

Financial Statements and Reports of
Certified Public Accountant
Town of Langley, Oklahoma
June 30, 2012

Ober & Associates Inc., PC
Certified Public Accountants
124 South Main
Miami, Oklahoma 74354
918-542-4401

**Town of Langley, Oklahoma
Town Officials
June 30, 2012**

Board of Trustees

Mayor	Margaret Rutherford
Member	Dee Anne Midgett
Member	Tom Hopper
Member	William Long
Member	Phil Bethel

Clerk/Treasurer

Christine Morrison

Town of Langley, Oklahoma
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OBER & ASSOCIATES INC., PC

CERTIFIED PUBLIC ACCOUNTANTS

124 South Main

Miami, Oklahoma 74354

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Langley, 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 of Langley, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, and each major fund of the Town of Langley, 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.

As discussed in Note IV E to the financial statements, certain errors resulting in overstatement (understatement) of previously reported cash balances, payroll liabilities and capital assets as of June 30, 2011, were discovered by management of the Town during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2011, to correct these errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013, on our consideration of the Town of Langley, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 on pages 3 through 10 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

To the Mayor and Board of Trustees
Town of Langley, Oklahoma
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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 of Langley, Oklahoma's financial statements as a whole. The accompanying schedule of state and federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of state and federal financial assistance is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
March 4, 2013

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**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Our discussion and analysis of the Town of Langley's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The Town's Net Assets increased by \$53,997 or almost 3% this fiscal year, resulting in total Net Assets of \$1,891,429 as of June 30, 2012.
- Current year general fund revenues totaled \$623,052.
- Current year general fund expenditures were \$919,268.
- The Public Works Authority had operating revenues of \$302,895 and an operating loss of \$413,674 for the year. Net non-operating revenues, including \$402,569 in sales tax combined with other non-operating revenues and expenses to produce a total net loss of \$43,688 for the year.
- Also, the PWA purchased new pump equipment at a cost of \$7,171 as well as completing the water intake project at a total cost of \$400,150.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-12) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins on page 5. One of the most important questions asked about the Town's finances is, Is the Town as a whole better off or worse off as a result of this year's activities? The Statement of Net Assets and the Statement of Activities provide information about the Town as a whole and about its activities in a way that helps answer this question. The statements include *all* assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in those net assets. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the fire, general administration, streets, animal control and police. Sales taxes, franchise fees, fines and state grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Reporting the Town's Most Significant Funds

Fund Financial Statements

Our analysis of the Town's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information about the Town's most significant funds—not the Town as a whole. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental Funds** – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information 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. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds.

- **Proprietary Funds** – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities reported in the government-wide statements, but more detail and additional information (such as the Statement of Cash Flows) is provided in the fund financial statements.

**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

THE TOWN AS A WHOLE

The Town's Net Assets are reported in the Statement of Net Assets on page 10.

For the year ended June 30, 2012, the net assets for the Town's Governmental and Business-type Activities changed as follows:

	Summary of Net Assets			
	Governmental Activities		Business-type Activities	
	6/30/2011	6/30/2012	6/30/2011	6/30/2012
Current Assets	\$ 96,334	\$ 148,865	\$ 915,790	\$ 1,018,268
Restricted Assets			311,474	138,639
Capital Assets	1,750,907	1,661,866	4,042,479	4,037,485
Other Assets	256,889	306,638	75,957	72,902
Total Assets	<u>2,104,130</u>	<u>2,117,369</u>	<u>5,345,700</u>	<u>5,267,294</u>
Current Liabilities	22,040	16,898	66,467	109,499
Noncurrent Liabilities	244,658	209,041	1,733,696	1,655,659
Total Liabilities	<u>266,698</u>	<u>225,939</u>	<u>1,800,163</u>	<u>1,765,158</u>
Net Assets Invested in Capital				
Assets, net of related debt	1,506,249	1,452,825	2,306,838	2,413,656
Restricted Net Assets	-	-	100,424	100,424
Unrestricted Net Assets	331,183	438,605	1,138,275	988,056
Total Net Assets	<u>\$ 1,837,432</u>	<u>\$ 1,891,429</u>	<u>\$ 3,545,537</u>	<u>\$ 3,502,136</u>

This reflects an increase of less than 1% for governmental activities and about a 1% decrease for business-type activities.

**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities	
	6/30/2011	6/30/2012	6/30/2011	6/30/2012
Charges for services	\$ 35,092	\$ 49,597	\$ 312,056	\$ 300,704
Grants and contributions	30,691	8,861	322,982	31,628
Sales and use taxes	820,713	500,095	397,186	402,569
Other taxes	20,589	25,267	-	-
Franchise taxes	12,034	14,572	-	-
Other	24,229	24,659	7,177	8,499
Total Revenues	<u>943,348</u>	<u>623,052</u>	<u>1,039,402</u>	<u>743,400</u>
Expenses:				
General Government	64,888	83,882	-	-
Town Management	49,684	43,533	-	-
Town Clerk	14,902	15,025	-	-
Public Safety and Judiciary				
Animal Control	6,006	3,667	-	-
Town Attorney	3,545	2,913	-	-
Fire Department	74,709	79,330	-	-
Municipal Court	3,300	3,600	-	-
Police Department	217,599	207,951	-	-
Transportation:				
Street & Alley	42,811	29,290	-	-
Culture, Parks and Recreation				
Library	66,621	63,905	-	-
Parks	21,670	17,525	-	-
Town Utilities	-	-	721,300	787,088
Total Expenses:	<u>565,735</u>	<u>550,622</u>	<u>721,300</u>	<u>787,088</u>
Transfers	<u>363,942</u>	-	-	-
Loss on Asset Disposal	<u>17,699</u>	<u>18,433</u>	-	-
Change in Net Assets	(4,028)	53,997	318,102	(43,688.13)
Beginning Net Assets	<u>1,841,460</u>	<u>1,837,432</u>	<u>3,227,722</u>	<u>3,545,824</u>
Ending Net Assets	<u>\$ 1,837,432</u>	<u>\$ 1,891,429</u>	<u>\$ 3,545,824</u>	<u>\$ 3,502,136</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Business-type Activities

In reviewing the departmental Net (Expense)/Revenue the PWA is showing a net operating loss of \$413,674. However this number does not reflect the income from grants, interest and sales tax. When these income numbers are included, the PWA shows a net loss for the year of \$43,688.

THE TOWN'S FUNDS

General Fund

The general fund balance sheet and statement of revenues, expenditures and changes in fund balances is presented on pages 13-14 followed by a reconciliation to the government-wide statement on page 15.

General fund revenues of \$623,052 included \$539,934 or 92% in taxes, including sales tax, use tax, franchise tax, occupational tax, motor vehicle collections, alcoholic beverage tax, tobacco tax and gasoline tax.

Proprietary Fund

The proprietary fund statements are presented on pages 16-19. The proprietary fund reported a decrease in net assets of \$43,688, resulting in a balance of net assets as of June 30, 2012 of \$3,502,136. The proprietary fund Statement of Cash Flows on page 18 indicates a total net cash outflow for the year from all proprietary activities of \$69,049.

**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's budget is prepared according to Oklahoma law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the fiscal year, the Town Council authorizes revisions to the original budget if necessary to accommodate differences from the original budget to the actual expenditures of the Town. A schedule showing the Town's original and final budget amounts compared with amounts actually paid and received is provided on page 36.

In the General Fund, actual revenues were \$113,313 more than budgeted and actual expenditures were held to \$142,604 less than budgeted, resulting in a general fund balance carryover of \$255,917.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the Town had \$1,661,866 invested in a broad range of capital assets, including land, buildings, fire trucks, police cars, equipment and its water distribution system. After disposals this amount represents a decrease of \$87,709 from last year.

More information on the Town's capital assets can be found in Note III on page 32.

**Town of Langley, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Debt Administration

At June 30, 2012, the Town had \$1,905,772 in capital leases and notes payable outstanding, with \$78,296 due within one year.

	Governmental Activities	Business-Type Activities	Total
Capital Lease Obligations	\$ 209,041	\$ -	\$ 209,041
Notes Payable	-	1,696,731	1,696,731
Total	\$ 209,041	\$ 1,696,731	\$ 1,905,772

More information on the Town's long-term debt can be found in Note III on pages 33-34.

The Oklahoma Constitution limits the amount of general obligation debt that municipalities can issue for non-utility or non-street purposes to no more than 10% of the net assessed valuation. For the year ending June 30, 2012, the Town had no outstanding general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town Council and management considered many factors when setting the fiscal year June 30, 2012 budget, including economic trends and issues, trends in residential growth, and known information about State and Federal grants.

Our Estimate of Needs for General Fund for the year ended June 30, 2013 is \$774,463.

If revenue estimates are realized, we expect to maintain our General Fund balance at the same level as we ended the current fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 760, Langley, OK 74350-0760.

Town of Langley, Oklahoma
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 96,886.97	\$ 642,420.52	\$ 739,307.49
Investments	50,000.00	339,320.89	389,320.89
Deposit with Third Party Administrator	115,662.85	-	115,662.85
Accounts Receivable	-	32,570.38	32,570.38
Due from Other Governments	190,974.89	-	190,974.89
Prepaid Insurance	1,978.10	3,956.21	5,934.31
Total Current Assets	<u>455,502.81</u>	<u>1,018,268.00</u>	<u>1,473,770.81</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	-	138,638.86	138,638.86
Capital Assets:			
Property, Plant and Equipment, net	1,661,865.77	4,037,485.10	5,699,350.87
Other Assets:			
Bond and Loan Costs, net	-	72,902.02	72,902.02
Total Noncurrent Assets	<u>1,661,865.77</u>	<u>4,249,025.98</u>	<u>5,910,891.75</u>
TOTAL ASSETS	<u>2,117,368.58</u>	<u>5,267,293.98</u>	<u>7,384,662.56</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	6,482.97	5,922.51	12,405.48
Payroll Taxes and Withholding Payable	1,791.70	3,670.02	5,461.72
Accrued Interest	8,623.49	20,619.57	29,243.06
Payable from Restricted Assets:			
Meter Deposits Payable	-	38,215.00	38,215.00
Current Portion of Notes Payable	-	41,072.00	41,072.00
Current Portion of Capitalized Lease Obligation	37,224.30	-	37,224.30
Total Current Liabilities	<u>54,122.46</u>	<u>109,499.10</u>	<u>163,621.56</u>
Noncurrent Liabilities:			
Notes Payable	-	1,655,659.00	1,655,659.00
Capital Lease Obligation	171,816.96	-	171,816.96
Total Noncurrent Liabilities:	<u>171,816.96</u>	<u>1,655,659.00</u>	<u>1,827,475.96</u>
TOTAL LIABILITIES	<u>225,939.42</u>	<u>1,765,158.10</u>	<u>1,991,097.52</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,452,824.51	2,413,656.12	3,866,480.63
Restricted	-	100,423.86	100,423.86
Unrestricted	438,604.65	988,055.90	1,426,660.55
TOTAL NET ASSETS	<u>\$ 1,891,429.16</u>	<u>\$ 3,502,135.88</u>	<u>\$ 5,393,565.04</u>

See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government:					
Managerial	\$ 43,533.24	\$ 650.00	\$ -	\$ -	\$ (42,883.24)
City Clerk/Treasurer	15,025.00	-	-	-	(15,025.00)
Maintenance and Operation	83,882.12	-	-	-	(83,882.12)
Capital Outlay	-	-	-	-	-
Total General Government	<u>142,440.36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,790.36)</u>
Public Safety and Judiciary:					
City Attorney	2,913.00	-	-	-	(2,913.00)
Fire	79,329.59	4,310.65	4,412.77	-	(70,606.17)
Municipal Court	3,600.00	-	-	-	(3,600.00)
Police	207,951.40	44,635.98	3,926.30	-	(159,389.12)
Total Public Safety and Judiciary	<u>293,793.99</u>	<u>48,946.63</u>	<u>8,339.07</u>	<u>-</u>	<u>(236,508.29)</u>
Transportation:					
Street and Alley	<u>29,290.30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,290.30)</u>
Culture, Parks and Recreation:					
Animal Control	3,666.96	-	-	-	(3,666.96)
Parks	17,525.24	-	-	-	(17,525.24)
Library	63,904.75	8,237.72	522.00	-	(55,145.03)
Total Culture, Parks & Recreation	<u>85,096.95</u>	<u>8,237.72</u>	<u>522.00</u>	<u>-</u>	<u>(76,337.23)</u>
Total Governmental Activities	<u>550,621.60</u>	<u>57,184.35</u>	<u>8,861.07</u>	<u>-</u>	<u>(483,926.18)</u>
Business-Type Activities:					
Utilities	<u>787,087.73</u>	<u>300,703.65</u>	<u>-</u>	<u>31,627.75</u>	<u>(454,756.33)</u>
Total	<u>\$ 1,337,709.33</u>	<u>\$ 357,888.00</u>	<u>\$ 8,861.07</u>	<u>\$ 31,627.75</u>	<u>\$ (938,682.51)</u>

(continued)

See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Statement of Activities (continued)
For the Year Ended June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Asset:			
Net (Expense)/Revenue	\$ (483,926.18)	\$ (454,756.33)	\$ (938,682.51)
General Revenues:			
Taxes:			
Sales and Use Taxes	500,094.99	402,568.88	902,663.87
Franchise and Public Service Taxes	14,572.15	-	14,572.15
Motor Vehicle Collections	5,683.08	-	5,683.08
Alcoholic Beverage Tax	5,618.29	-	5,618.29
Gasoline Tax	926.33	-	926.33
Tobacco Tax	13,039.53	-	13,039.53
Investment Income	635.62	6,308.32	6,943.94
Sale/Rent of Property	1,525.00	-	1,525.00
Other Income	2,825.44	2,191.00	5,016.44
Reimbursements	11,435.74	-	11,435.74
Loss on Disposal of Asset	(18,432.56)		(18,432.56)
Total General Revenues and Transfers	<u>537,923.61</u>	<u>411,068.20</u>	<u>967,424.37</u>
Change in Net Assets	53,997.43	(43,688.13)	28,741.86
Net Assets, Beginning of Year	1,837,431.73	3,545,824.01	5,383,255.74
Net Assets, End of Year	<u>\$ 1,891,429.16</u>	<u>\$ 3,502,135.88</u>	<u>\$ 5,411,997.60</u>

See accompanying notes to the financial statements and accountant's compilation report.

**Town of Langley, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2012**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 96,886.97
Investments	50,000.00
Deposit with Third Party Administrator	115,662.85
Due from Other Governments	190,974.89
Prepaid Insurance	1,978.10
TOTAL ASSETS	<u><u>\$ 455,502.81</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 6,482.97
Payroll Taxes and Withholdings Payable	1,791.70
Total Liabilities	<u>8,274.67</u>
Fund Balances:	
Cash Fund Balance, Unreserved	<u>447,228.14</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 455,502.81</u></u>
 <u>Reconciliation to the Statement of Net Assets</u>	
Total Governmental Funds Balance	447,228.14
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 as assets in governmental funds. The cost of the assets is \$2,048,168.42 and the accumulated depreciation is \$386,302.65 for a net book value of \$1,661,865.77 .	
	1,661,865.77
Long-term liabilities, including capitalized lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Accrued Interest Payable	(8,623.49)
Capitalized Lease Obligations Payable	<u>(209,041.26)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,891,429.16</u></u>

See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2012

	General Fund
	<u> </u>
Revenues:	
Taxes	\$ 539,934.37
Grants	8,861.07
Charges for Services	4,960.65
Fines and Forfeitures	44,635.98
Investment Income	635.62
Reimbursements	11,435.74
Sale/Lease of Property	1,525.00
Other Revenue	11,063.16
Total Revenues	<u>623,051.59</u>
Expenditures:	
General Government:	
City Clerk/Treasurer	15,025.00
Managerial	43,533.24
Maintenance and Operation	75,535.90
Public Safety and Judiciary:	
City Attorney	2,913.00
Fire	59,154.70
Municipal Court	3,600.00
Police	212,603.42
Transportation:	
Street and Alley	29,290.30
Parks and Recreation:	
Animal Control	3,666.96
Parks	11,389.48
Library	59,987.46
Total Expenditures	<u>516,699.46</u>
Excess (deficiency) of Revenues over Expenditures	106,352.13
Fund Balance, Beginning of Year	340,876.01
Fund Balance, End of Year	<u>\$ 447,228.14</u>

See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2012

Net Change in Fund Balances - Governmental Funds	\$ 106,352.13
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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.

Depreciation expense	(70,051.45)
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Cost of capital assets disposals - Under the current financial resources focus, in the funds disposals of capital assets are unreported. In the government-wide statement, however, the assets disposed of had been capitalized previously and thus have a "book value" that needs to be removed.

Cost of capital assets disposed	(41,221.00)
Accumulated depreciation on capital assets disposed	22,231.44

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statements.

Accrued Interest Payable	1,069.74
Capital lease obligation principal payments	<u>35,616.57</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 53,997.43</u></u>
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See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Statement of Net Assets – Proprietary Fund
June 30, 2012

	Utilities Authority Enterprise Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 642,420.52
Investments	339,320.89
Accounts Receivable	32,570.38
Prepaid Insurance	3,956.21
Total Current Assets	1,018,268.00
Noncurrent Assets:	
Restricted Assets:	
Cash and Cash Equivalents	138,638.86
Capital Assets:	
Property, Plant and Equipment, net of Accumulated Depreciation	4,037,485.10
Other Assets:	
Bond and Loan Costs, net of Accumulated Amortization	72,902.02
Total Noncurrent Assets	4,249,025.98
TOTAL ASSETS	5,267,293.98
 LIABILITIES	
Current Liabilities:	
Accounts Payable	5,922.51
Payroll Taxes and Withholdings Payable	3,670.02
Accrued Interest	20,619.57
Payable from Restricted Assets:	
Meter Deposits Payable	38,215.00
Current Portion of Notes Payable	41,072.00
Total Current Liabilities	109,499.10
Noncurrent Liabilities:	
Notes Payable	1,655,659.00
TOTAL LIABILITIES	1,765,158.10
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,413,656.12
Restricted	100,423.86
Unrestricted	988,055.90
TOTAL NET ASSETS	\$ 3,502,135.88

See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds
For the Year Ended June 30, 2012

	<u>Utilities Authority</u> <u>Enterprise Fund</u>
Operating Revenues:	
Utility Revenue	\$ 300,703.65
Other Revenues	2,191.00
Total Operating Revenues	<u>302,894.65</u>
Operating Expenses:	
Salaries and Benefits	144,955.34
Depreciation & Amortization	164,097.62
Utilities and Telephone	42,964.72
Insurance	80,332.09
Supplies	101,727.54
Maintenance and Repairs	59,142.16
Other Expenses	24,418.83
Professional Fees	60,443.82
Water Purchased	1,245.70
Truck Expense	7,958.25
Licenses and Permits	23,565.69
Uniforms	2,822.44
Office Supplies and Postage	2,894.42
Total Operating Expenses	<u>716,568.62</u>
Operating Income (Loss)	<u>(413,673.97)</u>
Non-Operating Revenues (Expenses):	
Interest Income	6,308.32
Sales Tax Income	402,568.88
Grant Income	31,627.75
Interest Expense	(70,519.11)
Total Non-Operating Revenues (Expenses)	<u>369,985.84</u>
Change in Net Assets	(43,688.13)
Net Assets, Beginning of Year	3,545,824.01
Net Assets, End of Year	<u>\$ 3,502,135.88</u>

See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2012

	<u>Utilities Authority</u> <u>Enterprise Fund</u>
Cash Flows from Operating Activities	
Cash Inflows:	
Payments Received from Customers	\$ 303,389.84
Sales Tax from Town	402,568.88
Other Income	2,191.00
Meter Deposits Received	7,600.00
Total Cash Provided	<u>715,749.72</u>
Cash Outflows:	
Payments for Salaries and Benefits	143,637.14
Payments for Goods and Services	405,756.75
Meter Deposits Refunded	6,350.00
Total Cash Used	<u>555,743.89</u>
Net Cash Provided (Used) by Operating Activities	<u>160,005.83</u>
 Cash Flows from Capital and Related Financing Activities	
Grant Income	31,627.75
Purchase of Capital Assets	(156,048.75)
Principal Paid on Capital Debt	(38,910.00)
Interest Paid on Capital Debt	(71,464.62)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(234,795.62)</u>
 Cash Flows from Investing Activities	
Interest	<u>5,741.11</u>
 Net Cash Inflow (Outflow) from All Activities	 (69,048.68)
 Cash and Cash Equivalents, Beginning of Year	 <u>850,108.06</u>
Cash and Cash Equivalents, End of Year	\$ <u>781,059.38</u>
 Unrestricted	 \$ 642,420.52
Restricted	138,638.86
Cash and Cash Equivalents, End of Year	<u>\$ 781,059.38</u>

See accompanying notes to the financial statements and accountant's compilation report.

Town of Langley, Oklahoma
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2012

	Utilities Authority Enterprise Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (413,673.97)
Depreciation	164,097.62
Sales Tax	402,568.88
(Increase) Decrease in:	
Accounts Receivable	2,686.19
Prepaid Insurance	(523.11)
Increase (Decrease) in:	
Accounts Payable	2,282.02
Payroll Taxes and Withholdings Payable	1,318.20
Meter Deposits Payable	1,250.00
	1,250.00
 Net Cash Provided (Used) by Operating Activities	 \$ 160,005.83

See accompanying notes to the financial statements and accountant's compilation report.

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. 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) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

A. Reporting Entity

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

Primary Government: Town of Langley

Blended Component Unit: Langley Public Works Authority

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

Blended Component Units

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

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

Component Unit	Brief Description/Inclusion Criteria	Reporting
Langley Public Works Authority	Created to finance, develop and operate the water and sewer services activities.	Enterprise Fund

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.

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-Wide Financial Statements

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

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. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or 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 expenditure/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.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

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:

Langley Public Works Authority	Accounts for activities of the public trust in providing water and sewer services to the public.
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**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The funds of the financial reporting entity are described below (continued):

Major and Non-Major Funds

Major: General Fund
 Proprietary Fund: Langley Public Works Authority

Non-Major: None

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Assets and 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, expenses, 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 this 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

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting (continued)

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 accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Equity

Cash and Investments

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

Encumbrances

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

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records; however, the value of inventory on hand at June 30, 2012 is not believed to be material.

Deposits with Third-Party Administrator

Certain sales tax revenues designated for the Fire Department are received and disbursed by the Mayes County Clerk. For the year ended June 30, 2012, \$63,882.91 was received and \$38,067.90 was disbursed by Mayes County on behalf of the Town of Langley Fire Department. The cash fund balance as of June 30, 2012 was \$115,662.85.

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 and use taxes and franchise taxes. Business-type activities report water charges as its major receivable.

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Receivables (continued)

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 when earned 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 if 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.

Fixed assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

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

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

Buildings	20-60 years
Improvements	20-60 years
Machinery and Equipment	3-20 years
Utility System	20-60 years
Infrastructure	20-60 years

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Fixed Assets (continued)

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 the government-wide statements.

Restricted Assets

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

Long-Term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations. Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

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

Equity Classifications

Net Assets/Fund Balance

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

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

Net Assets/Fund Balance (continued)

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

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

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

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

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

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

Resource Use Policy

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

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (continued)

E. Revenues, Expenditures and Expenses

Sales Tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one 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) and received by the Town in July and August have been accrued and are included under the caption "Due from other governments."

Use Tax

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses 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.

Interfund Transfers

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

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the Town and its component unit 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.

A. 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:

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

B. Deposit and Investments 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:

- a. Direct obligations of the U.S. government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. 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.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

II. Stewardship, Compliance and Accountability (continued)

B. Deposit and Investments Laws and Regulations (continued)

- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator and in obligation of national mortgage associations.
- f. 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, 2012, the Town and its public trusts complied, in all material respects, with these investment restrictions.

C. Revenue Restrictions

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

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

For the year ended June 30, 2012, the Town complied, in all material respects, with these revenue restrictions.

D. Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2012, the Town had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2012, the Town incurred no such indebtedness.

Notes Payable

The various loan agreements relating to the notes payable issuances of Langley Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. The

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

II. Stewardship, Compliance and Accountability (continued)

D. Debt Restrictions and Covenants (continued)

following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2012.

<u>Requirement</u>	<u>Level of Compliance</u>
Reserve Account Requirement (OWRB Loan Agreements) Account balances should be equal to \$100,423.86	Account balances at June 30, 2012 are \$100,508.86

The Langley Public Works Authority has over funded the reserve account by \$85.00.

Meter Deposits Payable

The Langley Public Works Authority is required to have reserved funds available for the amount of meter deposits held. The following is a brief summary of the requirements and the Authority's level of compliance thereon as of June 30, 2012.

<u>Requirement</u>	<u>Level of Compliance</u>
Reserve Account Requirement Account balance should be equal to the total meter deposits payable of \$38,215.00.	Account balance at June 30, 2012 is \$66,268.55.

The Langley Public Works Authority has over funded the reserve account by \$28,053.55.

E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of the 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, 2012.

III. Detailed Notes on Transaction Classes/Accounts

A. Cash and Investments

Authorized Investments

Town policy for eligible investments is governed by State statutes which, in general, allow the Town to invest in obligations of the United States and insured or collateralized Certificate of Deposits. Investment income is recorded in the fund in which it is earned.

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 are maintained in financial institutions. As of June 30, 2012 none of City's deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

III. Detailed Notes on Transaction Classes/Accounts (continued)

A. Cash and Investments (continued)

investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Restricted Assets

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

The restricted assets as of June 30, 2012 are as follows:

Meter Deposits	\$	38,215.00
Reserve Accounts		100,423.86
Total	\$	<u>138,638.86</u>

C. Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax (including fire department funds held at the county), motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2012 is as follows:

	Governmental Activities	Business-Type Activities	Total
Total	<u>\$ 190,974.89</u>	<u>\$ 32,570.38</u>	<u>\$ 223,545.27</u>

Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012

III. Detailed Notes on Transaction Classes/Accounts (continued)

D. Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 519,338.02	\$ -	\$ -	\$ 519,338.02
Depreciable assets:				
Buildings/Improvements	673,095.72	-	-	673,095.72
Machinery and Equipment	896,955.68	-	41,221.00	855,734.68
	<u>1,570,051.40</u>	<u>-</u>	<u>41,221.00</u>	<u>1,528,830.40</u>
Total	<u>2,089,389.42</u>	<u>-</u>	<u>41,221.00</u>	<u>2,048,168.42</u>
Accumulated Depreciation	(338,482.64)	(70,051.45)	(22,231.44)	(386,302.65)
Net Capital Assets	<u>\$ 1,750,906.78</u>	<u>\$ (70,051.45)</u>	<u>\$ 18,989.56</u>	<u>\$ 1,661,865.77</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 110,364.10	\$ -	\$ -	\$ 110,364.10
Construction in Progress	251,272.25	-	251,272.25	-
Depreciable assets:				
Sewer System	2,826,829.31	-	-	2,826,829.31
Water System	2,586,552.30	407,321.00	-	2,993,873.30
Machinery and Equipment	204,385.38	-	-	204,385.38
Buildings/Improvements	177,799.97	-	-	177,799.97
Total	<u>6,157,203.31</u>	<u>407,321.00</u>	<u>251,272.25</u>	<u>6,313,252.06</u>
Accumulated Depreciation	(2,114,721.46)	(161,042.74)	-	(2,275,764.20)
Total Depreciation & Amortization	<u>(2,114,721.46)</u>	<u>(161,042.74)</u>	<u>-</u>	<u>(2,275,764.20)</u>
Net Capital Assets	<u>\$ 4,042,481.85</u>	<u>\$ 246,278.26</u>	<u>\$ 251,272.25</u>	<u>\$ 4,037,487.86</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 8,346.22
Public Safety and Judiciary	
Fire	44,034.95
Police	7,617.23
Culture, Parks and Recreation	
Library	3,917.29
Parks	6,135.76
Total Depreciation Expense	<u>\$ 70,051.45</u>

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

III. Detailed Notes Concerning the Funds (continued)

E. Long-Term Debt

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

Governmental Activities

As of June 30, 2012, the governmental long-term debt of the financial reporting entity consisted of the following:

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 23,930.46	\$ 10,056.15	\$ 33,986.61
2013	25,183.95	8,802.66	33,986.61
2014	26,474.20	7,512.41	33,986.61
2015	27,830.54	6,156.07	33,986.61
2016	29,243.42	4,743.19	33,986.61
2017-2018	63,084.85	4,888.39	67,973.24
	<u>\$ 195,747.42</u>	<u>\$ 2,246.42</u>	<u>\$ 37,702.52</u>

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 13,293.84	\$ 239.18	\$ 13,533.02

Debt service requirements for all governmental activities are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 37,224.30	\$ 10,295.33	\$ 47,519.63
2013	25,183.95	8,802.66	33,986.61
2014	26,474.20	7,512.41	33,986.61
2015	27,830.54	6,156.07	33,986.61
2016	29,243.42	4,743.19	33,986.61
2017-2018	63,084.85	4,888.39	67,973.24
	<u>\$ 209,041.26</u>	<u>\$ 2,246.42</u>	<u>\$ 37,702.52</u>

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

III. Detailed Notes Concerning the Funds (continued)

E. Long-Term Debt (continued)

Business-Type Activities

As of June 30, 2012, the long-term debt payable from proprietary fund resources consisted of the following:

A note payable due to the Oklahoma Water Resources Board in the principal amount of \$1,840,000.00. The note bears a variable interest rate.

Year Ending June 30,	Principal	Interest	Total
2013	\$ 41,072.00	\$ 69,878.94	\$ 110,950.94
2014	42,226.00	68,298.36	110,524.36
2015	43,387.00	66,663.02	110,050.02
2016	45,555.00	64,770.91	110,325.91
2017	47,767.00	62,605.48	110,372.48
2018-2022	267,277.00	278,841.49	546,118.49
2023-2027	326,404.00	179,846.53	506,250.53
2028-2032	398,916.00	178,994.11	577,910.11
2033-2036	484,127.00	51,619.80	535,746.80
	<u>\$ 1,696,731.00</u>	<u>\$ 1,021,518.64</u>	<u>\$ 2,718,249.64</u>

F. Changes in Long-Term Debt

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Proceeds	Payments	Balance June 30, 2012	Due Within One Year
Governmental Activities					
Lease Obligations	<u>\$ 244,657.83</u>	<u>\$ -</u>	<u>\$ 35,616.57</u>	<u>\$ 209,041.26</u>	<u>\$ 37,224.30</u>
Business-Type Activities					
Notes Payable	<u>\$ 1,735,641.00</u>	<u>\$ -</u>	<u>\$ 38,910.00</u>	<u>\$ 1,696,731.00</u>	<u>\$ 41,072.00</u>

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

IV. Other Information (continued)

B. Proprietary Fund Rates and Charges

Water Rates and Charges

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

Sewer Rates and Charges

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

C. Contingent Liabilities

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

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

D. Subsequent Events

Management has evaluated subsequent events through October 25, 2012, which is the date the financial statements were available to be issued.

**Town of Langley, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2012**

IV. Other Information (continued)

E. Correction of an Error

During the current year, it was determined that the beginning fund balance of the General Fund was understated by \$1,252.61. This was due to old outstanding checks in the amount of \$150.00 as well as unrecorded interest income in the amount of \$229.39 and payroll tax adjustments in the amount of \$873.22. To correct this error, the beginning fund balance of the General Fund of \$339,623.40, as originally reported on July 1, 2011 has been increased to \$340,876.01.

The beginning net assets of the Proprietary Fund were understated by \$44,508.79. This was due to old outstanding checks in the amount of \$287.12 as well as an unrecorded cash account consisting of sales tax revenue, sewer revenue and interest income in the amount of \$43,750.88 and payroll tax adjustments in the amount of \$470.79. To correct this error, the beginning net assets of the Proprietary Fund of \$3,501,315.22, as originally reported on July 1, 2011 have been increased to \$3,545,824.01.

In addition, capital assets net of depreciation in the amount of \$1,331.91 were adjusted in the government wide financial statements. To correct this error, the beginning net assets for the government wide financial statements of \$1,495,223.81, as originally reported on July 1, 2011 has been increased to \$1,496,555.72.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Langley, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balances - Budget and Actual -
Regulatory Basis - General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues:					
Charges for Services	\$ 3,945.63	\$ 3,945.63	\$ 4,960.65	\$ -	\$ 1,015.02
Local Sources	36,831.90	36,831.90	66,647.92	-	29,816.02
State Sources	443,205.20	443,205.20	511,087.15	-	67,881.95
Miscellaneous	2,379.22	2,379.22	16,978.80	-	14,599.58
Total Revenues Collected	<u>486,361.95</u>	<u>486,361.95</u>	<u>599,674.52</u>	<u>-</u>	<u>113,312.57</u>
Expenditures:					
Managerial	63,800.00	63,800.00	51,752.60	-	12,047.40
City Clerk	15,100.00	15,100.00	15,379.88	-	(279.88)
Municipal Court	4,500.00	4,500.00	3,600.00	-	900.00
City Attorney	9,700.00	4,900.00	2,913.00	(4,800.00)	1,987.00
Library	57,750.00	61,450.00	61,001.40	3,700.00	448.60
General Government	72,723.67	64,823.67	66,677.14	(7,900.00)	(1,853.47)
Street and Alley	33,250.00	33,250.00	29,847.97	-	3,402.03
Animal Control	6,000.00	6,000.00	3,666.96	-	2,333.04
Park	16,433.00	17,433.00	11,389.48	1,000.00	6,043.52
Police	209,382.00	217,382.00	215,746.66	8,000.00	1,635.34
Fire Department	29,526.00	29,526.00	20,729.68	-	8,796.32
Fire Dept. Sales Tax	145,569.40	145,569.40	38,425.02	-	107,144.38
Total Expenditures Paid	<u>663,734.07</u>	<u>663,734.07</u>	<u>521,129.79</u>	<u>-</u>	<u>142,604.28</u>
Excess (Deficit)	(177,372.12)	(177,372.12)	78,544.73	-	255,916.85
Cash Fund Balance					
Beginning of Year	<u>177,372.12</u>	<u>177,372.12</u>	<u>177,372.12</u>	<u>-</u>	<u>-</u>
Cash Fund Balance					
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,916.85</u>	<u>\$ -</u>	<u>\$ 255,916.85</u>
Amounts 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. The differences are attributable to:					
Due from other governments			190,974.89		
Prepaid Insurance			1,978.10		
Accounts Payable			(6,482.97)		
Payroll Taxes Payable			(1,791.70)		
Cash difference between budget and audit			<u>6,632.97</u>		
Cash Fund Balance - General Fund			<u>\$ 447,228.14</u>		

See accompanying notes to the financial statements and accountant's compilation report.

OTHER SUPPLEMENTARY INFORMATION

Town of Langley, Oklahoma
Schedule of State and Federal Financial Assistance
For the Year Ended June 30, 2012

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
State of Oklahoma Programs:				
Passed through the Oklahoma Department of Agriculture Rural Fire Defense Grant		\$ 4,412.77	\$ 4,412.77	\$ 4,412.77
Passed through the Oklahoma Department of Libraries State Library Grant		522.00	522.00	522.00
Passed through Oklahoma Department of Public Safety Public Safety Grant		<u>3,926.30</u>	<u>3,926.30</u>	<u>3,926.30</u>
Total Expenditures of State Awards		<u>\$ 8,861.07</u>	<u>\$ 8,861.07</u>	<u>\$ 8,861.07</u>

See accompanying notes to the financial statements and accountant's compilation report.

OBER & ASSOCIATES INC., PC

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Langley, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Town of Langley, Oklahoma's basic financial statements and have issued our report thereon dated March 4, 2013. In our report we included an explanatory paragraph stating that certain errors resulting in overstatement (understatement) of previously reported cash balances, payroll liabilities and capital assets as of June 30, 2011, were discovered and that net assets had been restated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Town of Langley, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

To the Mayor and Board of Trustees
Town of Langley, Oklahoma
Page 2

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

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
March 4, 2013