

***FINANCIAL STATEMENTS***

**OF**

***TOWN OF WARNER  
MUSKOGEE COUNTY, OKLAHOMA***

**June 30, 2011**



***Clothier & Company CPA's P.C.***

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
The Town of Warner  
Warner, 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 Warner, Warner, 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 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 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 the 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, the Town prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, except for the enterprise fund which is prepared in accordance with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended on a basis of accounting other than principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of the 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 Town has chosen not to present the management's discussion and analysis that is required by the Governmental Accounting Standards Board (GASB) as necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 23 and 24 is not a required part of the basic financial statements but is 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.

A handwritten signature in black ink that reads "Clothier & Company CPAs". The signature is written in a cursive, flowing style.

Clothier & Company, CPA's, P.C.

May 14, 2012

**Town of Warner**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 383,520	\$ 42,683	\$ 426,203
Other Tax Receivable	318	68,236	68,554
Trade Accounts Receivable	0	87,810	87,810
Prepaid Items	0	48,035	48,035
Total Current Assets	<u>383,838</u>	<u>246,764</u>	<u>630,602</u>
Noncurrent Assets			
Capital Assets			
Land	41,500	9,602	51,102
Buildings	1,127,554	470,578	1,598,132
Infrastructure	397,311	3,118,449	3,515,760
Equipment	505,279	466,168	971,447
Accumulated Depreciation	(762,960)	(2,346,248)	(3,109,208)
Restricted Cash	0	75,997	75,997
Total Noncurrent Assets	<u>1,308,684</u>	<u>1,794,546</u>	<u>3,103,230</u>
Total Assets	<u>1,692,522</u>	<u>2,041,310</u>	<u>3,733,832</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	0	43,182	43,182
Current Portion LT Debt	0	89,845	89,845
Total Current Liabilities	<u>0</u>	<u>133,027</u>	<u>133,027</u>
Noncurrent Liabilities			
Long-term Debt	137,200	980,133	1,117,333
Total Noncurrent Liabilities	<u>137,200</u>	<u>980,133</u>	<u>1,117,333</u>
Total Liabilities	<u>137,200</u>	<u>1,113,160</u>	<u>1,250,360</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Debt	1,171,484	648,571	1,820,055
Non-Expendable Restricted:			
Debt Services	0	75,997	75,997
Expendable Restricted: Other	78,203	0	78,203
Unrestricted	305,635	203,582	509,217
Total Net Assets	<u>\$ 1,555,322</u>	<u>\$ 928,150</u>	<u>\$ 2,483,472</u>

See accompanying footnotes and auditors' report.

**TOWN OF WARNER**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities:								
General Government	\$ 448,031	\$ 25,377	\$ 41,852	\$ 0	\$ (380,802)	\$ 0	\$ (380,802)	\$ 0
Public Safety	256,882	0	1,175	0	(255,707)	0	(255,707)	0
Total Governmental Activities	704,913	25,377	43,027	0	(636,509)	0	(636,509)	0
Business-type Activities:								
Utility	618,485	575,833	0	0	0	(42,652)	(42,652)	0
Total Business-type Activities	618,485	575,833	0	0	0	(42,652)	(42,652)	0
Total Primary Government	\$ 1,323,398	\$ 601,210	\$ 43,027	\$ 0	(636,509)	(42,652)	(679,161)	0
General Revenues:								
Sales Tax					558,845	0	558,845	0
Other Taxes					241,733	0	241,733	0
Franchise Fees					50,721	0	50,721	0
Investment Income					371	2,751	3,122	0
Other General Revenue					70,755	19,386	90,141	0
Transfer Revenue					215,843	78,348	294,191	0
Transfer Expense					(180,629)	0	(180,629)	0
Total General Revenues and Transfers					957,639	100,485	1,058,124	0
Change in Net Assets					321,130	57,833	378,963	0
Net Assets - Beginning					1,234,192	870,317	2,104,509	0
Net Assets - Ending					\$ 1,555,322	\$ 928,150	\$ 2,483,472	\$ 0

See accompanying footnotes and auditors' report.

**TOWN OF WARNER  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Non-Major Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 38,552	\$ 344,968	\$ 383,520
Other Tax Receivable	<u>318</u>	<u>0</u>	<u>318</u>
Total Assets	<u>\$ 38,870</u>	<u>\$ 344,968</u>	<u>\$ 383,838</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Fund Balances			
Nonspendable restricted for:			
Capital projects	0	78,203	78,203
Unassigned	<u>38,870</u>	<u>266,765</u>	<u>305,635</u>
Total Fund Balances	<u>38,870</u>	<u>344,968</u>	<u>383,838</u>
Total Liabilities and Fund Balances	<u>\$ 38,870</u>	<u>\$ 344,968</u>	<u>\$ 383,838</u>

**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.	1,308,684
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(137,200)</u>
Net assets of governmental activities	<u>\$ 1,555,322</u>

See accompanying footnotes and auditors' report.

**Town of Warner**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED June 30, 2011**

	<b>General Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Sales Tax	\$ 209,567	\$ 349,278	\$ 558,845
Other Taxes	226,265	15,468	241,733
Franchise Fees	50,721	0	50,721
Investment Income	331	40	371
Other General Revenue	70,386	369	70,755
Fees Fines and Charges	175	25,202	25,377
Operating Grant	41,852	1,175	43,027
Total Revenues	<u>599,297</u>	<u>391,532</u>	<u>990,829</u>
<b>EXPENDITURES</b>			
General Government			
Personel Services	98,417	24,780	123,197
Materials and Supplies	95,919	2,745	98,664
Other Service and Charges	119,527	5,577	125,104
Capital Outlay	100,443	0	100,443
Capital Outlay-Acct. Group	99,534	0	99,534
Public Safety			
Capital Outlay	13,918	0	13,918
Other Service and Charges	5,336	77,643	82,979
Materials and Supplies	25,513	6,947	32,460
Personel Services	126,385	1,140	127,525
Total Expenditures	<u>684,992</u>	<u>118,832</u>	<u>803,824</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(85,695)</u>	<u>272,700</u>	<u>187,005</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	158,217	57,626	215,843
Transfers Out	<u>(51,103)</u>	<u>(129,526)</u>	<u>(180,629)</u>
Total Other Financing Sources and Uses	<u>107,114</u>	<u>(71,900)</u>	<u>35,214</u>
Net Change in Fund Balance	21,419	200,800	222,219
Fund Balances - Beginning	<u>17,451</u>	<u>144,168</u>	<u>161,619</u>
Fund Balances - Ending	<u>\$ 38,870</u>	<u>\$ 344,968</u>	<u>\$ 383,838</u>

See accompanying footnotes and auditors' report.

**TOWN OF WARNER  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds		\$222,219
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		0
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Loan proceeds	0	
Repayment of loan principal	32,314	32,314
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their useful lives:</p>		
Expenditures for capital assets	125,280	
less current year depreciation	(58,683)	66,597
Governmental funds report expenditures when paid. The Statement of Activities reports expenditures when incurred.		0
Change in Net Assets of Governmental Activities		\$321,130

See accompanying footnotes and auditors' report.



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

		<b>Business-type Activities- Enterprise Funds</b>	
		<b>Utilities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents		\$ 42,683	\$ 42,683
Other Tax Receivable		68,236	68,236
Trade Accounts Receivable		87,810	87,810
Prepaid Items		<u>48,035</u>	<u>48,035</u>
Total Current Assets		<u>246,764</u>	<u>246,764</u>
Noncurrent Assets			
Restricted Assets			
Investments		75,997	75,997
Capital Assets			
Land		9,602	9,602
Buildings		470,578	470,578
Infrastructure		3,118,449	3,118,449
Equipment		466,168	466,168
Accumulated Depreciation		<u>(2,346,248)</u>	<u>(2,346,248)</u>
Total Noncurrent Assets		<u>1,794,546</u>	<u>1,794,546</u>
Total Assets		<u>2,041,310</u>	<u>2,041,310</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable		43,182	43,182
Current Portion LT Debt		<u>89,845</u>	<u>89,845</u>
Total Current Liabilities		<u>133,027</u>	<u>133,027</u>
Noncurrent Liabilities			
Long-term Debt		<u>980,133</u>	<u>980,133</u>
Total Noncurrent Liabilities		<u>980,133</u>	<u>980,133</u>
Total Liabilities		<u>1,113,160</u>	<u>1,113,160</u>
<b>NET ASSETS</b>			
Invested in Capital Assets		648,571	648,571
Restricted for:			
Debt Service		75,997	75,997
Unrestricted		<u>203,582</u>	<u>203,582</u>
Total Net Assets		<u>\$ 928,150</u>	<u>\$ 928,150</u>

See accompanying footnotes and auditors' report.

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

	<b>Business-type Activities- Enterprise Funds</b>	
	<b>Utilities</b>	<b>Total</b>
<b>Operating Revenues</b>		
Water	\$ 441,889	\$ 441,889
Sewer	103,944	103,944
Sanitation	30,000	30,000
Total Operating Revenues	575,833	575,833
<b>Operating Expenses</b>		
Personel Services	155,351	155,351
Materials and Supplies	219,876	219,876
Other Service and Charges	138,079	138,079
Depreciation Expense	78,385	78,385
Total Operating Expenses	591,691	591,691
<b>Operating Income (Loss)</b>	(15,858)	(15,858)
<b>Non-Operating Revenues (Expenses)</b>		
Interest Earnings	2,751	2,751
Other General Revenue	19,386	19,386
Interest Expense	(26,794)	(26,794)
Total Non-Operating Revenues (Expenses)	(4,657)	(4,657)
<b>Income (Loss) Before Contributions and Transfers</b>	(20,515)	(20,515)
Transfers In	78,348	78,348
Total Transfers	78,348	78,348
<b>Change in Net Assets</b>	57,833	57,833
<b>Net Assets - Beginning</b>	870,317	870,317
<b>Net Assets - Ending</b>	\$ 928,150	\$ 928,150

See accompanying footnotes and auditors' report.

**TOWN OF WARNER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
June 30, 2011**

**Cash Flows From Operating Activities:**

Cash received from customers	\$ 534,539
Cash paid to employees	(155,351)
Cash paid to suppliers	(353,427)
Other operating payments	0
Net Cash Flows from Operating Activities	<u>25,761</u>

**Cash Flows From Non-operating Activities:**

Cash received from other sources	<u>97,734</u>
Net Cash Flows from Non-operating Activities	97,734

**Cash Flows From Capital and Related Financing Activities:**

Proceeds from issuance of debt	0
Payment of debt	(105,601)
Acquisition and construction of capital assets	0
Payment of Interest	<u>(26,794)</u>
Net Cash (Used) By Capital and Related Financing Activities	<u>(132,395)</u>

**Cash Flows From Investing Activities:**

Decrease (Increase) in restricted cash	(4,812)
Receipt of interest and dividends	<u>2,751</u>
Net Cash Provided (Used) By Investing Activities	<u>(2,061)</u>

Net Increase (Decrease) In Cash	(10,961)
Cash Beginning of Year	<u>53,644</u>
Cash End of Year	<u>\$ 42,683</u>

**Reconciliation of Operating Income to Net Cash Flows from Operating Activities:**

Operating income (loss)	\$ (15,858)
Add depreciation expense	78,385
(Increase)/Decrease in Current Assets:	
Accounts receivables, net	(41,294)
Prepaid expenses	1,921
Increase/(Decrease) in Current Liabilities:	
Accounts payable	2,607
Accrued expenses	0
Net Cash Flows from Operating Activities	<u>\$ 25,761</u>

See accompanying footnotes and auditors' report.

**TOWN OF WARNER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Warner, Oklahoma presents its financial statements on a modified cash basis of accounting, except for its proprietary fund, which is presented on the accrual basis. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the basis of accounting utilized by the fund, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. In accordance with GASB Statement No. 34, the Town is reporting infrastructure assets on a prospective basis only (infrastructure assets acquired on or after July 1, 2003).

Reporting Entity

The accompanying financial statements present the activities of the Town (the primary government) and its blended component unit. Blended component units, although legally separate entities are, in substance, part of the Town's operations and data from these units are combined with the data of the primary government. In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Units:

The Warner Utilities Authority (WUA) was created pursuant to an amended and restated Trust Indenture dated February 5, 1990 to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of Warner, Oklahoma. The WUA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to the WUA. The WUA 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. The WUA is exempt from State and Federal Income taxes and is reported as an enterprise fund.

Basic Financial Statements - Government-wide Statements

The Town's basic financial statements consists of government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support. The Town's police and fire protection, public facilities and services, and general government administrative services are classified as governmental activities. The Town's water, sewer and trash services are classified as business-type activities.

The *Government-Wide Statement of Net Assets* presents the Town's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. It is the Town's policy to first utilize restricted resources to finance qualifying activities.
- *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The *Government-Wide Statement of Activities* demonstrates the degree to which the direct expenses of a given function or activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity including special assessments. *Operating grants* include operating-specific and discretionary (either operating or capital) grants while *capital grants* are capital-specific grants. Taxes and other items not properly included as program revenues are reported instead as general revenues.

## TOWN OF WARNER

### Basic Financial Statements - 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 comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activity categories. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise categories combined for the determination of major funds. Major individual governmental funds and major individual business-type funds are reported as separate columns in the fund financial statements. All remaining non-major funds are aggregated by category and reported in a column in the fund financial statements.

The following fund types are used by the Town:

#### Governmental Funds:

The following is a description of the governmental funds of the Town:

- *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* are used to account for revenue sources that are legally restricted to expenditures for a specific purpose or designated to finance particular functions of the Town. The special revenue funds used by the town include: Dedicated Sales Tax/Fire Police, Community Center and Street, Municipal Court, Sales Tax and Water Project. Other Special Revenue Funds Considered as non-major funds include: Street and Alley, Park and Recreation, and Child Registry and Investigation.
- *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.
- *Warner Utilities Authority* accounts for the operations of providing public works (water, sewer, and refuse) to the Town.

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

The following funds are major governmental funds for the Town of Warner:

- *General Fund* - described above.
- *Proprietary Fund* – described above.

The *Governmental Funds Balance Sheet* present the Town's non-fiduciary and non-proprietary assets and liabilities, with the difference reported as fund balance. Fund balance is reported in five categories:

- *Nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* are reported as restricted when constraints placed on the use of resources are either:
  - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
  - Imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* are amounts that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed.
- *Unassigned fund balance* is the residual classification for the general fund that represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the general fund.

### Measurement Focus and Basis of Accounting

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

### Government-Wide Financial Statements

On the government-wide financial statements both governmental and business-like activities are presented using the *economic resources measurement focus* and the *modified cash basis of accounting* as described below for governmental funds.

## TOWN OF WARNER

### Fund Financial Statements

In the fund financial statements:

All *governmental funds* utilize a *current financial resources measurement focus* and the *modified cash basis of accounting*, the same basis of accounting used for preparing budgets for these governmental funds. Generally, only cash-basis assets and liabilities are included on their statements of assets, liabilities and fund balances. Their statements of revenues, expenditures and changes in fund balances present sources and uses of cash during a given period. These funds use fund balances as their measure of available resources at the end of the period. Capital asset acquisitions are reported as expenditures in government funds. Proceeds of general long-term debt are reported as other financing sources. Under the *modified cash basis of accounting*, revenues are generally recognized when received and expenditures generally are recognized when incurred.

The *proprietary fund* financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with fund activities are reported. Proprietary fund equity is classified as net assets. Under the *accrual basis of accounting*, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

*Fiduciary funds* are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. Fiduciary funds record transactions using the *accrual basis of accounting*.

### Assets, Liabilities and Net Assets or Equity

#### Cash and Investments

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.

Oklahoma statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

#### Restricted Cash

The restricted cash is the result of financial requirements of promissory notes between the Warner Utilities Authority and the Oklahoma Water Resources Board which consist of funds held in Debt Service and Debt Service Reserve Accounts. Under the terms and provisions of the promissory notes, these funds are to be maintained so long as the notes are outstanding. In addition, certain funds are restricted for Warner Utilities Authority customer deposit refunds.

#### Fair Value of Financial Instruments

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

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred as internal balances.

In the government-wide statements and the fund financial statements, the business-type activity reports receivables for water, sewer and other services, which are shown net of an allowance for uncollectible accounts. Allowances for uncollectible receivables are estimated based on historical trends and the periodic aging of accounts.

#### Estimates

The preparation of financial statements in conformity with an other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## TOWN OF WARNER

### 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 inventories are recorded as expenditures when purchased rather than when consumed.

### Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

### Government-Wide Statements:

In the government-wide financial statements, when capital assets are purchased, they are capitalized and depreciated. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Town maintains a capitalization threshold of \$1,000. Improvements are capitalized, the costs of normal maintenance and repairs that do not add value to the asset or materially extend an assets' life are not capitalized.

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 ranges of estimated useful lives:

Buildings	40 years
Improvements, other than buildings	10 years
Machinery, furniture and equipment	5-15 years
Utility property and improvements	7-40 years

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

### *Fund Financial Statements:*

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

### Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has no accrued compensated absences because the amount is not material to the financial statements.

### Long –Term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds 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.

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.

# TOWN OF WARNER

## Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, 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. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### Budgetary Process

In accordance with state statutes of the State of Oklahoma, the town's trustees adopt a budget on the modified cash basis for all governmental funds and the accrual basis for the proprietary fund. They follow the required public notice and hearings for all funds and appropriate the amount deemed necessary for each of the different Town activities. The budget may be amended during the year utilizing similar statutorily prescribed procedures and time limitations. Encumbrances are not recognized on the modified cash basis and appropriations lapse at year-end.

Formal and legal budgetary control is based upon each independent fund. Disbursements are budgeted in each fund including the general fund, special revenue funds, debt service fund, capital projects fund, and proprietary fund.

## **NOTE 3. DETAILED NOTES CONCERNING THE FUNDS**

### Deposits and Investments

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

Okla. Stat. Ann. Title 62 Sec. 516.1 through 516.10 provide for the furnishing of acceptable collateral securities valued at the lower of market or par to be pledged to secure the deposits of public funds in excess of the amount insured by an agency of the United States Government. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. The Town's deposit policies comply with state statutes.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. As of June 30, 2011, all of the Town's cash in financial institutions was covered by the FDIC or secured pledges. The categories of credit risk are as follows:

A. Insured or collateralized with securities held by the Town	\$ 0
B. Collateralized with securities held by banks trust department	0
C. Collateralized with securities held by bank not in Town's name	0
D. FDIC insured/Dodd-Frank coverage	<u>426,203</u>
Total	<u>\$426,203</u>



**TOWN OF WARNER**

Capital Assets

Capital asset activity resulting from modified cash basis transaction for the governmental activities for the year ended June 30, 2011 was as follows:

	<u>Cost</u>	<u>Additions</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Community Center	\$7,015	\$6,130	\$2,814	\$10,331
General Government	828,481	0	299,661	528,820
Fire Department	438,673	18,970	156,185	301,458
Police Department	283,539	25,300	181,358	127,481
Street/Infrastructure	388,656	74,880	122,942	340,594
	<u>\$1,946,364</u>	<u>\$125,280</u>	<u>\$762,960</u>	<u>\$1,308,684</u>

Business-type Proprietary Fund

Capital asset activity for the proprietary fund for the year ended June 30, 2011 was as follows:

	<u>Cost</u>	<u>Additions</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Buildings	\$470,578	\$0	\$122,689	\$347,889
Equipment	466,168	0	381,214	84,954
Land	9,602	0	0	9,602
Roads	11,126	0	11,126	0
Infrastructure	3,107,323	0	1,831,219	1,276,104
	<u>\$4,064,797</u>	<u>\$0</u>	<u>\$2,346,248</u>	<u>\$1,718,549</u>

Local Reserve Requirement – Enterprise Fund

The OWRB loans require the Trustee Bank to establish and maintain a “reserve” fund to secure payment of debt service on the notes. Bank of Oklahoma (the Trustee Bank) has established this reserve fund which meets the loan agreement’s minimum requirement. The summary of these funds held by the Trustee Bank at June 30, 2011 are as follows:

Debt Service "Reserve" Fund	\$57,308
Debt Service Fund	<u>18,689</u>
Total Trustee Bank Cash	<u>\$75,997</u>

**NOTE 4. INTER-FUND RECEIVABLE, PAYABLE AND TRANSFERS**

Inter-fund Transactions

Inter-fund transactions are reflected as loans, services provided, reimbursements of transfers.

- Services provided, deemed to be at market of near market rates, are treated as revenues and expenditures/expenses.
- Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.
- All other inter-fund transactions are treated as transfers and are reported “gross” in the fund financial statements. Transfers between governmental funds are eliminated in the conversion to the government-wide financial statements, while transfers between governmental and proprietary funds are reported “net”.

**TOWN OF WARNER**

Inter-fund Receivables and Payables

There were no amounts due from or due to other governmental funds at June 30, 2011.

**NOTE 5. LONG-TERM DEBT**

A summary of the Town’s long-term debt activity for the year ended June 30, 2011, is presented below:

Note payable to Armstrong Bank to finish construction of commercial building on 3<sup>rd</sup> Ave, Warner Oklahoma, interest rate of 6.25%, payable in equal monthly payments of \$3,675, matures September 2014 \$137,200

	<u>Maturities</u>	<u>Debt Service</u>
2012	\$32,959	\$39,075
2013	34,646	39,072
2014	36,418	39,075
2015	33,177	34,062
2016-2020	0	0
	<u>\$137,200</u>	<u>\$151,284</u>

Warner Utilities Authority Notes Payable

Notes payable to the Oklahoma Water Resources Board (“OWRB”) to be serviced by the Warner Utility Authority are as follows:

Fixed rate mortgage at 6.68%, payments semi-annually including principal, interest and administrative fees of \$11,359, secured by pledge of certain sales tax revenue. The note matures August 15, 2011.	\$ 20,000
Adjustable rate mortgage (currently 4.45%), payments semi-annually including principal, interest and administrative fees of \$13,952, secured by pledge of revenue of the water, sewer and garbage facilities owned by the Town, but leased to the Utility Authority. The note matures August 15, 2024.	316,650
Fixed rate mortgage at 3.128% payable semi-annually including principal, interest and a .05% administrative fee, secured by the gross income and revenue of the water, sewer garbage facilities owned by the Town, but leased to the Utility Authority. The note matures March 15, 2020.	131,767
Note payable to Armstrong Bank to be serviced by Warner Utility Authority at a fixed Rate of 4.9%, monthly payments of principal and interest of \$2,237. The note matures May 15,2023	239,746
Note payable to Armstrong Bank to be serviced by Warner Utility Authority at a fixed Rate of 4.9%, monthly payments of principal and interest of \$3,781. The note Matures December 8, 2021.	<u>361,815</u>
Total debt	1,069,978
Less: Current Maturities	<u>89,845</u>
Total Long-term Debt	<u>\$ 980,133</u>

**TOWN OF WARNER**

The current maturities and debt service requirements on these notes as of June 30, 2011 are as follows:

	<u>Maturities</u>	<u>Debt Service</u>
2012	\$89,845	\$127,802
2013	73,688	108,198
2014	77,645	109,259
2015	80,298	110,407
2016	84,740	111,737
2017-2021	488,220	564,367
2022-2026	<u>175,542</u>	<u>181,073</u>
	<u>\$1,069,978</u>	<u>\$1,312,843</u>

**NOTE 6. NET ASSETS**

Investment in Capital Assets, Net of Related Debt

As of June 30, 2011 the investment in capital assets, net of related debt consisted of the following:

	<u>Governmental</u>	<u>Business- Type</u>	<u>Total</u>
Capital assets (Note 3)	\$1,308,684	\$1,718,549	\$3,027,233
Armstrong Bank notes payable	(137,200)	(468,417)	(605,617)
Oklahoma Water Resources Board notes	<u>0</u>	<u>(601,561)</u>	<u>(601,561)</u>
Investment in Capital Assets, net related debt	<u>\$1,171,484</u>	<u>\$648,571</u>	<u>\$1,820,055</u>

Restricted Net Assets

The Town records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves used by the Town as of June 30, 2011.

Sales Tax, Fire, Police, Community Center and Street Projects Fund:	
Restricted for voter approved expenditures	\$9,530
Sales Tax and Water Project Fund:	
Restricted for voter approved expenditures	<u>68,673</u>
Total Restricted Net Assets Governmental Activities	<u>\$78,203</u>
Enterprise Fund:	
Restricted for debt service	<u>\$75,997</u>

**NOTE 7. PENSIONS PLANS**

The Town participates in defined contribution plans for its policemen, firemen and municipal employees. The plans are administered by the various retirement systems of the State of Oklahoma. The Town contributes an amount equal to 12% of the base salary for its policemen participants; \$60 per participant for its firemen; and 4% of the base salary for its other municipal employees. In addition, policemen participants contribute an amount equal to 8% of their base salary and the municipal employees, other than firemen, contribute 3% of their base salary.

## **TOWN OF WARNER**

All contributions, both employer and employee, are transmitted to the various retirement systems for administration. The reporting entity's contributions were \$14,223 for the Town and \$7,751 for the business-type entity.

The Town is required to make annual contributions of \$60 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and an appropriation by the State of Oklahoma. The Town's contributions to OFPRS were \$1,140 for 2011.

## **NOTE 8. RISK MANAGEMENT**

The Town of Warner is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for other specific risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three 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 the fund.



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

To the Board of Trustees of  
The Town of Warner  
Warner, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Town of Warner as of and for the year ended June 30, 2011, and have issued our report thereon dated May 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses we identify certain deficiencies in internal control over financial reporting that we consider to be a material weaknesses.

*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 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. We consider the deficiency described in the accompanying schedule of findings and responses as 2011-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as 2011-1 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Town of Warner's financial statements are free of material misstatements, 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 object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-1 and 2011-2.

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

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



Clothier & Company, CPA's, P.C.  
May 14, 2012

**TOWN OF WARNER  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE PERIOD ENDED JUNE 30, 2011**

**Section I – Summary of Prior Year Audit Finding**

2011-1 Long-term debt secured by the Town

*Condition* – The Town of Warner has a long-term note payable with Armstrong Bank.

*Current Status* – The note was changed to a short-term note that is renewable each year.

2010-2 – Timeliness of the Audit

*Condition* – Information for the audit is not given to the auditor in a timely manner.

*Current Status* – The information to do the audit was not received in a timely manner again this year.

**Section II – Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued. – Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant control deficiencies identified that are Not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Section III – Financial Statement Findings**

2011-1 – Timeliness of Audit

*Criteria or specific requirement* – Financial statement audits should be completed within six months of the fiscal year end to be considered timely.

*Condition* – The financial statements to be audited and information requested for the audit were not received until January 2012 for the fiscal year end June 30, 2011.

*Context* – The June 30, 2010 audit was not completed until August 2011, so the 2011 audit was also delayed. The Town had an outside service provider help in balancing the general ledger before the audited started, but they could not start until the 2010 audit was completed. This caused further delay in starting the audit.

*Effect* – Financial statements and report information is not timely. The state will hold some of the tax revenue until the audit is filed with the state auditor.

## TOWN OF WARNER

*Cause* – Not having financial statements that can be provided to auditor in a timely manner. Turnover in office staff has caused additional software training time because accounting program is difficult to use.

*Recommendation* – Use an outside service provider to prepare monthly financial statements or find a more user friendly accounting program. Both would help provide financial statements in a more timely manner.

*Views of responsible officials and planned corrective actions* – With staff still having limited knowledge; we found the general ledger and bank reconciliations not balancing. The staff worked with the software tech support and outside services provider to get these balanced which caused further delay. The necessary steps will be taken to use the outside service provider or convert the general ledger and bank reconciliation portion to other software.

2011-2 – Transfers between the funds do not zero out

*Criteria or specific requirement* – The transfers between the individual funds do not balance to zero.

*Condition* – The transfers in and out of the individual funds of the Town do not zero out each other.

*Context* – The outside service provider made adjustments to transfer in order to get the different funds in the Town's general ledger to balance because the general ledger was so far out of balance.

*Effect* – The funds balance but the transfers do not zero out.

*Cause* – Not having the general ledger of each fund in balance. The accounting program used by the town is difficult to use and turn over in staff has lead to inexperienced staff posting information incorrectly in the program.

*Recommendation* – Use an outside service provider to prepare monthly financial statements or find a more user friendly accounting program. Both would help provide better financial reporting.

*Views of responsible officials and planned corrective actions* – The necessary steps will be taken to keep the general ledger in balance and eliminate the need for using transfer accounts to balance.



## SUPPLEMENTAL INFORMATION

**TOWN OF WARNER**  
**Budgetary Comparison**  
**For the Year Ended June 30, 2011**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>GOVERNMENTAL FUNDS</b>				
Revenues & Transfers In:				
Taxes	473,540	473,540	800,578	(327,038)
Franchise Fees	48,360	48,360	50,721	(2,361)
Fines and Forfeitures	0	0	0	0
Other General Revenue	52,960	52,960	70,755	(17,795)
Grant Proceeds	0	0	43,027	(43,027)
Interest on Investments	300	300	371	(71)
Intergovernmental	21,590	21,590	25,377	(3,787)
Transfers In	287,820	287,820	57,626	230,194
Total Revenue	<u>884,570</u>	<u>884,570</u>	1,048,455	(163,885)
Expenditures and Transfers Out:				
Personal Services	297,340	297,340	250,722	46,618
Material and Supplies	43,773	43,773	131,124	(87,351)
Other	203,770	203,770	208,083	(4,313)
Capital Outlay	37,140	37,140	55,678	(18,538)
Debt Service	0	0	32,314	(32,314)
Transfers Out	82,000	82,000	180,629	(98,629)
Total Expenses	<u>664,023</u>	<u>664,023</u>	858,550	(194,527)
Revenue Over/(Under) Expenses	<u>220,547</u>	<u>220,547</u>	189,905	<u>30,642</u>

Reconciliation of budgetary comparison to Statement of  
Revenues, Expenses, and Changes in Net Assets:

Add: Principal payments	<u>32,314</u>
Change in Net Assets	<u>222,219</u>

See accompanying auditors' report.

**TOWN OF WARNER**  
**Budgetary Comparison**  
**For the Year Ended June 30, 2011**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>ENTERPRISE FUND</b>				
Revenues & Transfers In:				
Charges for Services	559,780	559,780	575,833	(16,053)
Other General Revenue	0	0	19,386	(19,386)
Interest on Investments	50	50	2,751	(2,701)
Miscellaneous Revenues	24,440	24,440	0	24,440
Transfers In	26,610	26,610	78,348	(51,738)
Total Revenue	<u>610,880</u>	<u>610,880</u>	<u>676,318</u>	<u>(65,438)</u>
Expenditures and Transfers Out:				
Personal Services	194,310	194,310	155,351	38,959
Material and Supplies	138,100	138,100	219,876	(81,776)
Other	311,990	311,990	138,079	173,911
Capital Outlay	7,700	7,700	0	7,700
Debt Service	63,000	63,000	132,395	(69,395)
Transfers Out	0	0	0	0
Total Expenses	<u>715,100</u>	<u>715,100</u>	<u>645,701</u>	<u>69,399</u>
Revenue Over/(Under) Expenses	<u>(104,220)</u>	<u>(104,220)</u>	<u>30,617</u>	<u>(134,837)</u>

Reconciliation of budgetary comparison to Statement of  
Revenues, Expenses, and Changes in Net Assets:

Add: Principal payments	105,601
Less: Depreciation expense	<u>(78,385)</u>
 Change in Net Assets	 <u><u>57,833</u></u>

See accompanying auditors' report.