Town of Bowlegs, Oklahoma

Annual Financial Statements and Accompanying
Independent Auditor's Report

June 30, 2011

Audited by

Samuel S Alexander, CPA

Wagoner, Oklahoma

Town of Bowlegs, Oklahoma
June 30, 2011

Board of Trustees

Chairman

Chris Bryan

Vice Chairman

Carol Palmer

Trustees

Ella O'Dell

Billy Deck

Tommy Monks

Clerk / Treasurer

Cathy Werner

Town of Bowlegs, Oklahoma
June 30, 2011

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Town of Bowlegs, Oklahoma
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Town of Bowlegs, Oklahoma (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require capital assets be recorded at historical cost, net of accumulated depreciation. The amount by which these departures would affect the assets, net assets and expenses of the Governmental and Business-Type Activities is not readily determinable.

In my opinion, except for the effects, if any, on the financial statements of inadequate capital assets record keeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Town of Bowlegs, 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.

The Town has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The omission of this information does not affect the opinion expressed on the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 2, 2012, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my 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 compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

January 2, 2012
Wagoner, Oklahoma

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF NET ASSETS
June 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash investments	$ 78,318	25,475	103,793
Accounts receivable	4,011	2,825	6,836
CAPITAL ASSETS			
Depreciable buildings, property and equipment, net of depreciation	25,054	57,054	82,108
TOTAL NET ASSETS	107,383	85,354	192,737
LIABILITIES			
Notes payable	17,811	39,771	57,582
NET ASSETS			
Fund balances			
Invested in capital assets, net of related debt	7,243	17,283	24,526
Reserved	-	8,570	8,570
Unreserved	82,329	19,730	102,059
TOTAL NET ASSETS	$ 89,572	45,583	135,155

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUE
Governmental Activities:					
General government					
Personnel services	$ 15,380	-	-	-	(15,380)
Maintenance and operations	51,865	-	-	-	(51,865)
Depreciation	1,458				(1,458)
Total Governmental Activities	68,703	-	-	-	(68,703)
Business-Type Activities:					
Water and sewer services	12,059	28,151			16,092
Interest on debt	2,145		-	-	(2,145)
Unallocated depreciation	2,400	-	-	-	(2,400)
Total Business-Type Activities	16,604	28,151	-	-	11,547
Totals	$ 85,307	28,151	-	-	(57,156)

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Net (Expenses) Revenue	$ (68,703)	11,547	(57,156)
General Revenues:			
Taxes	31,895	-	31,895
Intergovernmental	22,021	-	22,021
Miscellaneous	1,076	195	1,271
Total general revenues and special items	54,992	195	55,187
Changes in net assets	(13,711)	11,742	(1,969)
Net assets, beginning of period	103,283	33,841	137,124
Net assets, end of period	$ 89,572	45,583	135,155

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	GENERAL FUND
ASSETS	
Cash and investments	
Cash and cash investments	$ 78,318
Receivables	
Accounts receivable	4,011
Fixed assets	25,054
TOTAL ASSETS	$ 107,383
LIABILITIES	
Notes payable	$ 17,811
FUND EQUITY	
Fund Balances	
Invested in capital assets, net of related debt	7,243
Unreserved	82,329
Total Fund Equity	89,572
TOTAL LIABILITIES AND FUND EQUITY	$ 107,383

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENTS OF NET ASSETS
June 30, 2011

Total Fund Balances - Total Governmental Funds	$ 82,329
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities aer not financial resources and therefore are not reported in the funds. These assets consist of:	
Depreciable buildings, property and equipment, net of depreciation and related debt	7,243
Net Assets of Governmental Activities	$ 89,572

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	GENERAL FUND
REVENUES	
Taxes:	
Franchise	$ 12,242
Sales	13,604
Motor vehicle	2,654
Alcohol beverage	2,539
Gasoline	666
Cigarette and tobacco products	190
	31,895
Intergovernmental programs-Fire department grant and income	22,021
Interest and other income	1,076
Total revenues	54,992
EXPENDITURES	
Current	
General government	
Personnel services	15,380
Maintenance and operations	51,865
Depreciation	1,458
Total expenditures	68,703
Net changes in fund balance	(13,711)
Fund balance, beginning of year	103,283
Fund balance, end of year	$ 89,572

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
RECONCILATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$ (13,711)
No adjustments	
Change in Net Assets of Governmental Activities	$ (13,711)

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
	PUBLIC WORKS AUTHORITY
ASSETS	
Cash and investments	
Cash	$ 16,905
Reserve account	8,570
Receivables	
Accounts receivable	2,825
CAPITAL ASSETS	
Depreciable property and equipment, net of depreciation	57,054
TOTAL ASSETS	85,354
LIABILITIES	
Note payable	39,771
NET ASSETS	
Retained earnings:	
Invested in capital assets, net of related debt	17,283
Restricted	8,570
Unrestricted	19,730
TOTAL NET ASSETS	$ 45,583

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND PUBLIC WORKS AUTHORITY
REVENUES	
Water & sewer revenue	$ 28,151
UTILITY OPERATIONS EXPENSE	
Water & sewer service	12,059
Depreciation	2,400
Interest expense	2,145
Total operations expense	16,604
INCOME BEFORE NON-OPERATING REVENUES, EXPENSES AND TRANSFERS	11,547
NON OPERATING REVENUES (EXPENSE)	
Interest and other	195
NET INCOME	11,742
Retained earnings, beginning of year	33,841
Retained earnings, end of year	$ 45,583

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUNDS PUBLIC WORKS AUTHORITY
Cash flows from operating activities:	
Cash received from customers and service users	$ 24,087
Cash payments for goods, services and employees	(14,204)
Net cash provided by operating activities	9,883
Cash flows from capital and related financing activities:	
Debt principal paid	(4,935)
Interest received	195
	(4,740)
Net increase (decrease) in cash	5,143
Cash balance, beginning of period	20,332
Cash balance, end of period	$ 25,475
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 11,547
Adjustments to reconcile operating income to net cash provided:	
Changes in assets and liabilities:	
Depreciation	2,400
Increase in receivables	(4,064)
Total adjustments	(1,664)
Net cash provided by operating activities	$ 9,883

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

The Town of Bowlegs, Oklahoma (the "Town") complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the basis of accounting used, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

1. The financial statements should include:

    a. A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations, which the Town has omitted.

    b. Financial statements prepared using full accrual accounting for all the Town's activities.

2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Town in accordance with these standards will only report infrastructure acquired after July 1, 2003.

A. Reporting Entity

The Town of Bowlegs, Oklahoma is organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire), streets, public works (water, sewer, and refuse) and public improvements.

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

Note 1 – Summary of Significant Accounting Policies (cont'd)

A. Reporting Entity (cont'd)

Blended Component Units/Trusts:

The Bowlegs Public Works Authority (BPWA) was created pursuant to a Trust Indenture, for the benefit of the Town of Bowlegs, Oklahoma. BPWA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remove water and sewer facilities for the Town of Bowlegs. The water, sanitary sewer and solid waste disposal systems owned by the Town have been leased to BPWA until such date that all indebtedness of the Authority is retired or provided for. BPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 2001, Section 176, et seq., and is governed by a board consisting of five trustees identical with the Town Council. BPWA is exempt from State and Federal Income taxes. BPWA is reported as an enterprise fund.

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

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

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid duplicating revenues and expenses. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct + expenses and program revenues for each program or function of the town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Note 1 – Summary of Significant Accounting Policies (cont'd)

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

Fund Financial Statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary funds. 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:

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

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

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

Note 1 – Summary of Significant Accounting Policies (cont'd)

B. Measurement Focus, Basis of Accounting and Basis of Presentation –Fund Accounting-cont'd

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the Town's major governmental fund:

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

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

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

Fiduciary Funds- are used to account for assets held on behalf of outside parties, including other Governments, or on behalf of other funds within the Town. Agency funds are generally used to Account for assets that the Town holds on the behalf of others as their agent.

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

Note 1 – Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity

1. Deposits and Investments (Cont'd)

For financial statement presentation and for purposes of the statement of cash flows, The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered investments.

i. Fair Value of Financial Instruments

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

3. Estimates

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

4. Receivables and Payables

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

5. Capital Assets

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

Note 1-Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity (Cont'd)

5. Capital Assets (Cont'd)

All reported capital assets in the proprietary fund are depreciated except construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacements. Land has not been included which is a variance from accounting principals generally accepted in the United States of America.

The financial statements of Bowlegs Public Works Authority include property and equipment. Depreciation was not charged until the 2009-10 year, which included prior year depreciation.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40 – 100 years	40 – 100 years
Furniture, Fixtures and Equipment	10 – 100 years	10 – 100 years
Land Improvements	10 – 100 years	10 – 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	40 - 100 years	40 – 100 years

The Town and the Bowlegs Public Works Authority have not maintained accurate capital assets records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type activities is not readily determinable.

6. Compensated Absences

It is the town's policy to permit employees to accumulate earned but unused vacation time. Full-time and part-time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The expense and related liability for vested vacation benefits and compensatory time is not recorded in the respective funds of the Town or its component unit.

Note 1-Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity (Cont'd)

7. Long-term Obligations

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

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are include on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. During the current fiscal year the Town has no long-term obligations.

8. Net Assets

Reservations of fund balance represent amounts that are legally restricted for a specific purpose. Reservations of retained earning are limited to outside third party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary funds contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

Note 2 – Stewardship, Compliance and Accountability

A. Budgetary Information

The Town is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for the general fund and special revenue funds. Budgets are presented for the general fund that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The Town had no special revenue funds at June 30, 2011.

The annual Estimate of Needs, when approved by the Town Council and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, are made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Note 2-Stewardship, Compliance and Accountability (Cont'd)

A. Budgetary Information

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – vs. utilized in all governmental funds of the Town. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

Note 3 – Detailed Notes Concerning The Funds

A. Deposits and Investments

The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. government insured or collateralized with securities held by the Town or by its agent in the Town's name.

B. Capital Assets

The capital asset balances of the governmental activities follow.

Governmental Activities	Balance at July 1, 2010	Additions	Balance at June 30, 2011
Buildings	$ 7,900	18,612	26,512
Less: Accumulated Depreciation		(1,458)	(1,458)
	7,900	17,154	25,054
Proprietary Activities:			
Lagoon system	120,000	-	120,000
Less: accumulated depreciation	(60,546)	(2,400)	(62,946)
	59,454	(2,400)	57,054

C. Long-Term Debt

The Town of Bowlegs had one note payable at 4.99% with monthly payments of $269.87. The principal balance at June 30, 2011, was $17,811.42.

The Bowlegs Public Works Authority had one note payable at 5%, with monthly payments of $590. The principal balance at June 30, 2011 was $39,771.

Note 3-Detailed Notes Concerning the Funds (Cont'd)

C. Long-Term Debt (Cont'd)

The estimated principal and interest payments are detailed as follows:

Year Ended June 30,	Principal	Interest	Totals
2012	$ 5,187	1,893	7,080
2013	5,453	1,627	7,080
2014	5,746	1,334	7,080
2015	5,964	1,116	7,080
2016	6,220	860	7,080
Thereafter	11,201	1,052	12,253
Totals	$ 39,771	7,882	47,653

Note 4-Authorities

Bowlegs Public Works Authority (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the Town (water, sewer and refuse) were transferred to the Bowlegs Public Works Authority. The Public Works Authority provides utility services for its customers including the Town of Bowlegs and its related departments.

TOWN OF BOWLEGS, OKLAHOMA

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2011

TOWN OF BOWLEGS, OKLAHOMA
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VS. ACTUAL-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues				
Taxes	$ 25,000	25,000	31,895	6,895
Intergovernmental	20,000	20,000	22,021	2,021
Miscellaneous	1,000	1,000	1,076	76
Total revenues	46,000	46,000	54,992	8,992
Expenditures				
Current				
General government				
Personnel	10,000	10,000	15,380	(5,380)
Maintenance	131,384	131,384	51,865	79,519
Depreciation	-		1,458	(1,458)
Total expenditures	141,384	141,384	68,703	72,681
Excess of revenues over (under) expenditures	(95,384)	(95,384)	(13,711)	81,673
Fund balance, beginning of year	95,384	95,384	95,384	-
	$ -	-	81,673	81,673

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF BOWLEGS, OKLAHOMA
REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

SAMUEL S ALEXANDER
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Town of Bowlegs
Bowlegs, Oklahoma

I have audited the accompanying fund type financial statements within the combined financial statements of the Town of Bowlegs, Oklahoma as of and for the year ended June 30, 2011, and have issued my report thereon dated January 2, 2012, which was qualified with respect to capital asset records. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 misstatements on a timely basis. A significant deficiency is a control deficiency, or 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 accepting accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that

are also considered to be material weaknesses. I observed no significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

January 2, 2012

TOWN OF BOWLEGS, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

10-1 The Town's fixed asset records, except for the building and a tractor purchased in 2010, are non-existent.