

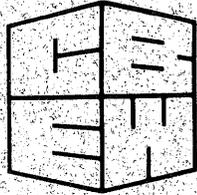
TOWN OF RIPLEY
Ripley, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2011

**TOWN OF RIPLEY
Ripley, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

September 1, 2011

Honorable Board of Town Commissioners
Town of Ripley
Ripley, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ripley, Oklahoma, (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. 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 the 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.

As discussed in Note 1 to the financial statements, the Town has not maintained complete capital asset 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.

In our opinion, except for the effects, if any, on the financial statements of incomplete capital asset 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 and business-type activities of the Town of Ripley, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the Town of Ripley, Oklahoma, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Town of Ripley
September 1, 2011

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 24-25 and the notes on page 26 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Ripley has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ripley's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards listed in the table of contents is presented for additional analysis and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

TOWN OF RIPLEY
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 43,676	\$ 46,447	\$ 90,123
Cash on hand	50	-	50
Investments	-	10,083	10,083
Cash deposit, insurance	3,050	-	3,050
Accounts receivable (net)	-	15,670	15,670
Accrued interest receivable	-	77	77
Due from other Funds (Note 3C)	-	(218)	(218)
Accrued governmental transfers	6,094	-	6,094
Restricted assets:			
Cash in bank (Note 3A & 3F)	-	6,132	6,132
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	261,177	468,646	729,823
Total assets	\$ 314,047	\$ 546,837	\$ 860,884
Liabilities:			
Accounts payable	\$ 7,894	\$ 14,713	\$ 22,607
Taxes payable (Note 3D)	2,455	-	2,455
Notes payable (Note 3E)	-	37,290	37,290
Total liabilities	10,349	52,003	62,352
Net assets:			
Invested in capital assets, net of related debt	261,177	431,356	692,533
Restricted	-	-	-
Unrestricted	42,521	63,478	105,999
Total net assets	\$ 303,698	\$ 494,834	\$ 798,532

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

TOWN OF RIPLEY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
City clerk/ treasurer	\$ 8,911	\$ -	\$ -	\$ -	\$ (8,911)
General government	21,820	-	-	-	(21,820)
Total general government	<u>30,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,730)</u>
Public safety and judiciary:					
City attorney	2,452	-	-	-	(2,452)
Animal control	1,507	-	-	-	(1,507)
Fire	7,908	5,220	4,398	-	1,709
Civil Defense	467	-	-	-	(467)
Municipal court	1,200	-	-	-	(1,200)
Police	15,616	2,233	-	-	(13,383)
Total public safety and judiciary	<u>29,152</u>	<u>7,453</u>	<u>4,398</u>	<u>-</u>	<u>(17,301)</u>
Transportation:					
Street & alley	7,085	-	-	-	(7,085)
Total transportation	<u>7,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,085)</u>
Unallocated depreciation*	22,213	-	-	-	(22,213)
Total governmental activities	<u>89,180</u>	<u>7,453</u>	<u>4,398</u>	<u>-</u>	<u>(77,329)</u>
Business-type activities					
General operations	7,135	6,429	-	-	(706)
Water	49,848	73,869	-	-	24,022
Gas	101,860	84,593	-	-	(17,267)
Sewer	13,450	14,286	-	-	837
Sanitation	34,455	38,886	-	-	4,431
Financing costs	1,964	-	-	-	(1,964)
Unallocated depreciation*	23,259	-	-	-	(23,259)
Total business-type activities	<u>231,970</u>	<u>218,064</u>	<u>-</u>	<u>-</u>	<u>(13,906)</u>
Total	<u>\$ 321,150</u>	<u>\$ 225,517</u>	<u>\$ 4,398</u>	<u>\$ -</u>	<u>\$ (91,235)</u>

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(77,329)	(13,906)	(91,235)
General revenues:			
Taxes:			
Sales tax	41,098	-	41,098
Franchise taxes	8,936	-	8,936
Intergovernmental	6,041	-	6,041
Interest earnings	120	569	689
Miscellaneous	97,358	-	97,358
Rental	50	-	50
Transfer to other funds	-	-	-
Total general revenues and transfers	<u>153,604</u>	<u>569</u>	<u>154,172</u>
Change in net assets	76,275	(13,337)	62,938
Net assets - beginning of year	<u>227,423</u>	<u>508,171</u>	<u>735,594</u>
Net assets - end of year	<u>\$ 303,698</u>	<u>\$ 494,834</u>	<u>\$ 798,532</u>

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

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

**TOWN OF RIPLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Special Revenue Street & Alley (Non-Major)	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 43,641	\$ 35	\$ 43,676
Cash on hand	50	-	50
Cash, insurance deposit	3,050	-	3,050
Accrued governmental transfers	5,442	652	6,094
Restricted assets:			
Cash deposit, insurance	-	-	-
Total assets	\$ 52,183	\$ 687	\$ 52,870
Liabilities:			
Accounts payable	\$ 7,896	\$ -	\$ 7,896
Taxes payable (Note 3D)	-	2,455	2,455
Total liabilities	7,896	2,455	10,351
Fund balances:			
Unassigned	44,288	(1,767)	42,521
Total fund balances	44,288	(1,767)	42,521

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Furniture & Equipment	\$	342,584	
Buildings		25,529	
Accumulated Depreciation		(106,936)	
			261,177
Net assets of governmental activities	\$		303,698

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

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Street & Alley (Non-Major)</u>	<u>Total Governmental Funds</u>
Revenues:			
Alcoholic beverage tax	\$ 1,395	\$ -	\$ 1,395
Tobacco Tax	611	-	611
Mileage and commercial vehicle tax	-	3,128	3,128
Gasoline excise tax	-	908	908
Sales tax	41,098	-	41,098
Franchise	8,936	-	8,936
Court fines	2,233	-	2,233
Interest	120	-	120
Rents and leases	50	-	50
Outside fire runs	750	-	750
Rural fire subscriptions	4,470	-	4,470
Grants (Note 2)	4,398	-	4,398
Miscellaneous	97,358	-	97,358
Total revenues	<u>161,418</u>	<u>4,037</u>	<u>165,455</u>
Expenditures:			
Current:			
General government	30,730	-	30,730
Public safety	29,152	-	29,152
Transportation	2,719	4,366	7,085
Capital Outlay	90,000	-	90,000
Total expenditures	<u>152,601</u>	<u>4,366</u>	<u>156,967</u>
Excess of revenues over (under) expenditures	8,817	(329)	8,487
Other financing uses:			
Operating transfers in (out)	-	-	-
Excess of revenues over (under) expenditures & transfers	8,817	(329)	8,488
Fund balance - beginning of year	<u>35,471</u>	<u>(1,438)</u>	<u>34,033</u>
Fund balance - end of year	<u>\$ 44,288</u>	<u>\$ (1,767)</u>	<u>\$ 42,521</u>

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

**TOWN OF RIPLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2011

Business-type Activities - Enterprise Funds

	<u>Public Works Authority (Major)</u>
Assets:	
Cash and investments:	
Cash & cash equivalents (Note 3A)	\$ 46,447
Investments	10,083
Accounts receivable (Net)	15,670
Accrued interest receivable	77
Due to other funds (Note 3C)	(218)
Grants receivable	-
Restricted assets:	
Cash in bank (Note 3F)	6,132
 Capital assets:	
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	<u>468,646</u>
 Total assets	<u><u>\$ 546,837</u></u>
 Liabilities:	
Accounts payable	\$ 14,585
Accrued interest payable	128
Notes payable (Note 3E)	<u>37,290</u>
 Total liabilities	<u>52,003</u>
 Net assets:	
Invested in capital assets, net of related debt	431,356
Restricted	6,132
Unrestricted	<u>57,346</u>
 Net assets	<u><u>\$ 494,834</u></u>

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

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

Business-type Activities - Enterprise Funds

	<u>Public Works Authority (Major)</u>
Revenues:	
Gas revenue	\$ 84,593
Water revenue	73,869
Sewer revenue	14,286
Sanitation revenue	38,886
Grant Income	-
Miscellaneous income	6,428
Total revenues	<u>218,062</u>
Operating expense:	
Legal and accounting	4,050
Depreciation	23,258
Salaries and wages	55,393
Chemicals and water system expense	16,866
Natural gas costs	63,180
Gas system expense	16,267
Sewer system expense	13,450
Sanitation	34,455
Insurance	3,085
Total operating expenses	<u>230,004</u>
Income before non-operating revenues, expenses & transfers	<u>(11,942)</u>
Non-operating revenues (expenses):	
Interest revenue	569
Interest expense	(1,964)
Transfers to general fund	-
Total non-operating revenues and expenses	<u>(1,395)</u>
Income (loss)	(13,337)
Net assets at beginning of year	<u>508,171</u>
Net assets at end of year	<u>\$ 494,834</u>

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

**TOWN OF RIPLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011**

Business-type Activities - Enterprise Funds

	Public Works Authority (Major)
Cash flows from operating activities:	
Cash received from customers & service users	\$ 219,276
Cash payments for goods & services & employees	(147,516)
Cash payments for employees	(55,393)
Net cash provided by operating activities	16,367
Cash flows from capital and related financing activities:	
Acquisition & construction of capital assets	(8,959)
Principal paid on debt	(4,154)
Interest paid on debt	(1,978)
Net change in due to/due from other funds	386
Transfers to general fund	-
Net cash provided (used) for capital and related financing activities	(14,705)
Cash flows from investing activities:	
(Purchase) liquidation of investments - unrestricted	(193)
Interest earned	598
Net cash provided by investing activities	405
Net increase (decrease) in cash & cash equivalents	2,067
Cash and cash equivalents - beginning of year	50,512
Cash and cash equivalents - end of year	\$ 52,579
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (11,942)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	23,258
Change in assets and liabilities:	
(Increase) decrease in grants receivable	-
(Increase) decrease in accounts receivable	1,214
Increase (decrease) in accounts payable	3,837
Total adjustments	28,309
Net cash provided by operating activities	\$ 16,367

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

TOWN OF RIPLEY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency Funds</u>
Assets:	
Cash and investments at cost	\$ <u>29,042</u>
Total assets	\$ <u><u>29,042</u></u>
Liabilities:	
Due to (from) other funds	\$ (218)
Deposits	<u>29,260</u>
Total liabilities	\$ <u><u>29,042</u></u>

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

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ripley, Oklahoma (Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

A. Reporting Entity

The Town of Ripley, Oklahoma was 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 and police), streets, public works (gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the Town of Ripley, Oklahoma.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, 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.

Blended Component Units:

The Ripley Public Works Authority (PWA) was created pursuant to a Trust Indenture dated April 6, 1979 to provide improvements to the natural gas system and facilities for the benefit of the Town of Ripley, Oklahoma. The public works systems owned by the Town have been leased to the Trust. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of five trustees identical with the Town Council. The PWA is exempt from state and federal income taxes. The PWA 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. 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

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 – 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 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 recorded when the related fund liability is incurred, except for certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, 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.

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.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other governmental fund of the Town that is considered a non-major fund includes:

Special Revenue funds – account for revenue sources that are designated to expenditures for specific purposes (not including expendable trusts or major capital projects). The Street and Alley Fund is the Town's only Special Revenue 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) standards issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the Town's major Enterprise fund:

Ripley Public Works Authority – accounts for the operations of providing public works (water, sewer, gas distribution systems and refuse) to the Town.

There are no other enterprise funds of the Town to be considered non-major funds.

Fiduciary funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Town's only Agency fund is the Customer Meter Deposit Fund. Interest earnings from the Meter Deposit Fund are transferred to the General Fund.

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.

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 a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (continued)

2. Restricted Cash and Investments

The restricted cash and investments are the result of financial requirements of two promissory notes between the Ripley Public Works Authority and the United States Department of Agriculture, Rural Development and consist of funds held in a Debt Service Fund, Reserve Fund-Water, Reserve Fund-Gas and a Maintenance Reserve Fund. Under the terms and provisions of the promissory notes, these special funds are maintained with the Trustee bank for the benefit of the holders of the notes. These funds are to be maintained so long as the notes are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the notes.

3. 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 statement of net asset. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

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

5. Receivables and Payables

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

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of governmental fund type and proprietary fund type inventories are recorded as expenditures when purchased rather than when consumed.

7. 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.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Building Improvements	40 - 100 years	40 - 100 years
Equipment	5 - 100 years	5 - 100 years
Water System	10 - 40 years	10 - 40 years
Gas System	10 - 40 years	10 - 40 years
Sewer System	10 - 40 years	10 - 40 years

The Town has not maintained complete capital asset 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.

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time regular employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

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 financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Long-term Obligations

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 included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Assets/Fund Balances

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.

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 upon 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 or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable 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 the limitation by taking action similar to that which imposed the commitment. The Town Ordinance 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.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Assets/Fund Balances (Continued)

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.

11. 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 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Grants and Awards

The Town was the recipient of the following grants during the year.

1. The Oklahoma Department of Agriculture, Food and Forestry Services distributed \$4,398 to the Town during the year. The funding is in support of rural fire defense.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2011, the Town held deposits of approximately \$135,380 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

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.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and 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 is pledged.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- b. Certificates of deposits 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.
- 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 obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2011 are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of Deposit	12.00	N/A	26,683	26,683
Total Investments			\$ <u>26,683</u>	\$ <u>26,683</u>
<u>Reconciliation to Statement of Net Assets</u>				
			\$ 16,600	
			<u>10,083</u>	
			\$ <u>26,683</u>	

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following credit risk: 100% in Certificates of Deposit.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. DETAILED NOTES CONCERNING THE FUNDS (continued)

B. Capital Assets

The Business-Type capital asset activity for the year ended is as follows:

	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Governmental Activities:				
Building Improvements	25,529	-	-	25,529
Vehicles- Fire Equipment	170,574	90,000	-	260,574
Equipment	82,010	-	-	82,010
Total depreciable assets	278,113	90,000	-	368,113
Less accumulated depreciation:				
Building Improvements	(4,044)	(692)	-	(4,736)
Vehicles- Fire Equipment	(47,652)	(12,507)	-	(60,159)
Equipment	(33,027)	(9,014)	-	(42,041)
Total accumulated depreciation	(84,723)	(22,213)	-	(106,936)
Net governmental activities capital assets	\$ 193,390	\$ 67,787	\$ -	\$ 261,177
	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Business-Type Activities:				
Depreciable assets:				
Water system	\$ 212,647	\$ -	\$ -	\$ 212,647
Gas system	190,021	-	-	190,021
Sewer system	365,332	-	-	365,332
Equipment	56,430	8,959	-	65,389
Building Improvements	9,680	-	-	9,680
Total depreciable assets	834,110	8,959	-	843,069
Less accumulated depreciation:				
Water system	(126,903)	(5,496)	-	(132,399)
Gas system	(114,236)	(4,751)	-	(118,987)
Sewer system	(64,070)	(9,133)	-	(73,203)
Equipment	(44,888)	(3,636)	-	(48,524)
Building Improvements	(1,068)	(242)	-	(1,310)
Total accumulated depreciation	(351,165)	(23,258)	-	(374,423)
Net business-type activities capital assets	\$ 482,945	\$ (14,299)	\$ -	\$ 468,646

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. DETAILED NOTES CONCERNING THE FUNDS (continued)

C. Inter-fund Receivables and Payables

The following schedule reflects the Town's inter-fund due from and due to other funds:

	Due From	Due To
Ripley Public Works Authority	\$ 218	\$ -
Meter Fund	-	218
Total all funds	\$ 218	\$ 218

D. Taxes Payable

The Town received excess taxes from Payne County that are to be paid back to the county in a timely manner. The county had clerical errors that caused them to pay out an excess of \$7,771 for Motor Vehicle Tax to the Street and Alley Fund, and \$2,947 for Alcoholic Beverage Tax to the General Fund for a total overpayment of \$10,718 as of June 30, 2007. The errors also occurred into August of 2007, bringing to total to be paid back as of October 4, 2007, \$18,882. During 2008, 2009, 2010 and 2011, \$2,873, \$4,514, \$4,488, and \$4,552 was returned to the county respectively, making the total due as of June 30, 2011 \$2,455.

E. Long-term Debt

The Town is not obligated in any manner for the debt of its component units. The following is a summary of long-term debt transactions of the proprietary fund:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
USDA Rural Dev. - water	\$ 41,444	\$ -	4,154	\$ 37,290
Total	\$ 41,444	\$ -	\$ 4,154	\$ 37,290

a. Long-term debt consists of:

A 40-year, 5% note with USDA Rural Development, payable in monthly installments of \$511, maturing April 5, 2019.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. DETAILED NOTES CONCERNING THE FUNDS (continued)

E. Long-term Debt (continued)

b. The conditions prescribed by the security agreement with USDA Rural Development are as follows:

As security for the notes payable to the USDA Rural Development, the Town of Ripley and the Ripley Public Works Authority have pledged the plant and equipment of the water and gas systems. Gross revenues of these facilities have been pledged as security for note and interest payments when due.

The annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2012	\$ 4,366	\$ 1,766	\$ 6,132
2013	4,590	1,542	6,132
2014	4,825	1,307	6,132
2015	5,071	1,061	6,132
2016-2019	18,438	1,585	20,023
Total	<u>\$ 37,290</u>	<u>\$ 7,261</u>	<u>\$ 44,551</u>

F. Restricted Cash

Certain cash and temporary investments are designated for use as prescribed by the security agreement between the Ripley Public Works Authority and the United States Department of Agriculture, Rural Development. Those restrictions and current balances are as follows:

	Balance June 30, 2011
Debt Reserve Account - Water:	
This account is established to accumulate transfers from the Revenue Fund account at the rate of \$51 per month until a balance of \$6,132 is reached. Disbursements are restricted to paying the cost of repairing or replacing any damage to the facility which may be caused by an unforeseen catastrophe, or for making extensions, with prior approval from the government.	6,132
Total	<u>\$ 6,132</u>

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

4. 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; employee health benefits; and natural disasters. The Town purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for all claims submitted to it during the plan year.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund.

In addition to the Loss Fund, the Town maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR) is a non-refundable fund, which can reduce future premium increases. The Escrow Fund is made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense. The balances for 2010 and 2011 in the RSR Fund and the Escrow Fund are \$2,542 and \$3,050 respectively, and are reflected on the financial statements

B. 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 grant 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 Town expects such amounts, if any, to be immaterial.

C. Employee Retirement Plans

Description of the Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

**TOWN OF RIPLEY
Ripley, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

4. OTHER INFORMATION (continued)

C. Employee Retirement Plans (continued)

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer fireman. Additional funding comes from a percentage of all taxes collected on premiums collected by insurance companies and an appropriation by the State of Oklahoma.

The Town's contributions to OFPRS were \$900 for 2008, \$1,080 for 2009, \$840 for 2010 and \$840 for 2011.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 1, 2011, which is the date the financial statements were available to be issued.

**TOWN OF RIPLEY
Ripley, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2011**

TOWN OF RIPLEY
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Tobacco tax	\$ 386	\$ 386	\$ 602	\$ 216
Sales tax	28,359	28,359	40,575	12,216
Franchise	7,810	7,810	8,936	1,126
Court fines	2,012	2,012	2,233	221
Dog license and tax	141	141	136	(5)
Interest	-	-	120	120
Rents & leases	-	-	50	50
Inspection fees/ refunds	594	594	684	90
Outside fire runs	180	180	750	570
Rural fire subscriptions	-	-	4,470	4,470
Grants (Note 2)	2,550	2,550	4,398	1,848
Miscellaneous & Donations	385	385	96,536	96,151
Total revenues	<u>42,417</u>	<u>42,417</u>	<u>159,490</u>	<u>117,073</u>
Expenditures:				
Personal services	31,950	33,290	27,924	5,366
Maintenance and operations	35,660	35,660	30,297	5,363
Capital outlay	4,220	4,220	90,000	(85,780)
Total expenditures	<u>71,829</u>	<u>73,169</u>	<u>148,221</u>	<u>(75,052)</u>
Excess of revenue over (under) expenditures	(29,412)	(30,752)	11,269	42,021
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Net changes in fund balance	(29,412)	(30,752)	11,269	42,021
Fund balance at beginning of year (non-GAAP budgetary basis)	34,963	34,963	34,963	-
Adjustments to conform with generally accepted accounting principles:				
Accrual basis adjustment	-	-	(1,944)	1,944
Fund balance at end of year (GAAP Basis)	<u>\$ 5,551</u>	<u>\$ 4,211</u>	<u>\$ 44,288</u>	<u>\$ 43,965</u>

The Notes to Required Supplemental Information are an integral part of this statement.

TOWN OF RIPLEY
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2011
 (Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Mileage & commercial vehicle tax	\$ 3,150	\$ 3,150	\$ 3,176	\$ 26
Gasoline excise tax	880	880	933	53
Total revenues	<u>4,030</u>	<u>4,030</u>	<u>4,109</u>	<u>79</u>
Expenditures:				
Maintenance and operations	<u>3,328</u>	<u>3,328</u>	<u>4,366</u>	<u>(1,038)</u>
Total expenditures	<u>3,328</u>	<u>3,328</u>	<u>4,366</u>	<u>(1,038)</u>
Excess of revenue over (under) expenditures	702	702	(256)	(958)
Fund balance at beginning of year (non-GAAP budgetary basis)	<u>(702)</u>	<u>(702)</u>	<u>(702)</u>	<u>-</u>
Fund balance at end of year (GAAP Basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (958)</u>	<u>\$ (958)</u>

The Notes to Required Supplemental Information are an integral part of this statement.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2011
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted for all governmental funds on a modified cash basis, which is not consistent with generally accepted accounting principles (GAAP). The significant difference is that income is not budgeted until received. The enterprise fund adopts a budget on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the fiduciary funds. Budgetary data for the enterprise fund is not presented in these financial statements.

The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: personal services, maintenance and operations, capital outlay and transfers. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. The budget and all budget revisions at the legal level are subject to final approval by the Town Council. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end. The Town does not utilize encumbrance accounting. Encumbrances (accounts payable) are shown as expenditures and liabilities in the current year and are paid in the subsequent year.

BUDGET/GAAP RECONCILIATION

The nature and amount of the adjustments necessary to convert the budgetary basis information to actual GAAP data for the general fund is as follows:

Excess revenues over expenditures, non-GAAP Budgetary Basis	11,269
Increase (decrease) tax receivable	553
Increase (decrease) insurance escrow	508
(Increase) decrease accounts payable	-4888
(Increase) decrease taxes payable	<u>1375</u>
Excess revenues over expenditures (GAAP Basis)	8,817

TOWN OF RIPLEY
Ripley, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2011

TOWN OF RIPLEY
Ripley, Oklahoma

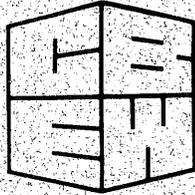
SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
Year Ended June 30, 2011

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Total Expenditures
<u>State of Oklahoma Programs:</u>				
<u>Passed through the Oklahoma Department of Agriculture:</u>				
Rural Fire Defense Grant		\$ 4,398	\$ 4,398	\$ 4,398
Total Expenditures of State Awards		\$ 4,398	\$ 4,398	\$ 4,398
Total Expenditures of Federal Awards		\$ -	\$ -	\$ -

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the combined financial statements.

TOWN OF RIPLEY
Ripley, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2011



CBEW
Professional
Group, LLP

Certified Public Accountants

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TRISHA J. RIEMAN, CPA

**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**

September 1, 2011

Honorable Town Board
Town of Ripley
Ripley, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ripley, Oklahoma, (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 1, 2011. Our report on the Governmental Activities and Business-Type Activities was qualified because of the lack of fixed asset records and calculation of depreciation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

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

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 11-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

September 1, 2011

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

TOWN OF RIPLEY
Ripley, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

11-1. Internal Control – Material Adjusting Journal Entries

Criteria: The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The government's trial balances for the year ended June 30, 2011, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: depreciation expense entries, accounts payable, accounts receivable, balancing and recording note payables, interest expenses, purchased assets. This finding was also noted in 2010.

Cause: The government's accounting and financial reporting staff lacks the necessary expertise relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the government lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

Recommendation: The government should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary expertise to apply GAAP in the development of working trial balances that will be used to prepare the government's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Responsible Official's Response: The Town concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements.