
LEEDEY PUBLIC WORKS AUTHORITY
YEAR ENDED JUNE 30, 2012**

| | |
|---|---------------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 156,199 |
| Cash Paid for Goods and Services | (129,319) |
| Cash Paid to Employees | <u>(42,055)</u> |
| Net Cash (Used for) Operating Activities | <u>(15,175)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Transfers In | 46,000 |
| Transfers (Out) | <u>(100)</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>45,900</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition of Capital Assets and Other Assets | <u>0</u> |
| Net Cash (Used for) Capital and Related Financing Activities | <u>0</u> |
| Cash Flows from Investing Activities | |
| Interest Received on Cash and Cash Equivalents | <u>369</u> |
| Net Cash Provided by Investing Activities | <u>369</u> |
| Increase in Cash and Cash Equivalents | 31,094 |
| Balance of Cash and Cash Equivalents | |
| Beginning of Year | <u>115,089</u> |
| End of Year | \$ <u><u>146,183</u></u> |
| Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities: | |
| Operating (Loss) | \$ <u>(41,442)</u> |
| Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities | |
| Depreciation | 23,579 |
| Changes in Assets and Liabilities: | |
| Decrease in Accounts Receivable | 2,115 |
| (Increase) in Prepaid Expenses | (3,341) |
| Increase in Accounts Payable | 2,734 |
| (Decrease) in Accrued Compensated Absences | (13) |
| Increase in Accrued Payroll Taxes | 128 |
| Increase in Customer Deposits | 1,065 |
| Total Adjustments | <u>26,267</u> |
| Net Cash (Used for) Operating Activities | \$ <u><u>(15,175)</u></u> |

The accompanying notes are an integral part of these statements.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies.

The accounting policies of the Town of Leedey, Oklahoma, (the Town), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies and procedures.

A. Reporting Entity.

The Town of Leedey, Oklahoma, is an incorporated Town under the provisions of the State of Oklahoma. It operates under the Statutory Town Board of Trustees form of government and provides the following services: public safety (fire & police), streets, and general administrative services. Other services include utilities operations.

The Town, for financial purposes, includes all of the funds, capital assets, and debt relevant to the operations of the Town of Leedey. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Leedey.

The financial statements of the Town include those of any separately administered organization that is controlled by or dependent on the town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board, and financial interdependency. Based on the foregoing criteria, the financial statements of the Leedey Public Works Authority are included in the accompanying financial statements. The Leedey Public Works Authority was established on September 17, 1982, under and pursuant to Title 60 of Oklahoma Statutes 1981 and the Oklahoma Trust Act. The purposes of the trust are to provide utility services and facilities and to promote the development of industrial, cultural, educational, medical and health care activities and facilities. The Town Trustees also serve as the trustees of the Authority. Operations of the Leedey Public Works Authority are reported as a proprietary fund type. The Leedey Public Works Authority operates one enterprise fund - the PWA Utility Fund.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements.

Basic financial statements include a Statement of Net Assets and Statement of Activities for the government-wide and business-type activities. The government-wide financial statements report on the Town as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustain-ability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effects of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt are capital assets net of accumulated depreciation and reduced by the outstanding balances of any mortgages or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provision or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements (continued).

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grant and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenues normally support the net costs of the functions and programs not covered by program revenues.

Basic financial statements also include fund financial statements for the governmental and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds based upon a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined, it also gives governments the option of displaying other funds as major funds. Other nonmajor funds are combined in a single column on the fund financial statements.

Governmental Funds.

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted in another fund. This fund is always to be considered as a major fund, regardless of its size.

Reap 12-112 fund is a special revenue fund that account for the activities of the respective grant revenue and expenditures. It meets the requirement to be classified as a major fund as noted above.

Other Governmental Funds - This column is the summarization of all the nonmajor governmental funds. These were known as special revenue funds under the previous reporting model. Special revenue funds were used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Basic Financial Statements (continued).

Proprietary Funds.

The Town of Leedey has one proprietary fund type and is operated under the name of the Leedey Public Works Authority. The Leedey Public Works Authority operates one enterprise funds -PWA Utility Fund. The PWA Utility Fund provides water, sewer, and trash collection services to the Town and its citizens. It is considered to be a major fund.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises (ie. where the intent of the governing body is that 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period (normally within 60 days). Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

D. Capital Assets.

All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair market value at the time of donation. On June 2, 2009, the Board of Trustees approved a capitalization policy to capitalize only those capital assets with an historical cost or \$5,000 or more. Depreciation on capital assets is computed using the straight line method over the estimated useful life of the related asset.

Governmental capital assets are shown in the governmental funds as capital outlay expenditures. They are depreciated and shown in the government-wide financial statements under governmental activities. Infrastructure assets (roads, sidewalks, bridges, etc.) are also reported and depreciated. According to GASB statement 34, retroactively reporting of infrastructure assets is not required by the Town. However, the Town has elected to include those infrastructure assets acquired since July 1, 1992, in these financial statements.

E. Compensated Absences.

The General Fund and PWA Utility Fund vacation and sick leave policy allows its employees to accumulate up to 20 days accrued vacation leave. Sick leave can be accumulated up to 30 days. Upon separation, the employee may receive payment for unused vacation leave but not unused sick leave. The Utility Fund pays sick leave as it is used. These financial statements accrue for unused vacation leave that is expected to be paid from these funds. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources as they are considered matured, ie. when an employee resigns or retires. The proprietary funds report the liability as it is incurred.

F. Allowance for Bad Debts.

Management periodically reviews its accounts receivable to determine if an account is collectible. An allowance for bad debts is established for those accounts where collection is deemed to be uncertain.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

G. Policy Regarding Use of Financial Accounting Standard Board (FASB) Pronouncements - Government-wide Financial Statements and Proprietary Fund Statements.

The Town applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the pronouncements issued on or before November 30, 1989, by the FASB or predecessor Boards, unless those pronouncements conflict with or contradict GASB pronouncements.

H. Operating Revenues and Expenses.

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the respective enterprise funds. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

I. Fund Balance Classifications.

The following fund balance classifications have been required by the Governmental Accounting Standards Board:

Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed - Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned - Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Summary of Significant Accounting Policies (continued).

I. Fund Balance Classifications (continued).

Unassigned - residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, than it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Generally, the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Cash, Certificates of Deposits, and Cash Equivalents.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has a policy of requiring collateral for amounts in excess of FDIC insurance levels. At June 30, 2012, the carrying amount of the Town's cash in bank and certificate of deposits were \$362,267 and the bank balance was \$386,353. Of the bank balance, \$386,353 was covered by Federal Depository Insurance since the insurance was permanently increased to \$250,000 beginning July of 2010, and certificates of deposits are insured separately from the demand deposits. The cash in insurance escrow are funds held by the insurance company. It is not known if these are insured or collateralized.

Authorized investments by state statute include certificate of deposits, obligations of the U. S. Treasury, and funds secured by obligations of the U. S. Treasury.

Restricted cash and other assets in the business-type activities consist of assets restricted for customer meter deposits. The customer meter deposits are offset by a related liability payable.

Following is a schedule of restricted assets:

Assets Restricted for Customer Deposits:

| | |
|------------------------|--------------|
| Cash in Bank | \$ 7,627 |
| Certificate of Deposit | <u>6,400</u> |

| | |
|------------------|------------------|
| Total Restricted | <u>\$ 14,027</u> |
|------------------|------------------|

Cash and cash equivalents for cash flow presentation purposes include the entity's cash on hand, cash in bank, certificates of deposit, cash in insurance escrow, and restricted assets.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

3. Accounts Receivable, Net.

Accounts Receivable, net, consist of the accounts receivable for the entity less its allowance for bad debt (if any) as follows:

| | <u>Governmental</u> | | | <u>Business</u> | <u>Total</u> |
|----------------------|---------------------|-------------|---------------|------------------|------------------|
| | <u>General</u> | <u>REAP</u> | <u>Other</u> | <u>-Type</u> | |
| | <u>Fund</u> | <u>Fund</u> | <u>Gov't</u> | <u>Utility</u> | |
| | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> |
| Charges for Services | \$ | \$ | \$ | \$ 11,906 | \$ 11,906 |
| Taxes | 40,874 | | | | 40,874 |
| Intergovernmental | 892 | | 746 | | 1,638 |
| Less Loss Allowance | | | | (691) | (691) |
| Total Accounts | | | | | |
| Receivable, Net | <u>\$41,766</u> | <u>\$</u> | <u>\$ 746</u> | <u>\$ 11,215</u> | <u>\$ 53,727</u> |

4. Capital Assets.

Capital asset activity for the year ending June 30, 2012 was as follows:

| <u>CAPITAL ASSETS</u> | <u>Primary Government</u> | | | <u>Balance</u> |
|--------------------------------|---------------------------|------------------|--------------------|-------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>(Deletions)</u> | |
| | <u>June 30,</u> | | | |
| | <u>2011</u> | | | <u>2012</u> |
| Governmental Activities: | | | | |
| Land (no depr.) | \$ 20,250 | \$ | \$ | \$ 20,250 |
| Building | 149,896 | 6,076 | | 155,972 |
| Equipment | 245,530 | 21,834 | (7,045) | 260,319 |
| Infrastructure | 341,999 | 48,672 | | 390,671 |
| Total Cost | <u>757,675</u> | <u>76,582</u> | <u>(7,045)</u> | <u>827,212</u> |
| Less Accumulated Depreciation: | | | | |
| Building | (72,156) | (5,399) | | (77,555) |
| Equipment | (184,167) | (14,126) | 7,044 | (191,249) |
| Infra-Structure | (180,954) | (24,880) | | (205,834) |
| Total Accumulated Depr. | <u>(437,277)</u> | <u>(44,405)</u> | <u>7,044</u> | <u>(474,638)</u> |
| Net Governmental Activities | <u>\$ 320,398</u> | <u>\$ 32,177</u> | <u>\$ (1)</u> | <u>\$ 352,574</u> |

TOWN OF LEEDEY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2012

4. Capital Assets (continued).

| <u>CAPITAL ASSETS</u> | Primary Government | | | <u>Balance June 30, 2012</u> |
|--|--------------------------------------|-------------------|--------------------|--------------------------------------|
| | <u>Balance June 30, 2011</u> | <u>Additions</u> | <u>(Deletions)</u> | |
| Business-type Activities - Utility Operations: | | | | |
| Land (no depr.) | \$ 28,442 | \$ | \$ | \$ 28,442 |
| Water & Sewer System | 894,137 | | | 894,137 |
| Equipment | 42,846 | | (677) | 42,169 |
| Total Costs | <u>965,425</u> | | <u>(677)</u> | <u>964,748</u> |
| Less Accumulated Depreciation: | | | | |
| Water & Sewer System | (390,489) | (22,502) | | (412,991) |
| Equipment | <u>(40,579)</u> | <u>(1,077)</u> | 677 | <u>(40,979)</u> |
| Total Accumulated Depr. | <u>(431,068)</u> | <u>(23,579)</u> | 677 | <u>(453,970)</u> |
| Net Business-type Activities | <u>\$ 534,357</u> | <u>\$(23,579)</u> | <u>\$ -0-</u> | <u>\$ 510,778</u> |

Depreciation expense is not allocated between functions/programs but only expended within the specific activities/funds. Total depreciation expense is as follows:

| | |
|----------------------------|------------------|
| Governmental Activities | \$ 44,405 |
| Business-type Activities | <u>23,579</u> |
| Total Depreciation Expense | <u>\$ 67,984</u> |

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

5. Pension Plan – Volunteer Firefighters.

Oklahoma Firefighters Pension and Retirement System.

Plan Description. The Town participates in the Oklahoma Firefighters Pension and Retirement System (the Plan) for its volunteer fire fighters. The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer (or municipality) contributory defined benefit pension plan. The authority to amend and establish the benefit provisions of the Plan rests with the Board of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Fire Pension and Retirement System, c/o Oklahoma State Fire Fighters Association, 4545 N. Lincoln Blvd., Oklahoma City, OK 73105-3414.

Funding Policy. Voluntary firemen do not contribute to the Plan. The Town contributes \$60 for each volunteer fireman as set by the Oklahoma Statutes. The State contributes 34% of the Insurance Premium Tax to the Plan.

Annual Pension Cost. During the year ended June 30, 2012, the Town contributed \$900 to the Plan. The actuarial valuation report, dated July 1, 2012, does not give disclosure information by municipality or employer.

Actuarial Assumptions. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 7.5%, and (b) a constant benefit level. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of the insurance premium tax allocation fund on a closed basis. The remaining amortization period at July 1, 2012, was 22 years.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

6. Risk Management.

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town purchases commercial insurance to reduce their risk of loss. These insurance policies have a deductible ranging from zero to \$1,000. There have not been any settlements that exceeded insurance coverage for each of the past three years.

The Town participates in a workers compensation plan that carries a requirement for a self-funded retention level. At June 30, 2012, the Town's loss fund retention level was \$5,792. Other funds held by the plan for the Town's benefit totaled \$4,860 and escrow funds totaled \$252. Excess workers compensation coverage is purchased so the Town's liability for claim losses is limited to their retention level.

7. Interfund Transfers.

The Town periodically makes transfers to different funds to move funds pledged for debt service to the utility fund and moves funds from the other funds to increase their liquidity and ability to purchase goods and services. Interfund transfers for the year ending June 30, 2012 are as follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers (Out)</u> |
|--------------------|---------------------|------------------------|
| General | \$ 100 | \$(54,950) |
| Utility | 46,000 | (100) |
| Other Governmental | <u>8,950</u> | <u> </u> |
| Totals | <u>\$ 55,050</u> | <u>\$(55,050)</u> |

TOWN OF LEEDEY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

8. Fund Balance Classifications.

| | GENERAL FUND | REAP GRANT 12-112 | OTHER GOVERN- MENTAL FUNDS | TOTAL GOVERN- MENTAL FUNDS |
|--|-------------------|-------------------------|-------------------------------------|-------------------------------------|
| FUND BALANCES: | | | | |
| Nonexpendable: | | | | |
| Prepaid Expenses | \$ 14,885 | \$ | \$ | \$ 14,885 |
| Restricted for: | | | | |
| Cemetery Maintenance | | | 7,272 | 7,272 |
| Cemetery Improvements | | | 365 | 365 |
| Museum Maintenance or Improvements | | | 1,013 | 1,013 |
| Committed to: | | | | |
| Cemetery Maintenance | | | 6,796 | 6,796 |
| Cemetery Improvements | | | 493 | 493 |
| Street & Alley Improvements | | | 1,354 | 1,354 |
| Museum Maintenance or Improvements | | | 47 | 47 |
| Community Building Maintenance or Improvements | | | 235 | 235 |
| Assigned to: | | | | |
| Cemetery Maintenance | | | 4,773 | 4,773 |
| Cemetery Improvements | | | 15 | 15 |
| Unassigned: | | | | |
| Total Fund Balances | \$ <u>243,329</u> | \$ <u>0</u> | \$ <u>22,363</u> | \$ <u>265,692</u> |

Restricted fund balances are special revenue funds with resources restricted by state statute donors, or federal guidelines.

Committed fund balances are special revenue funds that have been established by the governing body with resources used for specific purposes as noted.

Assigned fund balances are special revenue funds funds that have earned interest and represents the unexpended accumulated earnings obtained from the readily available records since fiscal year 1992. Any unexpended accumulated earnings prior to that time is considered to be committed.

The Town of Leedey has not established a formal policy on the order of spending. This report assumes that restricted resources will be expended first, then unrestricted (in this order committed, assigned, and unassigned).

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LEEDEY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012**

| | BUDGET | | ACTUAL - BUDGETARY BASIS | BUDGET TO GAAP DIFFERENCES INCREASE (DECREASE) | ACTUAL - GAAP BASIS |
|---|-----------------|-----------------|--------------------------------|--|---------------------------|
| | ORIGINAL | FINAL | | | |
| REVENUES | | | | | |
| Sales and Use Tax | \$ 114,009 | \$ 164,009 | \$ 262,043 | \$ 4,630 | \$ 266,673 |
| Intergovernmental | 9,942 | 9,942 | 19,556 | (39) | 19,517 |
| Cigarette Tax | 1,607 | 1,607 | 3,247 | 87 | 3,334 |
| Franchise Tax | 7,086 | 7,086 | 8,603 | 44 | 8,647 |
| Interest | 325 | 325 | 358 | (23) | 335 |
| Donations | | | 28,017 | | 28,017 |
| Royalties | 4,812 | 4,812 | 3,513 | | 3,513 |
| Short-Term Rental of Facilities | 15,297 | 15,297 | 20,695 | | 20,695 |
| Police Fines | 927 | 927 | 500 | | 500 |
| Sales of Capital Assets | | | 2,500 | | 2,500 |
| Other Income | | | 392 | 512 | 904 |
| TOTAL REVENUES | <u>154,005</u> | <u>204,005</u> | <u>349,424</u> | <u>5,211</u> | <u>354,635</u> |
| EXPENDITURES | | | | | |
| Personal Services | 68,000 | 68,000 | 62,247 | 1,474 | 63,721 |
| Maintenance and Operations | 95,041 | 145,041 | 65,648 | (10,334) | 55,314 |
| Capital Outlay | 5,000 | 5,000 | 36,128 | | 36,128 |
| TOTAL EXPENDITURES | <u>168,041</u> | <u>218,041</u> | <u>164,023</u> | <u>(8,860)</u> | <u>155,163</u> |
| EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | (14,036) | (14,036) | 185,401 | 14,071 | 199,472 |
| OTHER FINANCIAL SOURCES (USES) | | | | | |
| Net Transfers In (Out) | <u>(56,000)</u> | <u>(56,000)</u> | <u>(60,469)</u> | <u>5,619</u> | <u>(54,850)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | (70,036) | (70,036) | 124,932 | 19,690 | 144,622 |
| FUND BALANCE | | | | | |
| Beginning of Year | 78,371 | 78,371 | 78,371 | 20,336 | 98,707 |
| End of Year | <u>\$ 8,335</u> | <u>\$ 8,335</u> | <u>\$ 203,303</u> | <u>\$ 40,026</u> | <u>\$ 243,329</u> |

See the accompanying auditor's report and notes to required supplementary information.

**TOWN OF LEEDEY, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDING JUNE 30, 2012**

The Budget and Actual statement reports the original budget as approved and the final budget as amended. The Town only budgets for the general fund in accordance with the State of Oklahoma's estimate of needs laws. The Town's general fund budget is adopted at the beginning of each fiscal year and published in the local or regional newspaper. Unused appropriations lapse at the end of the year. Amendments to the budgetary data can be made by a vote of the Board of Trustees. This form is prepared on the cash basis of accounting (budgetary basis). Typically only 90% of the prior year actual revenues can be budgeted for the current year. Total estimated revenue and ending cash balance is budgeted as expenditures for the current year. One amendment was made to the budget. It was just a supplemental appropriation for unanticipated revenue received and increase in expenditure classification.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF LEEDEY, OKLAHOMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS - MODIFIED ACCRUAL BASIS
JUNE 30, 2012**

| | NONMAJOR SPECIAL REVENUE FUNDS | | | | | | TOTAL OTHER GOVERN- MENTAL |
|--|--------------------------------|-----------------------|------------------------|-----------------|-------------------------------|-------------------------|-------------------------------------|
| | CEMETERY FUND | CEMETERY CARE FUND | STREET & ALLEY FUND | MUSEUM FUND | COMMUNITY BUILDING FUND | REAP GRANT 11-220 | |
| ASSETS | | | | | | | |
| Cash in Bank | \$ 531 | \$ 873 | \$ 608 | \$ 1,060 | \$ 235 | \$ | \$ 3,307 |
| Certificate of Deposits | 18,310 | | | | | | 18,310 |
| Due from (to) Other Funds | | | | | | | 0 |
| Accounts Receivable - Intergovernmental | | | 746 | | | | 746 |
| TOTAL ASSETS | \$ 18,841 | \$ 873 | \$ 1,354 | \$ 1,060 | \$ 235 | \$ 0 | \$ 22,363 |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ | \$ | \$ | \$ | \$ | \$ | \$ 0 |
| TOTAL LIABILITIES | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FUND EQUITY | | | | | | | |
| Fund Balance | | | | | | | |
| Nonspendable | | | | | | | 0 |
| Restricted | 7,272 | 365 | | 1,013 | | | 8,650 |
| Committed | 6,796 | 493 | 1,354 | 47 | 235 | | 8,925 |
| Assigned | 4,773 | 15 | | | | | 4,788 |
| Unassigned | | | | | | | 0 |
| TOTAL FUND BALANCE | 18,841 | 873 | 1,354 | 1,060 | 235 | 0 | 22,363 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 18,841 | \$ 873 | \$ 1,354 | \$ 1,060 | \$ 235 | \$ 0 | \$ 22,363 |

See accompanying auditor's report.

TOWN OF LEEDEY, OKLAHOMA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS - MODIFIED ACCRUAL
YEAR ENDED JUNE 30, 2012

| | NONMAJOR SPECIAL REVENUE FUNDS | | | | | | TOTAL OTHER GOVERN- MENTAL | |
|---|---------------------------------------|-------------------------------|------------------------------------|------------------------|--|----------------------------------|---|------------------------------------|
| | CEMETERY FUND | CEMETERY CARE FUND | STREET & ALLEY FUND | MUSEUM FUND | COMMUNITY BUILDING FUND | REAP GRANT 11-220 | | 14253 CDBG 10 GRANT |
| REVENUES | | | | | | | | |
| Intergovernmental Revenue | \$ | \$ | \$ 3,785 | \$ | \$ | \$ 134 | \$ 26,000 | \$ 29,919 |
| Property Sales | 87 | | | | | | | 87 |
| Royalties | | 12 | | | | | | 12 |
| Interest Income | 153 | 2 | | | | | | 155 |
| Short-term Rental of Facilities | | | | | 1,990 | | | 1,990 |
| Donations | | | | 27 | | | | 27 |
| TOTAL REVENUES | 240 | 14 | 3,785 | 27 | 1,990 | 134 | 26,000 | 32,190 |
| EXPENDITURES | | | | | | | | |
| Administration | | | | | | | 26,000 | 26,000 |
| Cemetery | | | | | | | | 0 |
| Street and Alley | | | 10,910 | | | | | 10,910 |
| Park and Recreation | | | | 244 | 4,697 | | | 4,941 |
| Capital Outlay | | | | | | 134 | | 134 |
| TOTAL EXPENDITURES | 0 | 0 | 10,910 | 244 | 4,697 | 134 | 26,000 | 41,985 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 240 | 14 | (7,125) | (217) | (2,707) | 0 | 0 | (9,795) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers In | | | 7,950 | | 1,000 | | | 8,950 |
| Transfers (Out) | | | | | | | | 0 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES | 240 | 14 | 825 | (217) | (1,707) | 0 | 0 | (845) |
| FUND BALANCE | | | | | | | | |
| Beginning of Year | 18,601 | 859 | 529 | 1,277 | 1,942 | | | 23,208 |
| End of Year | \$ 18,841 | \$ 873 | \$ 1,354 | \$ 1,060 | \$ 235 | \$ 0 | \$ 0 | \$ 22,363 |

See accompanying auditor's report.

**TOWN OF LEEDEY, OKLAHOMA
COMPARATIVE BALANCE SHEET
LEEDEY PUBLIC WORKS AUTHORITY
UTILITY FUND
JUNE 30, 2012 AND 2011**

| | JUNE 30, | |
|---|-------------------|-------------------|
| | 2012 | 2011 |
| ASSETS | | |
| Cash on Hand | \$ 124 | \$ 124 |
| Cash in Bank | 118,732 | 81,745 |
| Certificate of Deposit | 13,048 | 13,048 |
| Cash in Insurance Escrow | 252 | 7,210 |
| Restricted Assets: | | |
| Cash in Bank | 7,627 | 6,562 |
| Certificate of Deposit | 6,400 | 6,400 |
| Accounts Receivable, Net | 11,215 | 13,330 |
| Prepaid Expenses | 3,913 | 572 |
| Capital Assets | | |
| Net of Accumulated Depreciation | 510,778 | 534,357 |
| TOTAL ASSETS | \$ 672,089 | \$ 663,348 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 3,779 | \$ 1,045 |
| Accrued Compensated Absences | 2,315 | 2,328 |
| Accrued Payroll Taxes Payable | 128 | |
| Customer Deposits | 14,027 | 12,962 |
| TOTAL LIABILITIES | 20,249 | 16,335 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 510,778 | 534,357 |
| Unrestricted | 141,062 | 112,656 |
| TOTAL NET ASSETS | 651,840 | 647,013 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 672,089 | \$ 663,348 |

See accompanying auditor's report.

**TOWN OF LEEDEY, OKLAHOMA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - LEEDEY PUBLIC WORKS
AUTHORITY - UTILITY FUND
YEARS ENDED JUNE 30, 2012 AND 2011**

| | JUNE 30, | |
|---------------------------------------|-------------------|-------------------|
| | 2012 | 2011 |
| OPERATING REVENUES | | |
| Water Sales | \$ 73,614 | \$ 67,228 |
| Trash Collections | 45,279 | 38,024 |
| Sewer Sales | 28,761 | 28,482 |
| Late Penalties | 2,422 | 1,695 |
| Refund of Insurance Reserves | 0 | 5,624 |
| Other Revenue | 2,943 | 2,426 |
| | <u>153,019</u> | <u>143,479</u> |
| OPERATING EXPENSES | | |
| Compensation and Benefits | 42,170 | 38,699 |
| Depreciation | 23,579 | 23,579 |
| Insurance | 9,553 | 11,736 |
| Water Department | 64,800 | 47,171 |
| Solid Waste Management | 29,118 | 22,208 |
| Professional Fees | 2,888 | 2,135 |
| Administration/Office Expense | 15,632 | 8,191 |
| Sewer Department | 6,721 | 4,755 |
| Other | | |
| | <u>194,461</u> | <u>158,474</u> |
| (LOSS) FROM OPERATIONS | (41,442) | (14,995) |
| NONOPERATING REVENUE (EXPENSE) | | |
| Interest Income | 369 | 527 |
| Interest Expense | | (417) |
| | <u>369</u> | <u>110</u> |
| (LOSS) BEFORE TRANSFERS | (41,073) | (14,885) |
| TRANSFERS IN (OUT) | | |
| Transfers In | 46,000 | 40,140 |
| Transfers (Out) | (100) | (200) |
| | <u>45,900</u> | <u>39,940</u> |
| INCREASE IN NET ASSETS | 4,827 | 25,055 |
| NET ASSETS | | |
| Beginning of Year | <u>647,013</u> | <u>621,958</u> |
| End of Year | <u>\$ 651,840</u> | <u>\$ 647,013</u> |

See accompanying auditor's report.

**TOWN OF LEEDEY, OKLAHOMA
COMPARATIVE STATEMENT OF CASH FLOWS -
LEEDEY PUBLIC WORKS AUTHORITY - UTILITY FUND
YEARS ENDED JUNE 30, 2012 AND 2011**

| | JUNE 30, | |
|---|------------|------------|
| | 2012 | 2011 |
| Cash Flows from Operating Activities | | |
| Cash Received from Customers | \$ 156,199 | \$ 142,739 |
| Cash Paid for Goods and Services | (129,319) | (91,786) |
| Cash Paid to Employees | (42,055) | (39,229) |
| | (15,175) | 11,724 |
| Cash Flows from Noncapital Financing Activities | | |
| Transfers In | 46,000 | 40,140 |
| Transfers (Out) | (100) | (200) |
| | 45,900 | 39,940 |
| Cash Flows from Capital and Related Financing Activities | | |
| (Repayment) Due to Other Funds | | (1,100) |
| Interest Paid on Debt | | (598) |
| Principal Paid on Debt | | (54,065) |
| Acquisition of Capital Assets and Other Asset | | |
| | 0 | (55,763) |
| Cash Flows from Investing Activities | | |
| Interest Received on Cash and Cash Equivalents | 369 | 527 |
| | 369 | 527 |
| Increase (Decrease) in Cash and Cash Equivalents | 31,094 | (3,572) |
| Balance of Cash and Cash Equivalents | | |
| Beginning of Year | 115,089 | 118,661 |
| End of Year | \$ 146,183 | \$ 115,089 |

(Continued on Next Page)

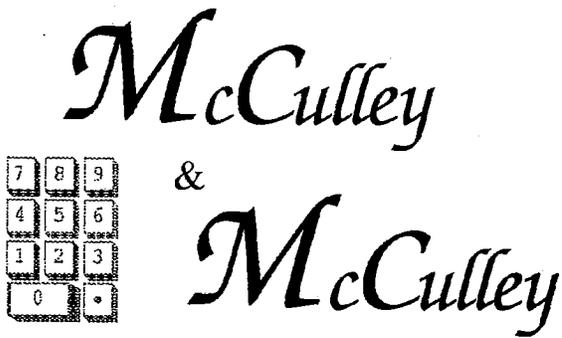
See accompanying auditor's report.

**TOWN OF LEEDEY, OKLAHOMA
COMPARATIVE STATEMENT OF CASH FLOWS -
LEEDEY PUBLIC WORKS AUTHORITY - UTILITY FUND
YEARS ENDED JUNE 30, 2012 AND 2011**

(Continued)

| | JUNE 30, | |
|--|--------------------|------------------|
| | 2012 | 2011 |
| Reconciliation of Increase in Net Assets to Net Cash Provided by (Used for) Operating Activities: | | |
| Increase in Net Assets | \$ 4,827 | \$ 25,055 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation | 23,579 | 23,579 |
| Interest Expense | | 598 |
| Interest Income | (369) | (527) |
| Transfer (In) | (46,000) | (40,140) |
| Transfer Out | 100 | 200 |
| Changes in Assets and Liabilities: | | |
| Decrease (Increase) in Accounts Receivable | 2,115 | (1,450) |
| Decrease (Increase) in Prepaid Expenses | (3,341) | 3,365 |
| Increase in Accounts Payable | 2,734 | 1,045 |
| (Decrease) in Accrued Interest Payable | | (181) |
| (Decrease) in Accrued Compensated Absences | (13) | (530) |
| Increase in Accrued Payroll Taxes | 128 | |
| Increase in Customer Deposits | 1,065 | 710 |
| Total Adjustments | (20,002) | (13,331) |
| Net Cash Provided by (Used for) Operating Activities | \$ (15,175) | \$ 11,724 |

See accompanying auditor's report.



Certified Public Accountants

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

To the Town Trustees
Town of Leedey, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Leedey, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report dated March 19, 2014. The Town has elected to omit the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Leedey, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Leedey, 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 Leedey'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting

that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described as item #1 in the accompanying schedule of findings and deficiencies, to be a material weakness.

A significant deficiency is a deficiency, or 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. We consider the deficiencies described as item #2 in the accompanying schedule of findings and deficiencies, to be significant deficiencies.

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 and other matters that are required to be reported under Government Auditing Standards.

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

This report is intended solely for the information and use of the Board of Trustees, management, and grant awarding agencies. It is not intended to be and should not be used by anyone other than these specified parties.

McCulley & McCulley

Weatherford, Oklahoma

March 19, 2014

TOWN OF LEEDEY, OKLAHOMA
SCHEDULE OF FINDINGS AND DEFICIENCIES
FOR THE YEAR ENDING JUNE 30, 2012

1. Adequate Segregation of Duties.

Condition and Effect - The Town and Authority do not have adequate segregation of duties for internal control structure purposes due to a limited amount of personnel. The effect of this weakness could allow fraud to occur and not be detected in a timely manner.

Recommendation - Segregate the duties as much as possible if new employees are hired.

Response - These entities have purchased surety bond insurance to reduce any risk of loss and considers the cost of adequately segregating these duties as not being economically feasible.

2. Reconstruction of the Accounting Records.

Condition and Effect - The Town had a computer system crash and lost its accounting records in fiscal year 2011. The back up system that was in place at that time was not able to be restored on the new computer system. The Town now uses an online backup system. The time it took to reconstruct the accounting records resulted in these deficiencies for fiscal year 2011 and 2012: 1) Several entries posted were posted with the incorrect date. (ie. 2011 year was posted as 2001, 2012 was posted as 2002). 2) Bank reconciliations to the reconstructed records were done after the fiscal year end. When errors were found, the corrections were posted as of the date the error was found versus being corrected as of the date it should have been posted. The errors in the year entered as noted in 1) above were not found and corrected. 3) Reconciling items in the bank reconciliations were not investigated to ensure they were properly recorded as outstanding items. Noted several checks and deposits outstanding on the bank reconciliation that either should have been cleared or corrections made for duplicate postings. The effect is not having a proper ending balance for the cash in bank amounts in the accounting records.

Recommendation - When reconstructing the accounting records, the Town should still post the transactions as of the date they occurred. To ensure accuracy, the Town should make sure the dates are posted correctly. One way to help is to use the accounting program password protection system that allows you to set a password to prevent any accidental posting of a transaction to a prior period. Reconciling items on bank reconciliations should be reviewed and double checked to ensure they are not duplicate postings. Corrections that are found should be posted as of the date they occurred versus the date they were found. Backup systems should be tested to ensure they can be restored, if necessary.

TOWN OF LEEDEY, OKLAHOMA
SCHEDULE OF FINDINGS AND DEFICIENCIES
FOR THE YEAR ENDING JUNE 30, 2012

2. Reconstruction of the Accounting Records (continued).

Response - The Town will make the corrections for the duplicate postings and do better review of the bank reconciliations in the future. The delay in reconciling the bank statements was due to reconstructing the accounting records. The Town is current now on its bank reconciliations. It will make the audit adjustments to the bank accounts and correct the reconciliations for the corrected items. The Town will also investigate other reconciling items shown after June 30, 2012, to make sure they are true reconciling items.

**TOWN OF LEEDEY, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

1. Adequate Segregation of Duties.

Condition and Effect - The Town and Authority do not have adequate segregation of duties for internal control structure purposes due to a limited amount of personnel. The effect of this weakness could allow fraud to occur and not be detected in a timely manner.

Recommendation - Segregate the duties as much as possible if new employees are hired.

Response - These entities have purchased surety bond insurance to reduce any risk of loss and considers the cost of adequately segregating these duties as not being economically feasible.

Updated Comment - Condition is the same. Comment repeated in the current year's audit.

2. Balancing of Meter Deposit Liability Subsidiary Records.

Condition and Effect - The Public Works Authority (PWA) uses a manual accounting system for meter deposits subsidiary records. It also has been using the computer deposit listing and working on making it current. The PWA has not been reconciling these meter deposit subsidiary records to the general ledger control account since June, 2008. The effect of not balancing these records could result in errors and possibly fraud occurring. This is a repeat comment.

Recommendation - Meter deposit subsidiary ledgers should be reconciled monthly to the general ledger control account to ensure all are properly recorded and accounted in the proper fund.

Response - These records have not been balanced monthly. The Authority will work on getting these reconciliations done and up to date.

Updated Comment - This recommendation was implemented after the fiscal year end when the PWA changed billing programs. It will be removed in the current year's audit report.

3. Reconstruction of the Accounting Records.

Condition and Effect - The Town had a computer system crash and lost its accounting records. The back up system that was in place was not able to be restored on the new computer system. Reconstruction of the accounting records resulted in these deficiencies noted: 1) Several entries posted were posted with the incorrect date. (ie. 2011 year was posted as 2001). 2) Bank reconciliations to the reconstructed records were done after the fiscal year end. When errors were found, the corrections were posted as

**TOWN OF LEEDEY, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

3. Reconstruction of the Accounting Records (continued).

of the date the error was found versus being corrected as of the date it should have been posted. The errors in the year entered as noted in 1) above were not found and corrected. 3) Reconciling items in the bank reconciliations were not investigated to ensure they were properly recorded. Noted several checks and deposits outstanding on the bank reconciliation that either should have been cleared or corrections made for duplicate postings. The effect is not having a proper ending balance for the cash in bank amounts in the accounting records.

Recommendation - When reconstructing the accounting records, the Town should still post the transactions as of the date they occurred. To ensure accuracy, the Town should make sure the dates are posted correctly. One way to help is to use the accounting program password protection system that allows you to set a password to prevent any accidental posting of a transaction to a prior period. Reconciling items on bank reconciliations should be reviewed and double checked to ensure they are not duplicate postings. Corrections that are found should be posted as of the date they occurred versus the date they were found. Backup systems should be tested to ensure they can be restored, if necessary.

Response - The Town will make the corrections for the duplicate postings and do better review of the bank reconciliations in the future. The Town has also changed its backup system to another online system.

Updated Comment - This recommendation was partially implemented. Comment revised in the current year's audit report.

4. Utility Billing System Control Ledger.

Condition and Effect - The utility billing system manual control ledger summarizing the activity for the utility billing system had numerous errors in it. Some errors noted were input amounts, addition errors, and some months were not even totaled. The ending account balance did not agree to the utility aging reports and a reconciliation was not done to explain the difference. The effect of not reconciling the billing system manual control ledger to the billing reports could result in errors or fraud occurring and not be detected within a reasonable period.

Recommendation - Due proper care should be taken to record the proper information from the billing reports to this ledger, summarize the information properly, and reconcile the ending balance to the utility aging schedule each and every month.

Response - The Authority will prepare the ledger and balance it each and every month.

TOWN OF LEEDEY, OKLAHOMA
UPDATE ON PRIOR YEAR AUDIT COMMENTS
FOR THE YEAR ENDING JUNE 30, 2012

4. Utility Billing System Control Ledger (continued).

Updated Comment - This recommendation was implemented in January 2012. It will be removed in the current year's audit report.