

**TOWN OF WAUKOMIS  
GARFIELD COUNTY, OKLAHOMA**

**AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED  
JUNE 30, 2010**

*WILLIAM K. GAUER  
CERTIFIED PUBLIC ACCOUNTANT  
WATONGA, OKLAHOMA*

**TOWN OF WAUKOMIS  
GARFIELD COUNTY, OKLAHOMA  
TOWN COUNCIL AND OFFICERS**

Tod Gragg  
Tim Vanover  
George Milacek  
James Hromas  
Larry Whitaker

Lisa Laubach

Brian Lovell

Mayor  
Vice-Mayor  
Councilmember  
Councilmember  
Councilmember

Town Clerk/Treasurer

Attorney

## CONTENTS

	<u>Page</u>
City officials	
Contents	
Management's, Discussion and Analysis	Omitted
Independent auditors' report	1
Statement of Net Assets—Cash Basis	3
Statement of Activities—Cash Basis	4
<b>Governmental Funds:</b>	
Statement of Net Assets by Fund —Cash Basis	5
Statement of Receipts and Disbursements and Changes in Fund Balance—Cash Basis	6
<b>Proprietary Funds:</b>	
Statement of Net Assets by Fund —Cash Basis	7
Statement of Receipts and Disbursements and Changes in Fund Balance—Cash Basis	8
Notes to the Financial Statements	9 - 17
Supplemental Information	
Budgetary Comparison of General Fund	
Budgetary Comparison of Public Works Authority	
Auditors' report on control over financial reporting and on compliance and Other matters based on an Audit of Financial Statements performed in Accordance with Governmental Accounting Standards	

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Honorable Town Council  
Town of Waukomis, Oklahoma

Honorable Board Trustees  
Waukomis Public Works Authority

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waukomis, Oklahoma as of and for the year ended June 30, 2010 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Waukomis's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

As discussed in Note 1, the Town of Waukomis, Oklahoma prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

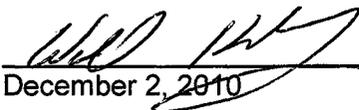
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waukomis, Oklahoma, as of June 30, 2010, and the respective changes in financial position – cash basis thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's discussion and analysis and budgetary comparison information on page are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The Management's discussion and analysis has been omitted.

In accordance with *Governmental Auditing Standards*, I have issued my report dated December 2, 2010, on my consideration of the internal control over financial reporting of the Town of Waukomis, and on my 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 my testing of the internal control over financial reporting and compliance and the results of that testing

Honorable Town Council  
December 2, 2010  
Page 2

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 *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

  
December 2, 2010

**TOWN OF WAUKOMIS, OKLAOMA**  
Statement of Net Assets - Cash Basis  
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<i>Current Assets:</i>			
Unrestricted			
Cash and Cash Equivalents	\$ 66,049	\$ 34,792	\$ 100,842
Investments	139,014	-	139,014
Restricted Cash	20,722	-	20,722
Total Current Assets	225,785	34,792	260,578
<i>Non-Current Assets:</i>			
Restricted Cash	28,443	63,817	92,261
Restricted Investments	5,966	-	5,966
Capital Assets (Note			
Land, infrastructure	-	-	-
Depreciable capital assets, net	-	-	-
Total Non-Current Assets	34,410	63,817	98,227
Total Assets	260,195	98,610	358,805
<b>LIABILITIES</b>			
Due to Other Funds	-	-	-
Due to Depositors	-	-	-
Long-term Liabilities (Note			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total Liabilities	-	-	-
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	-	-
Restricted	39,656	72,132	111,788
Unrestricted	220,539	26,477	247,017
Total Net Assets	\$ 260,195	\$ 98,610	\$ 358,805

213,822

144,980

358,805

See accompanying notes to the basic financial statements.

TOWN OF WAUKOMIS, OKLAOMA  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2010

Functional Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 109,743	\$ 6,331	\$ -	\$ -	\$ (103,413)	\$ -	\$ (103,413)
Public Safety	168,676	96,496	-	10,000	(62,180)	-	(62,180)
Parks and Recreation	35,080	-	-	-	(35,080)	-	(35,080)
Streets and Alley	46,588	-	-	30,291	(16,297)	-	(16,297)
	-	-	-	-	-	-	-
Total governmental activities	<u>360,088</u>	<u>102,827</u>	<u>-</u>	<u>40,291</u>	<u>(216,971)</u>	<u>-</u>	<u>(216,971)</u>
<b>Business-Type Activities:</b>							
Utility	176,456	214,308	-	-	-	37,852	37,852
Utility - Sanitation, waste removal	83,346	97,798	-	-	-	14,452	14,452
Debt Service - Rural Development	34,044	-	-	-	-	(34,044)	(34,044)
Total business-type activities	<u>293,847</u>	<u>312,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,260</u>	<u>18,260</u>
<b>Total Primary Government</b>	<u>653,935</u>	<u>414,933</u>	<u>-</u>	<u>40,291</u>	<u>(216,971)</u>	<u>18,260</u>	<u>(198,711)</u>
<b>Total Component Unit</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:							
Taxes:							
Sales & Use Tax					151,124	-	151,124
Franchise Tax					33,603	-	33,603
Street & Alley Taxes					15,845	-	15,845
Investment Income					3,087	628	3,715
Miscellaneous					66,524	9,464	75,988
Transfers-Internal Activity					(1,391)	1,391	-
Total general revenues and transfers					<u>268,793</u>	<u>11,484</u>	<u>280,276</u>
Changes in Net Assets					51,822	29,743	81,565
Net Assets - Beginning					208,373	68,866	277,239
Net Assets - Ending					<u>\$ 260,195</u>	<u>\$ 98,610</u>	<u>\$ 358,805</u>

See accompanying notes to the basic financial statements.

**TOWN OF WAUKOMIS, OKLAOMA**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General Fund	Street & Alley	Parks Fund	Emergency Management	Debt Service	Total
<b>ASSETS</b>						
<i>Current Assets:</i>						
Cash and cash equivalents	\$ 66,049	\$ -	-	-	-	\$ 66,049
Investments, certificates of deposits	139,014	-	-	-	-	139,014
Restricted Cash and Cash Equivalents	-	-	9,510	11,212	-	20,722
<i>Non-Current Assets:</i>						
Restricted Cash and Cash Equivalents	28,443	-	-	-	-	28,443
Restricted Investments, certificates of deposits	5,966	-	-	-	-	5,966
Capital Assets						
Land, inexhaustible assets and construction-in-process	-	-	-	-	-	-
Other capital assets, net of accumulated depreciation	-	-	-	-	-	-
Total Assets	<u>239,472</u>	<u>-</u>	<u>9,510</u>	<u>11,212</u>	<u>-</u>	<u>260,195</u>
<b>LIABILITIES</b>						
Bank Overdrafts	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Long-term debt						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>						
Invested in Capital Assets, net of debt	-	-	-	-	-	-
Restricted						
Debt Service	-	-	-	-	-	-
Other	28,443	-	-	11,212	-	39,656
Unrestricted	211,029	-	9,510	-	-	220,539
Total Net Assets	<u>239,472</u>	<u>-</u>	<u>9,510</u>	<u>11,212</u>	<u>-</u>	<u>260,195</u>

**Reconciliation to Statement of Net Assets:**

Amount reported for governmental activities in the statement of net assets

Capital assets

Certain liabilities not payable in the reporting period

\$260,195

See accompanying notes to the basic financial statements,

TOWN OF WAUKOMIS, OKLAOMA  
STATEMENT OF NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	Public Works Authority	Meter Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 26,477	\$ 8,315	\$ 34,792
Due From Governmental Fund	-	-	-
Noncurrent Assets:			
Restricted cash and cash equivalents	37,052	26,765	63,817
Restricted investments	-	-	-
Capital Assets, net of accumulated depreciation	-	-	-
Total noncurrent assets	<u>37,052</u>	<u>26,765</u>	<u>63,817</u>
Total Assets	<u>63,530</u>	<u>35,080</u>	<u>98,610</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bank Overdrafts	-	-	-
Notes payable-current portion	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities:			
Refundable deposits	-	-	-
Notes payable-long-term portion	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>			
Restricted	37,052	35,080	72,132
Unrestricted	26,477	-	26,477
Total Net Assets	<u>\$ 63,530</u>	<u>\$ 35,080</u>	<u>\$ 98,610</u>

See accompanying notes to the basic financial statements,

TOWN OF WAUKOMIS, OKLAOMA  
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 CASH BASIS  
 GOVERNMENTAL FUNDS

	General Fund	Street & Alley	Parks Fund	Emergency Management	Debt Service	Total
<b>Revenues:</b>						
Taxes	\$ 161,538	\$ -	\$ -	\$ 23,189	\$ -	\$ 184,727
Intergovernmental	11,154	4,691	-	-	-	15,845
Charges for services	5,925	-	-	-	-	5,925
Fines and forfeitures	96,496	-	-	-	-	96,496
Licenses and permits	406	-	-	-	-	406
Investment income	2,905	-	182	-	-	3,087
Miscellaneous	24,224	-	42,300	10,000	-	76,524
<b>Total Revenues</b>	<u>302,648</u>	<u>4,691</u>	<u>42,482</u>	<u>33,189</u>	<u>-</u>	<u>383,010</u>
<b>Expenditures:</b>						
General Government	109,743	-	-	-	-	109,743
Police Department	130,900	-	-	1,186	-	132,086
Fire Department	15,799	-	-	-	-	15,799
Parks	-	-	35,080	-	-	35,080
Street	12,834	3,463	-	-	-	16,297
Capital Outlay	-	-	-	20,791	-	20,791
<b>Total Expenditures</b>	<u>269,277</u>	<u>3,463</u>	<u>35,080</u>	<u>21,977</u>	<u>-</u>	<u>329,797</u>
Excess (deficiency) of revenues over expenditures	33,371	1,228	7,402	11,212	-	53,213
<b>Other Financing Sources</b>						
Transfers In	2,371	-	2,108	-	-	4,479
Transfers Out	(3,108)	(1,656)	(715)	-	(391)	(5,870)
<b>Total Other Financing Sources</b>	<u>(738)</u>	<u>(1,656)</u>	<u>1,393</u>	<u>-</u>	<u>(391)</u>	<u>(1,391)</u>
Net Changes in Fund Balances	32,634	(428)	8,795	11,212	(391)	51,822
Fund Balance - Beginning	206,839	428	715	-	391	208,373
<b>Fund Balance - Ending</b>	<u>\$ 239,472</u>	<u>\$ (0)</u>	<u>\$ 9,510</u>	<u>\$ 11,212</u>	<u>\$ -</u>	<u>\$ 260,195</u>
<b>Reconciliation to the Statement of Activities:</b>						
Net change in fund balances						51,822
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:						
Capital assets capitalized						-
Depreciation expense						-
Change in net assets of governmental activities						\$ 51,822

See Accompanying notes to the basic financial statements.

TOWN OF WAUKOMIS, OKLAHOMA  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
CASH BASIS  
PROPRIETARY FUNDS

	Public Works Authority	Meter Fund	Total
<b>Revenues:</b>			
Charges for services:			
Water	\$ 168,522	\$ -	\$ 168,522
Sewer	45,786	-	45,786
Trash	97,798	-	97,798
Total Revenues	<u>312,106</u>	<u>-</u>	<u>312,106</u>
<b>Expenses:</b>			
Water	-	-	-
Trash Removal	83,346	-	83,346
Personnel Services	73,029	-	73,029
Maintenance & Operations	103,428	-	103,428
Capital Outlay	-	-	-
Total Expenses	<u>259,803</u>	<u>-</u>	<u>259,803</u>
Operating Income (Loss)	<u>52,304</u>	<u>-</u>	<u>52,304</u>
<b>Non-operating revenues (expenses):</b>			
Investment income	359	269	628
Debt Service	(34,044)	-	(34,044)
Transfer from General Fund	1,391	-	1,391
Other revenue	8,368	1,096	9,464
Total Non-operating Revenues (Expenses)	<u>(23,926)</u>	<u>1,365</u>	<u>(22,560)</u>
Changes in Net Assets	28,378	1,365	29,743
Net Assets - Beginning	35,152	33,715	68,866
Net Assets - Ending	<u>\$ 63,530</u>	<u>\$ 35,080</u>	<u>\$ 98,610</u>

See Accompanying notes to the basic financial statements.

**TOWN OF WAUKOMIS  
GARFIELD COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**Note 1 - Summary of Significant Accounting Policies**

The accounting policy of the Town of Waukomis is to prepare its financial statements on the cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America. These principles include all relevant Governmental Accounting Standards Board announcements.

**Financial Reporting Entity**

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

Primary Government:	Town of Waukomis
Blended Component Units	Waukomis Public Works Authority
Discretely Presented Component Units	None

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

**BASIS OF PRESENTATION**

**MANAGEMENT DISCUSSION AND ANALYSIS**

GASB No. 34 required the financial statements be accompanied by a narrative and analytical overview of the Town's financial activities in the form of management, discussion and analysis (M,D&A).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Assets and Statements of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

**FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is

considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized in to three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria: (1) Total assets, liabilities, revenues, or expenses total at least 10 percent of the total of all funds, of that type and (2) Total assets, liabilities, revenues, or expenses of the individual fund are at least 5 percent of all funds combined.

### **Governmental Funds**

#### **General Fund**

The General Fund is the principal fund of the Town, which accounts for all revenue that can be legally expended within a certain specific fiscal year and for all financial transactions not properly accounted for in other funds.

#### **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of the specific revenue source that are either legally restricted for specific purposes or designated to finance particular functions or activities.

#### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal and interest on general debt obligations.

### **Proprietary Funds**

#### **Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. The reporting activity entity includes the following enterprise fund; Waukomis Public Works Authority Fund.

**BASIS OF ACCOUNTING**

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a cash basis of accounting. This basis recognizes revenues when received. Expenditures are recorded when the related fund liability is incurred.

**A. Cash and Time Certificates of Deposit**

The Town's investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts and savings certificates of savings and loan associations, and trust companies.

**B. Restricted Assets**

Under the terms of the bond indentures, the Waukomis Public Works Authority must maintain certain "funds". These are not funds in the sense of fiscal accounting entities with self-balancing sets of accounts; they merely represent mandatory assets segregation. The primary restricted assets are related to bond trustee accounts and utility meter deposits. These assets are restricted as to use. Unrestricted assets have no restrictions and can be used for any legal purpose to manage the assets of the Waukomis.

**C. Use of Estimates**

The preparation of financial statements in conformity with the accrual basis of accounting used by the Town requires management to make estimates and assumptions that effect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation and the estimated amounts collections of the receivables); accordingly results could differ from these estimates.

**E. Fixed Assets**

Historically, small municipal governments treated all capital disbursements or expenditures as an expense in the year of the transaction. Under GASB No. 34 these transactions are recorded as assets at the historical transaction amount. After these assets are recorded the governmental entity now uses an estimated economical life of each individual asset to record a non-cash expense called depreciation. The concept of depreciation takes the cost of the assets and spreads that cost over the

estimated useful life of the asset. It could also be stated that depreciation could be stating the replacement costs of the related asset. The Town does not record or capitalize capital assets or record depreciation.

#### **F. Long-Term Debt**

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and bonds payable. Under fund accounting the payment of debt is recorded as expenditures.

#### **G. Compensated Absences**

The Town does not record amounts for compensated absences.

#### **H. Budget**

In accordance with Oklahoma Statutes, Title 68, §2483, the Town of Waukomis and the Waukomis Public Works Authority formally adopt budgets which include the general, special revenue and debt service funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code. (§17-201, Municipal Budget Act)

#### ***Note 2 – Cash and Cash Equivalents***

Permissible investments include direct obligations of the United States Government and its Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of the current fiscal year end all cash and investments of the Town were entirely insured or collateralized as required by Oklahoma Statutes.

#### **Deposits**

The Town's cash deposits at year-end are categorized to give an indication of the level of risk assumed by the Town at year-end as follows:

- (A) Insured or collateralized with securities held by the Town or by its agent in the Town's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- (C) Uncollateralized.

Deposit Categories of Credit Risk						
	Category			Bank Balance	Carrying Amount	Market Value
	A	B	C			
Cash	\$ 213,824	\$	\$	\$ 213,824	\$ 213,824	\$ 213,824
Investments	144,980			144,980	144,980	144,980
Total	\$ <u>358,804</u>	\$ <u></u>	\$ <u>0</u>	\$ <u>358,804</u>	\$ <u>358,807</u>	\$ <u>358,804</u>

### INVESTMENTS

The Town's investments consisted of bank certificates of deposit during the year and are categorized as (A)&(B) type deposits identified above. The carrying amount and market value are reported in the chart above as of June 30, 2010.

### **Note 3 – Accounts Receivable**

Utility billing in the enterprise fund due from utility billings are the most common receivable of the city. The Authority uses cash basis accounting and does not record receivables.

### **Note 4 – Capital Assets**

The Town does not record Capital Assets as of June 30, 2010.

### **Note 5 – Long-Term Debt**

The Town does present long-term debt balances on the face of the financial statements.

Long-term debt consists of general obligation bonds payable and short-term note payable in the governmental fund type debt service and revenue bonds and promissory notes issued by the public works authority. A summary of long-term debt is as follows:

#### **Governmental Activities:**

None

#### **Business-Type Activities:**

Revenue Obligation Notes:

Rural Development has issued three notes on March 11, 1980 and Mat 5, 2001, with the same revenue pledged as collateral.

Town of Waukomis	Notes Continued			June 30, 2010	
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>	
Governmental Activities:					
Business-type Activities:					
Notes Payable					
USDA 91-02	5.000%	168,810	-	12,470	156,340
USDA 92-03	5.000%	94,315	-	6,839	87,476
USDA 92-04	5.625%	25,478	-	564	24,914
Customer Deposits		<u>33,099</u>	<u>4,182</u>	<u>2,201</u>	<u>35,080</u>
Total Business-type activities		<u>\$ 321,702</u>	<u>\$ 4,182</u>	<u>\$ 22,073</u>	<u>\$ 303,810</u>

Total Long-Term Debt	\$ 303,810
Less: Current Portion (Estimated)	<u>(20,905)</u>
Long-Term Debt, net of current portion	<u>\$ 282,905</u>

Maturities of Long-Term debt are as follows:

	<u>Rural Dev Notes</u>
June 30, 2011	\$ 20,905
June 30, 2012	21,978
June 30, 2013	22,798
June 30, 2014	24,248
June 30, 2015	26,498
June 30, 2016 & Thereafter	187,383

**Note 6 – Litigation and Contingencies**

Neither the Town nor the Authority has any pending claim against them that would have a material effect on the financials statements as of June 30, 2010.

**A. Grants**

In the normal course of operations, the Town receives grant funds from various agencies. The grant programs are subject to audits by agents

of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of audits of grant funds, is not believed to be material.

### **B. Litigation**

The Town, due to the nature of municipal government, potentially can be named as a defendant in various lawsuits for which no reasonable estimate of actual damages, if any, can be made. Management would vigorously contest any litigation and believes that damages if any, assessed against the Town would be covered by insurance policies and would not materially affect the financial position of the Town.

### **C. Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering a portion of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the Town.

In the event settled claims exceed the commercial coverage provided by the Town, Oklahoma statutes provide for payment by tax levy through the Sinking Fund at the rate of one-third each year. As an alternative to paying money judgments out of the Sinking Fund at the rate of one-third each year, the court, based on consideration of evidence and proof, may provide for the judgment to be paid over a period of not less than one nor more than ten years. The interest rate on any judgment when payment is extended more than three years shall be the rate prescribed by law for the first three years and at the rate of six percent for each remaining year.

### ***Note 7 - Retirement Plan***

The Town participates with other cities in the Oklahoma Municipal Retirement System, which is a cost sharing, multiple-employer public employee retirement system (PERS). The police officers of the City participate in this plan. Regular full time employees are eligible to participate upon commencement of employment.

#### ***Oklahoma Municipal Retirement Fund***

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is age 65 with ten (10) or more years of vesting

service, or age 62, with thirty (30) years of service. The normal retirement benefit is equal to 2.625% of final average compensation multiplied by the number of years of credited service.

Early retirement is age 55 with ten (10) or more years of vesting service. The accrued benefit payable starting at age 65, or an actuarially reduced benefit starting at early retirement age.

Disability retirement is available to employees who become totally and permanently disabled. The accrued benefit is payable upon disablement without reduction for early retirement

An employee who dies while in-service before vesting is eligible for return of all contributions made into the plan with interest. Benefits for a married, vested employee who dies while in-service will be 50% of the accrued benefit payable to the spouse until death or remarriage. Benefits of a single, vested employee who dies while in-service will be 50% of the accrued benefit payable for 60 months certain to the beneficiary.

The Town has contributed \$9,251, for participating employees of the Town and from its Police Department, during the fiscal year ended June 30, 2010.

#### *Firefighters pension plan*

Eligible members of the City fire department participate in a retirement and pension plan under the direction of the Oklahoma Firefighters Pension and Retirement System administered by a 13-member Oklahoma Firefighters Pension and Retirement System Board, which is a cost-sharing multiple-employer public employee retirement system (PERS). The Board acts as the fiduciary for investment and administration of the Plan.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is the first day following the day the member completes twenty (20) years of service, regardless of age. A member who terminates after ten years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50 or when the member would have completed twenty years of service, whichever is later, provided the member's contribution accumulation is not withdrawn.

Paid firefighters' normal retirement benefit is equal to 50% of final average compensation.

There is no provision for an early retirement benefit. All firefighters are eligible for immediate disability or death benefits. Disabilities due to heart disease, injury to the respiratory system, or cancer are considered in the line of duty. If there is no eligible

surviving spouse, the death benefit is divided between the children under age 18 or age 22 if children are enrolled as full-time students.

No employee contributions are required of volunteer firefighters. Participating municipalities and fire protection districts contribute 13% of gross salary for each paid firefighter and \$60.00 per year for each volunteer firefighter. Municipalities with revenues under \$25,000 make no contribution for volunteers. The state contributes 34% of the Insurance Premium Tax.

Eligible members of the City fire department participate in the pension plans under the direction of the Oklahoma Firefighters Pension and Retirement System. The City contributes 10% and the fireman contribute 8% of their gross wages. These benefits vest after ten years of service.

The Town has contributed a total of \$2,432 for its firefighters, which includes \$1,080 for its volunteer firefighters during the fiscal year ended June 30, 2010.

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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 Directors  
Town of Waukomis

I have audited the financial statements of Town of Waukomis and its related Authorities (Town), Garfield County, Oklahoma, as of and for the year fiscal ended June 30, 2010, and have issued my report thereon dated December 2, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

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

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

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Watonga, Oklahoma  
December 2, 2010

## **SUPPLEMENTAL INFORMATION**

**TOWN OF WAUKOMIS, OKLAOMA**  
 Budgetary Comparison Schedule General Fund - Cash Basis  
 For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 233,472	\$ 233,472	\$ 206,839	\$ (26,633)
<b>Resources (Inflows):</b>				
<b>Taxes:</b>				
Sales Tax	135,000	135,000	118,451	(16,549)
Use Tax	5,300	5,300	5,274	(26)
Tobacco Tax	2,000	2,000	1,920	(80)
Emergency Mgmt	33,000	33,000	-	(33,000)
Franchise Tax	35,700	35,700	33,603	(2,097)
Lodging Tax	4,500	4,500	2,291	(2,209)
<b>Total Taxes</b>	<u>215,500</u>	<u>215,500</u>	<u>161,538</u>	<u>(53,962)</u>
<b>Intergovernmental:</b>				
Alcoholic Beverage Tax	4,000	4,000	3,980	(20)
Motor Vehicle Tax	-	-	6,410	6,410
Gas Excise Tax	-	-	765	765
<b>Investment Income</b>	-	-	2,905	2,905
<b>Miscellaneous Income</b>				
Agent Fee	-	-	-	-
Licenses and Permits	215	215	406	191
Fire	5,300	5,300	5,925	625
Police Fines	130,000	130,000	96,496	(33,504)
Royalty	115	115	12	(103)
Wheatheart	-	-	-	-
Miscellaneous	2,500	2,500	24,212	21,712
<b>Other Financing Sources:</b>				
Transfer from Other Funds	35,000	35,000	2,371	(32,629)
<b>Amounts available for appropriations</b>	<u>626,102</u>	<u>626,102</u>	<u>511,858</u>	<u>(114,244)</u>
<b>General Government</b>				
Personal Services	70,000	70,000	78,588	8,588
Maintenance and Operations	120,000	120,000	43,989	(76,011)
Capital Outlay	-	-	-	-
	<u>190,000</u>	<u>190,000</u>	<u>122,577</u>	<u>(67,423)</u>
<b>Police Department</b>				
Personal Services	120,000	120,000	85,639	(34,361)
Maintenance and Operations	44,030	44,030	45,261	1,231
Capital Outlay	-	-	-	-
	<u>164,030</u>	<u>164,030</u>	<u>130,900</u>	<u>(33,130)</u>
<b>Fire Department</b>				
Personal Services	2,700	2,700	1,560	(1,140)
Maintenance and Operations	15,900	15,900	14,239	(1,661)
Capital Outlay	-	-	-	-
	<u>18,600</u>	<u>18,600</u>	<u>15,799</u>	<u>(2,801)</u>
<b>Other Financing Uses:</b>				
Transfers to other funds	20,000	20,000	3,108	(16,892)
<b>Total Charges to Appropriations</b>	<u>392,630</u>	<u>392,630</u>	<u>272,385</u>	<u>(120,245)</u>
<b>Ending Budgetary Fund Balance</b>	<u>233,472</u>	<u>233,472</u>	<u>\$ 239,472</u>	<u>\$ 6,000</u>