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State Auditor & Inspector

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THE TOWN OF WAKITA

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Wakita, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Wakita. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each fund of the Town of Wakita as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2011, on our consideration of the internal control over financial reporting of the Town of Wakita, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that historical pension information and the budgetary comparison information on pages 20 and 21 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
August 16, 2011

**THE TOWN OF WAKITA
STATEMENT OF NET ASSETS
JUNE 30, 2011**

(Memo Only)

	Governmental Activities	Business-type Activities	Total 2011	Total 2010
ASSETS				
Current Assets				
Cash and demand deposits	72,639	145,218	217,857	141,778
Certificates of deposit	107,151	53,362	160,513	159,714
Restricted cash and investments	175,547	0	175,547	175,868
Prepaid expenses	0	2,071	2,071	2,772
Revenue and accounts receivable	18,724	20,879	39,603	38,636
Allowance for doubtful accounts	0	(1,602)	(1,602)	(3,101)
Internal balances	(252)	252	0	0
Total current assets	373,809	220,180	593,989	515,667
Noncurrent Assets				
Depreciable property and equipment	943,669	1,497,251	2,440,920	2,370,588
Accumulated depreciation	(478,912)	(527,168)	(1,006,080)	(941,643)
Land	0	160,000	160,000	160,000
Construction in progress	0	42,392	42,392	0
Total noncurrent assets	464,757	1,172,475	1,637,232	1,588,945
TOTAL ASSETS	838,566	1,392,655	2,231,221	2,104,612
LIABILITIES				
Current Liabilities				
Accounts payable	2,065	1,517	3,582	371
Construction accounts payable	0	42,392	42,392	0
Current portion of notes payable	1,012	0	1,012	956
Total current liabilities	3,077	43,909	46,986	1,327
Noncurrent Liabilities				
Meter deposits refundable	0	11,150	11,150	8,360
Notes payable, less current portion	16,965	0	16,965	17,977
Total noncurrent liabilities	16,965	11,150	28,115	26,337
TOTAL LIABILITIES	20,042	55,059	75,101	27,664
NET ASSETS				
Invested in capital assets, net of related debt	446,780	1,172,475	1,619,255	1,570,012
Restricted for:				
Fire department	167,109	0	167,109	184,610
Debt	0	0	0	18,424
Unrestricted	204,635	165,121	369,756	303,902
TOTAL NET ASSETS	818,524	1,337,596	2,156,120	2,076,948

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			(Memo Only)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2011	Total 2010
Governmental activities:								
General government	(43,678)	3,725	10,435		(29,518)		(29,518)	(28,501)
Police department	(47,894)	611	0	0	(47,283)		(47,283)	(40,197)
Street department*	(24,339)	0	3,677	39,547	18,885		18,885	(11,575)
Fire department	(48,963)	788	68,257	0	20,082		20,082	(36,683)
Total governmental activities	(164,874)	5,124	82,369	39,547	(37,834)	0	(37,834)	(116,956)
Business-type activities:								
Administration	(57,397)	14,599	0	0		(42,798)	(42,798)	(26,258)
Sewer department	(35,964)	30,145	0	0		(5,819)	(5,819)	(10,423)
Trash department	(22,684)	28,904	0	0		6,220	6,220	6,758
Water department	(57,681)	92,290	0	0		34,609	34,609	6,587
Gas department	(124,218)	159,908	0	0		35,690	35,690	4,600
Total business-type activities	(297,944)	325,846	0	0	0	27,902	27,902	(18,736)
Total all activities	(462,818)	330,970	82,369	39,547	(37,834)	27,902	(9,932)	(135,692)
		General revenues:						
		Taxes:						
					72,560	0	72,560	62,897
					12,238	0	12,238	11,689
					1,055	715	1,770	2,896
					2,536	0	2,536	(30,666)
					0	0	0	0
					88,389	715	89,104	46,816
					50,555	28,617	79,172	(88,876)
					767,969	1,308,979	2,076,948	2,165,824
					818,524	1,337,596	2,156,120	2,076,948

* Interest expense of \$1,040 is included in the street department

**THE TOWN OF WAKITA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>
ASSETS	
Cash and demand deposits	72,639
Certificates of deposit	107,151
Restricted cash and investments	175,547
Revenue receivable	<u>18,724</u>
TOTAL ASSETS	<u><u>374,061</u></u>
LIABILITIES	
Accounts payable	2,065
Due to other funds	<u>252</u>
TOTAL LIABILITIES	<u>2,317</u>
FUND BALANCE	
Restricted:	
County fire tax for fire department	167,109
Workers comp reserves	8,438
Unrestricted:	
Unassigned	<u>196,197</u>
TOTAL FUND BALANCE	<u>371,744</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>374,061</u></u>

Reconciliation of fund balance to net assets of governmental activities:

Fund balance	371,744
Capital assets	943,669
Accumulated depreciation	(478,912)
Capital lease payable	<u>(17,977)</u>
Net assets	<u><u>818,524</u></u>

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>
	<u>Fund</u>
REVENUES	
Sales and use taxes	72,560
Franchise taxes	12,238
Shared taxes	75,356
Grants	44,245
Fines and fees	1,419
Interest	1,055
Other revenues	6,020
TOTAL REVENUES	<u>212,893</u>
EXPENDITURES	
General government	21,839
Police department	46,194
Fire department	35,441
Street department	17,989
Debt service	1,996
Capital outlay	80,216
TOTAL EXPENDITURES	<u>203,675</u>
REVENUES OVER (UNDER) EXPENDITURES	9,218
OTHER FINANCING SOURCES (USES)	
Sales of capital assets	4,496
NET OTHER FINANCING SOURCES (USES)	<u>4,496</u>
NET CHANGE IN FUND BALANCES	13,714
BEGINNING FUND BALANCE	<u>358,030</u>
ENDING FUND BALANCE	<u><u>371,744</u></u>
Reconciliation of net change in fund balance to change in net assets of governmental activities:	
Net change in fund balances - total governmental funds	13,714
Capital asset purchases capitalized	80,216
Depreciation expense	(42,371)
Principal payments on capital lease	956
Disposal of capital assets	(1,960)
Change in Net Assets of Governmental Activities	<u><u>50,555</u></u>

**THE TOWN OF WAKITA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	<u>Wakita Utilities Authority</u>
ASSETS	
Current Assets	
Cash and demand deposits	145,218
Certificates of deposit	53,362
Prepaid expenses	2,071
Due from other funds	252
Accounts receivable	20,879
Allowance for doubtful accounts	<u>(1,602)</u>
Total current assets	220,180
Noncurrent Assets	
Depreciable property and equipment	1,497,251
Accumulated depreciation	<u>(527,168)</u>
Land	160,000
Construction in progress	<u>42,392</u>
Total noncurrent assets	<u>1,172,475</u>
TOTAL ASSETS	<u><u>1,392,655</u></u>
 LIABILITIES	
Current Liabilities	
Accounts payable	1,517
Construction accounts payable	42,392
Total current liabilities	43,909
Noncurrent Liabilities	
Meter deposits refundable	<u>11,150</u>
Total noncurrent liabilities	<u>11,150</u>
TOTAL LIABILITIES	55,059
 NET ASSETS	
Invested in capital assets, net of related debt	1,172,475
Unrestricted	<u>165,121</u>
TOTAL NET ASSETS	<u><u>1,337,596</u></u>

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Wakita Utilities Authority</u>
OPERATING REVENUES	
Sewer revenues	21,908
Trash revenues	28,904
Water revenues	92,290
Gas revenues	159,908
Late fees	1,523
Sewer surcharge	8,237
Other income	13,076
TOTAL OPERATING REVENUES	<u>325,846</u>
OPERATING EXPENSES	
Administration department	57,397
Sewer department	35,964
Trash department	22,684
Water department	56,931
Gas department	124,218
TOTAL OPERATING EXPENSES	<u>297,194</u>
OPERATING INCOME	28,652
NON-OPERATING REVENUES (EXPENSES)	
Interest income	715
Trustee fees	(750)
NET NON-OPERATING REVENUES (EXPENSES)	<u>(35)</u>
INCREASE IN NET ASSETS	28,617
BEGINNING NET ASSETS	<u>1,308,979</u>
ENDING NET ASSETS	<u><u>1,337,596</u></u>

**THE TOWN OF WAKITA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Wakita Utilities Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	315,858
Other operating receipts	11,329
Cash payments for:	
Goods and services	(185,399)
Employees	<u>(69,522)</u>
Net cash provided from operations	72,266
Cash flows from capital financing activities:	
Trustee fees	(750)
Purchases of capital assets	(11,742)
Net transfers from restricted accounts	<u>18,424</u>
Net cash from capital financing activities	5,932
Cash flows from investing activities:	
Interest income	<u>479</u>
Net cash from investing activities	<u>479</u>
Net increase (decrease) in cash	<u>78,677</u>
Beginning cash	<u>66,541</u>
Ending cash	<u><u>145,218</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	28,652
Adjustments to income from operations:	
Depreciation	41,732
Change in assets and liabilities:	
(Increase) decrease in receivables	(2,948)
(Increase) decrease in prepaid expenses	701
Increase (decrease) in payables	1,339
Increase (decrease) in refundable deposits	<u>2,790</u>
Net cash provided by operations	<u><u>72,266</u></u>
** Activity in trust accounts:	
Beginning investments	18,424
Transfers to operating account	<u>(18,424)</u>
Ending investments	<u><u>0</u></u>

** Activity in trust accounts is supplemental information.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies

The Town complies with generally accepted accounting principles (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless they conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities, it has chosen not to do so.

For the fiscal year ended June 30, 2011, the Town implemented the new financial reporting requirements of GASB-54, which establishes new fund balance classifications for governmental funds. Fund balance will now be composed of three primary categories: Non-spendable, restricted, and unrestricted. Currently, the Town has no non-spendable fund balance. Restricted amounts reflect amounts that are restricted by external sources. Unrestricted balances consist of amounts that either have no restriction, or that have been internally restricted by the town board of trustees. Currently, the Town has no internally restricted resources.

1A. Financial Reporting Entity

The Town of Wakita (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In conformity with GASB-14, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the Town.

1B. Blended Component Units

The Wakita Utilities Authority (WUA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the WUA is reported as if it were part of the Town's operations because its purpose is to finance and provide water, sewer, trash, and gas services to the citizens of the Town. The WUA does not present separate financial statements.

The Wakita Public Works Authority (PWA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its purpose was to finance construction of a community health center for the citizens of the Town. Since its purpose has been fulfilled, it is currently inactive. However, the building is currently leased to the James Dennis Medical Foundation (Community Health Center) in a contract that expires June 30, 2015.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011**

1C. Basic Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's police, fire, streets and general administration are classified as governmental activities. The Town's water, sewer, trash, and gas services are classified as business-type activities.

1D. Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities are financed by taxes, intergovernmental revenues, grants, and other miscellaneous revenues. Business-type activities are financed by charges for services.

1E. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period. The Town uses one governmental fund, the general fund.

Proprietary Funds

The measurement focus of proprietary funds is economic resources, the objectives of which involve the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town uses only one proprietary fund, an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

1F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

The governmental funds financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

1G. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to be cash on hand, demand deposits, cash with fiscal agents, and short-term investments with original maturities of three months or less from the date of acquisition.

1H. Investments

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. The Town has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the Town is exposed.

1I. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

1J. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1K. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Utility systems	30 to 40 years
Equipment	5 to 20 years

GASB-34 required the Town to report and depreciate new infrastructure assets effective with its adoption in 2004. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Retroactive reporting is not required.

1L. Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are expensed as paid.

1M. Revenues and Expenditures

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as needed. When unrestricted fund balances in governmental funds that are committed or assigned are available, it is the Town's policy to first use the committed or assigned resources first. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011**

1N. Memo Only Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

2. Investments

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school Town direct debt.

3. Restricted Cash and Investments

Grant County sales taxes restricted for the Wakita fire department are recorded as restricted cash in the general fund. Although county funds, the Town records them on its books for purposes of oversight and control since the expenditure of these funds is material to the financial statements of the general fund. The balance at June 30 is \$167,109. Shared tax revenues of \$61,244 and expenditures of \$46,598 are included in these financial statements.

4. Capital Assets

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	21,839	Administration	1,749
Police department	1,700	Sewer	22,856
Fire department	13,522	Water	15,847
Street department	5,310	Gas	1,280
Total governmental depreciation	<u>42,371</u>	Total business-type depreciation	<u>41,732</u>

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Depreciable assets				
Buildings	660,807	7,125	0	667,932
Leased equipment	55,200	0	0	55,200
Equipment	169,072	34,697	(21,626)	182,143
Infrastructure	0	38,394	0	38,394
Total depreciable assets	885,079	80,216	(21,626)	943,669
Accumulated depreciation				
Buildings	(346,009)	(22,052)	0	(368,061)
Leased equipment	(1,380)	(2,760)	0	(4,140)
Equipment	(108,818)	(16,599)	19,666	(105,751)
Infrastructure	0	(960)	0	(960)
Total depreciation	(456,207)	(42,371)	19,666	(478,912)
Net depreciable assets	428,872	37,845	(1,960)	464,757
Net governmental assets	428,872	37,845	(1,960)	464,757
Business-type activities				
Assets not depreciated				
Land	160,000	0	0	160,000
Construction in progress	0	42,392	0	42,392
Total assets not depreciated	160,000	42,392	0	202,392
Depreciable assets				
Buildings	10,000	0	0	10,000
Equipment	13,454	0	0	13,454
Utility systems	1,462,055	11,742	0	1,473,797
Total depreciable assets	1,485,509	11,742	0	1,497,251
Accumulated depreciation				
Buildings	(3,917)	(333)	0	(4,250)
Equipment	(6,150)	(1,416)	0	(7,566)
Utility systems	(475,370)	(39,983)	0	(515,352)
Total depreciation	(485,436)	(41,732)	0	(527,168)
Net depreciable assets	1,000,072	(29,990)	0	970,083
Net business-type assets	1,160,072	12,402	0	1,172,475

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011**

5. Long-term Debt

	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Governmental activities					
Backhoe	5.766%	02/10/24	20,200	17,977	backhoe

Long-term debt activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental activities					
Backhoe lease-purchase	18,934	0	(957)	17,977	1,012

A summary of debt service requirements to maturity by year is as follows:

	Governmental activities		
	Principal	Interest	Total
June 30:			
2012	1,012	984	1,996
2013	1,070	926	1,996
2014	1,132	864	1,996
2015	1,197	799	1,996
2016	1,266	730	1,996
2017-2021	7,511	2,468	9,979
2022-2024	4,789	367	5,156
Total	17,977	7,138	25,115

February 10, 2009, the Town entered into a \$20,200 15 year lease-purchase agreement for a backhoe. The lease carries a fixed annual interest rate of 5.766% and matures February 10, 2024. The Town is obligated to pay only such rental payments as are appropriated for that purpose annually. If the Town fails to budget funds for the lease, it will be deemed terminated at the end of the term last budgeted. The Town has the option to take title to the backhoe upon fulfillment of the lease.

6. Defined Benefit Pension Plans

Volunteer Firefighters

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the year ended June 30, 2011, 2009 and 2008 was \$780, \$840 and \$780 respectively equal to the required contribution for each year.

Town Employees

Plan Description. The Town's defined benefit pension plan, the Town of Wakita Plan and Trust (WPT), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. WPT is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer type plan administered by Bank One in Oklahoma City, OK. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in OMRF to the respective employer entities; for WPT, that authority rests with the Town of Wakita. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 100 North Broadway, Oklahoma City, OK 73102, or by calling 1-888-394-6673.

Funding Policy. OMRF members are required to contribute 2.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate which is currently 7.51% of annual covered payroll. However, the Town is currently contributing 8.16% in order to prefund a future benefit increase. The contribution requirements of plan members and the Town are established and may be amended by the OMRF Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2010, the Town's annual pension cost was \$6,022. Actual contributions of \$6,544 exceeded the required contributions. The required contribution was determined as part of the January 1, 2010 actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by year based on the age of the employee, and (c) 3% per year cost-of-living adjustments. The actuarial value of WPT assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 80% to 120% of the current market value of the fund.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

Fiscal Year Ending	Annual Pension Cost	Percentage APC Contributed	Net Pension Obligation
06/30/09	6,507	100%	0
06/30/10	6,542	100%	0
06/30/11	6,544	109%	0

Schedule of Funding Progress.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/11	143,403	Actuarial	173,580	EAN	30,176	82.6%	80,171	37.6%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

7. Workers' Compensation Plan

The Town participates in the Oklahoma Municipal Assurance Group (OMAG) Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide 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 any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any Loss Funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the plan. Town funds on deposit with OMAG at year end were \$4,970.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2011

8. Long-term Maintenance and Repair Contract

During 2000/2001, the Town entered into a long-term contract for water tower repairs and maintenance. An annual maintenance fee began in 2004 with cost of service adjustments calculated every three years, but in no case to exceed 5% annually. The contract is subject to cancellation with 90 days written notice prior to the anniversary date. The cost for 2011 was \$6,218.

9. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. No claims were made during the year just ended.

10. Budgets and Budgetary Accounting

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used.

11. Subsequent Events

During 2009, the Town adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. The new standard reflects the existing principles of current subsequent event accounting guidance and requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Town's activity through August 16, 2011, the audit report date, and has concluded that the following significant subsequent event requires disclosure.

July 22, 2011, the Wakita Utilities Authority issued a \$375,000 promissory note for water system improvements. The 40 year note carries a 3.25% interest rate and matures May 22, 2051. Construction on the project should be completed during fiscal year 2012.

**The Town of Wakita
Supplemental Pension Disclosures
As of and for the Year Ended June 30, 2011**

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/02	36,143	Actuarial	104,499	EAN	68,356	34.6%	72,361	94.5%
01/01/03	45,978	Actuarial	103,535	EAN	57,557	44.4%	73,994	77.8%
01/01/04	58,526	Actuarial	114,223	EAN	55,697	51.2%	72,541	76.8%
01/01/05	85,525	Actuarial	137,252	EAN	51,746	62.3%	73,929	70.0%
01/01/06	85,525	Actuarial	137,272	EAN	51,746	62.3%	73,929	70.0%
01/01/07	101,423	Actuarial	150,359	EAN	48,936	67.5%	76,108	64.3%
01/01/08	118,324	Actuarial	164,893	EAN	46,569	71.8%	78,338	59.4%
01/01/09	122,144	Actuarial	160,053	EAN	37,909	76.3%	79,796	47.5%
01/01/10	135,115	Actuarial	172,605	EAN	37,490	78.3%	80,241	46.7%
01/01/11	143,403	Actuarial	173,580	EAN	30,176	82.6%	80,171	37.6%

**THE TOWN OF WAKITA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	56,500	66,500	72,560	6,060
Franchise taxes	11,000	11,000	12,238	1,238
Shared taxes	11,400	11,400	75,356	63,956
Grants	45,000	45,000	44,245	(755)
Fines and fees	0	0	1,419	1,419
Interest	1,600	1,600	1,055	(545)
Other revenues	3,300	3,300	6,020	2,720
TOTAL REVENUES	128,800	138,800	212,893	74,093
EXPENDITURES				
General government	33,000	38,000	21,839	16,161
Police department	44,000	55,700	46,194	9,506
Fire department	7,000	9,500	35,441	(25,941)
Street department	35,000	18,100	17,989	111
Debt service	0	2,000	1,996	4
Capital outlay	40,000	54,200	80,216	(26,016)
TOTAL EXPENDITURES	159,000	177,500	203,675	(26,175)
REVENUES OVER (UNDER) EXPENDITURES	(30,200)	(38,700)	9,218	47,918
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	0	0	4,496	4,496
NET OTHER FINANCING SOURCES (USES)	0	0	4,496	4,496
NET CHANGE IN FUND BALANCES	(30,200)	(38,700)	13,714	52,414
BEGINNING FUND BALANCE	155,576	358,030	358,030	0
ENDING FUND BALANCE	125,376	319,330	371,744	52,414

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.
2. The fire department exceeded its budget due to failure to budget county sales tax funds.
3. Capital outlay exceeded its budget due to failure to budget county sales tax funds.

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

The Board of Trustees
The Town of Wakita, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, and each fund of the Town of Wakita, 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 August 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 Town's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Wakita 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*.

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



C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
August 16, 2011