Town of Foyil
Rogers County, Oklahoma

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2011

Town of Foyil
Rogers County, Oklahoma

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Town of Foyil
Management Discussion & Analysis
For the Year Ended June 30, 2011

This section of the Town of Foyil's financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's net assets decrease $95,977 from fiscal year 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information* and an optional section that presents supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's operations in more detail that the government-wide financial statements.
  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summaries the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of Town of Foyil's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government (except fiduciary funds) and Town's component units	The activities of the Town are not proprietary or fiduciary, such as police, fire, and parks.	Activities the Town operates similar to private businesses: the water and sewer system, and parking facilities.
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net assets *Statement of revenues, expenses, and changes in net assets *Statement of cash flows
Accounting basis and Measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources Focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities; both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflows/outflow information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net assets* and how they have changed. Net assets - the difference between the Town's assets and liabilities - is one way to measure the Town's financial health, or *position.*

* Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Town are divided into three categories:

* *Government activities* - Most of the Town's basic services are included here, such as the police, fire, public works, parks departments and general administration. Sales taxes, use taxes and grants finance most of these activities.

* *Business-type activities* - The Town charges fees to customers to help it cover the costs of certain services it Provides. The Towns sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has two kinds of funds:

* *Governmental Funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or in the subsequent page, that explains the relationship (or differences) between them.

* *Proprietary Funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Assets. (See Table A-1).

Table A-1
Town of Foyil's Net Assets

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Current and other assets	$ 41,718	$ 54,047	$ 146,954	$ 146,183
Capital assets	10,498	4,359	1,436,792	1,471,228
Total Assets	**52,216**	**68,133**	**1,583,745**	**1,617,410**
Other liabilities	7,144	2,723	454,909	470,047
Total Liabilities	**7,144**	**2,723**	**454,909**	**470,047**
Net assets				
Invested in capital assets	113,717	7,128	972,367	1,003,924
Restricted	0	0	10,115	7,572
Unrestricted	45,071	55,683	146,354	145,651
Total Net Assets	$ 158,788	$ 62,812	$1,128,836	$1,157,147

Governmental Activities

Table A-2
Changes in Town of Foyil's Net Assets

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Revenues				
Program revenues				
Investment earnings	$ 408	$ 520	$ 8	$ 7
Sewer Charges			9,568	10,364
General revenues				
Sales tax revenues (net)	24,008	19,410	72,107	58,229
Other taxes	9,115	8,794		
Other	200	0		
Total Revenues	**33,731**	**28,724**	**87,679**	**293,640**
Expenses				
Personal services	19,522	19,557		2,400
Interest Expense			20,085	20,769
Maintenance and operation	42,724	19,349	89,905	59,119
Total Expenses	**62,246**	**38,906**	**109,990**	**82,288**
Increase (Decrease) in Net Assets	$ 95,577	$(10,182)	$(28,311)	$(13,688)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General Fund Budgetary Highlights

The actual expenditures were $83,100 under final budget amounts and revenues collected were $93,713 under the amount estimated. Which resulted in a $10,613 decrease in the total fund budget appropriation.

Capital Assets

Table A-4
Town of Foyil's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Land	$ 2,000	$ 2,000	$ 132,430	$ 132,430
Building and improvements	111,717	5,128	1,294,247	1,331,226
Construction in progress	0	0	0	0
Total	$ 113,717	$ 7,128	$1,426,677	$1,463,656

Town of Foyil
Rogers County, Oklahoma
Budget and Actual - General Fund
Budgeted Governmental Fund Types
For the Year Ended June 30, 2011

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 46,313	$ 46,313	$ 33,222	$ (13,091)
Investment income	450	450	408	(42)
Grant Income	194,325	194,325	113,645	(80,680)
Sales, services, fines & other	0	0	100	0
Total revenues	241,088	241,088	147,375	(93,713)
Expenditures				
Personal service	18,000	18,000	19,522	(1,522)
Maintenance and operation	223,088	223,088	138,466	116,158
Total Expenditures	241,088	241,088	157,988	83,100
Excess of Revenues over/(under) expenditures	0	0	(10,613)	(10,613)
Fund Balance, beginning	0	0	55,683	55,683
Fund Balance, end of year	$ 0	$ 0		$ 45,071
Amount reported for general fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting.			0	
Cash Fund Balance – General Fund			$ 45,071	

Kirkendall & Swindell CPAs, PLLC
Certified Public Accountants
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Claremore, OK 74017
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Independent Auditor's Report

Board of Trustees
Town of Foyil

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. as of the ***Town of Foyil, Rogers County, 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. The financial statements are the responsibility of ***Town of Foyil, Rogers County, Oklahoma's*** management. Our responsibility is to express an opinion 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 opinion.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Town of Foyil, Rogers County, 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.

In accordance with *Government Auditing Standards*, we have also issued my report dated September 25, 2011 on our consideration of the ***Town of Foyil, Rogers County, Oklahoma*** internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information of pages 1 through 5 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the ***Town of Foyil, Rogers County, Oklahoma*** basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

Kirkendall & Swindell CPAs, PLLC

Kirkendall & Swindell CPAs, PLLC
September 25, 2011

Kirkendall & Swindell CPAs, PLLC
Certified Public Accountants
405 W. Claremore St.
Claremore, OK 74017
(918) 342-5474

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

Board of Trustees
Town of Foyil
Rogers County, Oklahoma

We have audited the financial statements of ***Town of Foyil, Rogers County, Oklahoma*** for the year ended June 30, 2011, and have issued our report thereon dated September 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Foyil, Rogers County, Oklahoma*** internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and to not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ***Town of Foyil, Rogers County, Oklahoma*** financial statements are free of material misstatement, we performed tests of the 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 my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, and State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Kirkendall & Swindell CPAs PLLC

Kirkendall & Swindell CPAs, PLLC
September 25, 2011

Town of Foyil
Rogers County, Oklahoma
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 41,718.08	$ 139,809.02	$ 181,527.10
Accounts Receivable		7,144.32	7,144.32
Due from other Governments	10,497.60		10,497.60
Total Current Assets	52,215.68	146,953.34	199,169.02
Non-current Assets:			
Cash and Cash Equivalents – restricted		10,114.92	10,114.92
Capital Assets:			
Property, Plant and Equipment, net	113,717.13	1,426,677.04	1,540,394.17
Total Non-current Assets	113,717.13	1,436,791..96	1,550,509.09
Total Assets	165,932.81	1,583,745.30	1,749,678.11
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,144.32		7,144.32
Accrued Interest Payable		599.06	599.06
Current Portion of Notes Payable		5,351.00	5,351.00
Total Current Liabilities	7,144.32	5,950.06	13,094.38
Long term Liabilities:			
Note Payable – ODOC		448,958.89	448,958.89
Total Liabilities	7,144.32	454,908.95	462,053.27
NET ASSETS			
Invested in capital assets, net of related debt	113,717.13	972,367.15	1,086,084.28
Unassigned Fund Balance	45,071.36		45,071.36
Restricted		10,114.92	10,114.92
Unrestricted		146,354.28	146,354.28
Total Net Assets	$ 158,788.49	$ 1,128,836.35	$ 1,287,624.84

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

Town of Foyil
Rogers County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
General Government	$ 51,398.54	$ 0.00	$ 0.00	$ 113,645.00	$ 62,246.46
Business Type Activities					
Water and Sewer	109,989.23	9,567.71	0.00	0.00	(100,421.52)
TOTAL	**$ 161,387.77**	**$ 9,567.71**	**$ 0.00**	**$ 113,645.00**	**$ (38,175.06)**

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Totals
Changes in Net Assets:			
Net (expense) revenue	$ 62,246.46	$ (100,421.52)	$ (38,175.06)
General revenues:			
Taxes:			
Sales	96,110.57		96,110.57
Franchise Tax	4,183.44		4,183.44
Cigarette Tax	1,310.95		1,510.95
Resale Apportionment	53.29		53.29
Alcoholic Beverage Tax	1,377.16		1,377.16
Reimbursements	200.00		200.00
Restricted for transportation purposes:			
Motor Vehicle Tax	1,668.93		1,668.93
Gasoline Tax	520.96		520.96
Interest Income	408.39	7.56	415.95
Transfers - Internal Activity	(72,103.17)	72,103.17	0.00
Total Taxes	33,730.52	72,110.73	105,841.25
Change in Net Assets	95,976.98	(28,310.79)	67,666.19
Net Assets-beginning	62,811.51	1,157,147.14	1,219,958.65
Net Assets-ending	$ 158,788.49	$ 1,128,836.35	$ 1,287,624.84

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

Town of Foyil
Rogers County, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2011

	General Fund
ASSETS	
Cash	$ 41,718.08
Due from other Governments	10,497.60
Total Assets	$ 52,215.68
LIABILITIES & FUND EQUITY	
Liabilities:	
Accounts Payable	$ 7,144.32
Fund Equity:	
Unreserved	45,071.36
Total Liabilities & Fund Equity	$ 52,215.68

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

Town of Foyil
Rogers County, Oklahoma
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Total Fund Balances – Governmental Funds	$ 52,215.68
Amounts reported for governmental activities in the statement of net assets are different because:	
Acounts payable	(7,144.32)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. These cost of the assets is $123,610 and the accumulated depreciation is $9,893 for a net book value of $113,717.	113,717.13
Net Assets of Governmental Activities	$ 158,788.49

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

Town of Foyil
Rogers County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Funds
REVENUES	
Investment Income	$ 408.39
Other income	100.00
Taxes	105,325.30
Total Revenues	105,833.69
EXPENDITURES	
General Government	
Personal Services	19,521.85
Maintenance and Operation	28,650.67
Capital Outlay	109,815.00
Total Expenditures	157,987.52
Excess (deficit) of revenues over expenditures	(52,153.83)
Other Financing Sources (Uses)	
Grant Income	113,645.00
Transfer Out	(72,103.17)
Total Other Financing Sources (Uses)	41,541.83
Net Change in Fund Balance	(10,612.00)
Fund Balance - Beginning of Year	55,683.36
Fund Balance - End of Year	$ 45,071.36

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

Town of Foyil
Rogers County, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances – Total Governmental Funds	$ (10,612.00)
Amounts reported for governmental activities in the statement of activities are different because:	
In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.	
Capital Expenses	109,815.00
Depreciation expense	(3,226.02)
Change in Net Assets of Governmental Activities	$ 95,976.98

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

Town of Foyil
Rogers County, Oklahoma
Statement of Net Assets
Proprietary Funds-Enterprise Funds
June 30, 2011

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 139,809.02
Accounts receivable	7,144.32
Total Current Assets	146,953.34
Non-current Assets:	
Cash and Cash Equivalents – Restricted	10,114.92
Capital Assets:	
Property, Plant and Equipment, net of Accumulated Depreciation	1,426,677.04
Total Non-current Assets	1,436,791.96
Total Assets	1,583,745.30
LIABILITIES	
Current Liabilities:	
Accrued Interest Payable	599.06
Current Portion of Notes Payable	5,351.00
Total Current Liabilities	5,950.06
Long-Term Liabilities:	
N/P ODOC	448,958.89
Total Liabilities	454,908.95
NET ASSETS	
Invested in capital assets, net of related debt	972,367.15
Restricted	10,114.92
Unrestricted	146,354.28
Total Net Assets	$ 1,128,836.35

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

Town of Foyil
Rogers County, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

Operating Revenues:	
Sewer Charges	$ 9,367.71
Sewer Taps	200.00
Reimbursements	0.00
Total Operating Revenues	9,567.71
Operating Expenses:	
Insurance	1,258.00
Other	343.48
Office Expenses	63.75
Payroll Expenses	2,400.00
Professional Fees	2,036.55
Repairs	46,825.00
Depreciation	36,978.48
Total Operating Expenses	89,905.26
Operating Income	(80,337.55)
Non-Operating Revenues (Expenses):	
Interest Income	7.56
Interest Expense	(20,084.57)
Sales Tax - Town of Foyil	72,103.77
Total Non-Operating Revenues (Expenses)	52,026.76
Net Income (Loss)	(28,310.79)
Total Net Assets-Beginning	1,157,147.14
Total Net Assets-Ending	$ 1,128,836.35

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

Town of Foyil
Rogers County, Oklahoma
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$	9,567.71
Payments for goods and services		(52,926.78)
Net Cash Provided (Used) from Operating Activities		(43,359.07)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales Tax Income		67,682.53
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal Payments on Long Term Debt		(5,421.75)
Interest Paid on Long Term Debt		(20,016.87)
		(25,438.62)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income		7.56
Net cash inflow (outflow) from all activities		(1,107.60)
Cash and cash equivalents, beginning of year		151,031.54
Cash and cash equivalents, end of year	$	149,923.94
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$	(80,337.55)
Adjustments to reconcile operating income (loss) in net assets to net cash provided by operating activities		
Depreciation/amortization		36,978.48
Net cash provided (used) by operating activities	$	(43,359.07)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the Town's 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 principles 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) pronouncement 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.

For the fiscal year ended June 30, 2005, the Town implemented the new financial reporting requirements of GASB Statements No. 33 and 34 and in fiscal year June 30, 2011 the Town implemented the GASB 54. As a result, an entirely new financial presentation format has been implemented. This implementation will affect comparability with reports issued in prior years.

Reporting Entity

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

Primary Government:	Town of Foyil
Blended Component Unit:	Foyil Economic Development 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.

Component Unit	**Brief Description/Inclusion Criteria Reporting**
Foyil Economic Development Authority	Created to finance, develop and operate the Enterprise Fund sewer services activities.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 expenditure/expenses. Fund 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 expenditure/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 that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

GOVERNMENTAL FUNDS

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

PROPRIETARY FUND

Enterprise Fund. 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:

Foyil Economic Development Authority	Accounts for activities of the public trust in providing sewer services to the public.

MAJOR AND NON-MAJOR FUNDS

Major: General fund
Proprietary Fund: Foyil Economic Development Authority

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting

Measurement focus is a term used to describe "when" 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

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

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.
b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) 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 of 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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed 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, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost is actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed 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.

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

Asset Class	Estimated Useful Lives
Buildings	20-60
Building improvements	20-60
Utility system	20-60
Equipment	3-20

Fund Financial Statements

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

The Town's does not have a compensated absences policy, therefore, there are not amounts recorded as liabilities in the financial statements.

Employee Pension Plans

The Town does not offer a pension plan to its employees.

Equity Classifications

Equity Classifications

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 bonds, 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".
d. Assigned fund balance – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.
e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained in tact.
f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

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".

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

EXPENDITURES/EXPENSES
In the government-wide financial statements, expenses 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 function), Debt Service, Capital Outlay
Proprietary Funds – 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.

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 and regulations and demonstration of its stewardship over Town resources follows:

Fund Accounting Requirements
The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

Fund	Required By
Economic Development Authority Fund	Trust Indenture

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

Revenue Source	Legal Restrictions of Use
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Sewer Revenue	Utility Operations

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

Deposits 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 bonds. 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 III A., all deposits were fully insured or collateralized.

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 a., b., c., and d.

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.

OTHER LONG-TERM DEBT

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.

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: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

CASH AND INVESTMENTS

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of 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 District 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 because there were uninsured or uncollateralized.

Accounts Receivable

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

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

Governmental Activities	Business-Type Activities	Total
$ 10,497.60	$ 7,144.32	$ 17,641.92

Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,000	$	$	$ 2,000
Capital assets being depreciated:				
Equipment	3,795			3,795
Building	8,000	109,815		117,895
Total capital assets being depreciated	13,795	109,815	0	123,610
Less accumulated depreciation for:				
Buildings and improvements	6,667	3,226	0	9,893
Governmental activity capital assets, net	$ 7,128	$ 113,041	$ 0	$ 113,717
Business-type activities:				
Capital assets being depreciated:				
Land	$ 132,430	$	$	$ 132,430
Sewer System	1,442,161			1,442,161
Total capital assets being depreciated	1,574,591	$ 0	$ 0	1,574,591
Less accumulated depreciation for:				
Land and Sewer System	110,935	$ 36,978	$ 0	147,914.
Business-type activity capital assets, net	$1,463,656			$ 1,426,677

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)

Long Term Debt

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 the Rural Utilities Service in the principal amount of $475,000. The note bears interest at 4.375% with monthly installments of $2,119 for a term of forty years.

The note matures as follows:

Year Ended June 30	Principal	Interest	Total
2012	$ 5,351	$ 20,077	$ 25,428
2013	5,589	19,839	25,428
2014	5,839	19,589	25,428
2015	6,100	19,328	25,428
2016-2021	42,760	84,380	127,140
2022-2026	45,268	81,872	127,140
2027-2031	56,315	70,825	127,140
2032-2036	70,057	57,083	127,140
2037-2041	87,153	39,987	127,140
2042-2046	108,420	18,720	127,140
2047	21,458	2,223	23,681
Totals	$454,310	$433,923	$ 888,233

Reserve requirements: 1% of monthly payment should be made to a restricted account until the amount reaches one annual installment of $212 a month until amount reaches $25,428.

The following is a schedule of the changes in long term debt for the current year:

	Beginning of Year	Additions	Deletions	End of Year
Rural Utilities Service	$ 459732	$ 0	$ 5422	$ 454310

A. Audit Findings – Prior Year

2008-1:

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more that inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The Town of Foyil currently does not report their financial data in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate, complete financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more that inconsequential will not be prevented or detected.

B. Audit Findings – Current Year

Compliance

NONE

Internal Control Over Financial Reporting

NONE

C. Questioned Costs

NONE