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State Auditor & Inspector

Town of Wayne, Oklahoma
Financial Statements and Report
of Independent Accountants
As of and For the Year Ending
June 30, 2011

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Report of Independent Accountants

To the Board of Trustees
Town of Wayne, 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 Wayne, 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 an opinion on these financial statements based on our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wayne, Oklahoma's basic financial statements. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has elected to not present a management, discussion, and analysis, a budget to actual comparison and employee pension and retirement plan information as is required by generally accepted accounting principles in the United States of America.



September 30, 2011

Town of Wayne, Oklahoma
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash in Bank - Unrestricted	\$ 28,156.58	\$ 187,533.76	\$ 215,690.34
Cash in Bank - Restricted	88,577.40	90,299.17	178,876.57
Accounts Receivable, net	23,169.63	20,215.55	43,385.18
Total Current Assets	<u>139,903.61</u>	<u>298,048.48</u>	<u>437,952.09</u>
PROPERTY AND EQUIPMENT			
Capital Assets, net	<u>99,696.24</u>	<u>955,378.78</u>	<u>1,055,075.02</u>
OTHER ASSETS			
Notes Receivable, net	<u>-</u>	<u>3,127.92</u>	<u>3,127.92</u>
TOTAL ASSETS	<u>\$ 239,599.85</u>	<u>\$ 1,256,555.18</u>	<u>\$ 1,496,155.03</u>
CURRENT LIABILITIES			
Meter Deposits	<u>\$ -</u>	<u>\$ 52,750.00</u>	<u>\$ 52,750.00</u>
Total Current Liabilities	<u>-</u>	<u>52,750.00</u>	<u>52,750.00</u>
LONG-TERM LIABILITIES			
Notes & Leases Payable	<u>7,408.10</u>	<u>486,093.23</u>	<u>493,501.33</u>
TOTAL LIABILITIES	<u>7,408.10</u>	<u>538,843.23</u>	<u>546,251.33</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	92,288.14	469,285.55	561,573.69
Restricted for Debt Service	-	37,549.17	37,549.17
Restricted for Other Purpose	-	52,750.00	52,750.00
Unrestricted	<u>139,903.61</u>	<u>158,127.23</u>	<u>298,030.84</u>
TOTAL NET ASSETS	<u>232,191.75</u>	<u>717,711.95</u>	<u>949,903.70</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 239,599.85</u>	<u>\$ 1,256,555.18</u>	<u>\$ 1,496,155.03</u>

**Town of Wayne, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2011**

	General Fund
ASSETS	
Cash in Bank - Unrestricted	28,156.58
Cash in Bank - Restricted	88,577.40
Accounts Receivable, net	23,169.63
Total Assets	\$ 139,903.61
 LIABILITIES	
 NET ASSETS	
Unrestricted	139,903.61
TOTAL NET ASSETS	139,903.61
 TOTAL LIABILITIES AND NET ASSETS	 \$ 139,903.61

***Reconciliation of Fund Financial Statements to
Governmental Wide Financial Statements***

Net Assets Unrestricted	139,903.61
Capital Leases included in the government wide financial statements but excluded in the individual fund financials	(7,408.10)
Fixed assets included in the government wide financial statements but excluded in the individual fund financial statements	99,696.24
Net assets per the government wide financial statements	\$ 232,191.75

**Town of Wayne, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Net Assets
For the Year Ending June 30, 2011**

Revenues	
Sales Taxes	\$ 148,688.85
Franchise Taxes	21,103.08
Alcoholic Beverage Taxes	3,586.09
Motor Vehicle and Gasoline Taxes	6,014.43
Police Fines	76,280.81
Other Revenues	27,734.24
Total Revenues	<u>283,407.50</u>
 Expenditures	
General Government	69,967.18
Police Department	152,455.62
Fire Department	27,869.13
Street Department	47,804.61
Total Expenses	<u>298,096.54</u>
 Transfers In/Out	 45,452.44
 Change in Net Assets	 <u>30,763.40</u>
Beginning Net Assets	109,140.21
Ending Net Assets	<u>\$ 139,903.61</u>

***Reconciliation of Fund Financial Statements to
Governmental Wide Financial Statements***

Change in Net Assets, Fund Financial Statements	30,763.40
Monies expended for debt service that reduce debt on the government wide financial statements but recorded as an expense on the fund financial statements.	7,557.00
Depreciation recorded in the governmental wide financial statements not recorded in the fund financial statements	<u>(20,725.09)</u>
Change in Net Assets per the Governmental Wide Financial Statements	<u>\$ 17,595.31</u>

Town of Wayne, Oklahoma
Proprietary Fund
Statement of Net Assets
June 30, 2011

	Public Works Authority	Economic Development	Total Proprietary Funds
CURRENT ASSETS			
Cash in Bank - Unrestricted	142,218.17	45,315.59	187,533.76
Cash in Bank - Restricted	90,299.17	-	90,299.17
Accounts Receivable, net	20,215.55	-	20,215.55
Total Current Assets	<u>252,732.89</u>	<u>45,315.59</u>	<u>298,048.48</u>
PROPERTY AND EQUIPMENT			
Capital Assets, net	<u>955,378.78</u>	-	<u>955,378.78</u>
OTHER ASSETS			
Notes Receivable, net	-	3,127.92	3,127.92
TOTAL ASSETS	<u>\$ 1,208,111.67</u>	<u>\$ 48,443.51</u>	<u>\$ 1,256,555.18</u>
CURRENT LIABILITIES			
Meter Deposits	<u>52,750.00</u>	-	<u>52,750.00</u>
Total Current Liabilities	<u>52,750.00</u>	-	<u>52,750.00</u>
LONG-TERM LIABILITIES			
Notes Payable	<u>486,093.23</u>	-	<u>486,093.23</u>
TOTAL LIABILITIES	<u>538,843.23</u>	-	<u>538,843.23</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	469,285.55	-	469,285.55
Restricted for Debt Service	37,549.17	-	37,549.17
Restricted for Other Purposes	52,750.00	-	52,750.00
Unrestricted	109,683.72	48,443.51	158,127.23
TOTAL NET ASSETS	<u>669,268.44</u>	<u>48,443.51</u>	<u>717,711.95</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,208,111.67</u>	<u>\$ 48,443.51</u>	<u>\$ 1,256,555.18</u>

Town of Wayne, Oklahoma
Proprietary Funds
Statement of Activities and Changes in Net Assets
For the Year Ending June 30, 2011

	Public Works Authority	Economic Development	Total Proprietary Fund
Revenues			
Water Charges	\$ 177,533.72	\$ -	\$ 177,533.72
Sewer Fees	64,663.15	-	64,663.15
Garbage Fees	69,166.98	-	69,166.98
Ambulance Fees	30,564.11	-	30,564.11
Other Fees and Charges	16,432.30	(195.20)	16,237.10
Total Revenues	<u>358,360.26</u>	<u>(195.20)</u>	<u>358,165.06</u>
Operating Expenses			
Administrative Expenses	51,546.72	-	51,546.72
Water Expenses	153,930.07	-	153,930.07
Sewer Expenses	29,244.94	-	29,244.94
Ambulance Expenses	28,343.00	-	28,343.00
Garbage Expenses	51,788.98	-	51,788.98
Total Operating Expenses	<u>314,853.71</u>	<u>-</u>	<u>314,853.71</u>
Operating Income (Loss)	43,506.55	(195.20)	43,311.35
Non-Operating Revenues and Transfers In/Out			
	(61,857.88)	-	(61,857.88)
Total Non-Operating Revenue	<u>(61,857.88)</u>	<u>-</u>	<u>(61,857.88)</u>
Change in Net Assets	(18,351.33)	(195.20)	(18,546.53)
Beginning Net Assets	<u>687,619.77</u>	<u>48,638.71</u>	<u>736,258.48</u>
Ending Net Assets	<u>\$ 669,268.44</u>	<u>\$ 48,443.51</u>	<u>\$ 717,711.95</u>

The accompanying notes are an integral part of these financial statements

**Town of Wayne, Oklahoma
Proprietary Fund
Statement of Cash Flows
For the Year Ending June 30, 2011**

	Public Works Authority	Economic Development
Cash flows from operating activities		
Receipts from customers	\$ 373,546.92	\$ (195.20)
Payments to suppliers	(192,557.23)	-
Payments to employees	(104,117.96)	-
Net cash provided by operating activities	<u>76,871.73</u>	<u>(195.20)</u>
Cash flows from capital and related financing activities		
Principal paid on long term debt	(36,496.70)	-
Net cash flows from capital and related financing activities	<u>(36,496.70)</u>	<u>-</u>
Cash flows from investing activities		
Principal received on notes receivable	-	4,926.86
Net cash flows from investing activities	<u>-</u>	<u>4,926.86</u>
Net increase (decrease) in cash	40,375.03	4,731.66
Cash, Beginning of the Year	192,142.31	40,583.93
Cash, End of the Year	<u>\$ 232,517.34</u>	<u>\$ 45,315.59</u>
Reconciliation of change in net assets to net cash provided by operations		
Change in Net Assets	\$ (18,351.33)	\$ (195.20)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	64,110.37	-
Change in assets and liabilities		
Meter Deposits	15,926.03	-
Accounts Receivable	15,186.66	-
Net cash provided by operating activities	<u>\$ 76,871.73</u>	<u>\$ (195.20)</u>
Cash - Unrestricted	142,218.17	45,315.59
Cash - Restricted	90,299.17	-
Total Cash on Hand	<u>\$ 232,517.34</u>	<u>\$ 45,315.59</u>

Town of Wayne, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2011

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Wayne, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2011, the Town had only one component unit, the Wayne Public Works Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2009, the Town had governmental funds of general and fixed assets. The proprietary funds consisted of the Wayne Public Works Authority.

GASB 34

The Town had implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments

using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in the proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used

Cash and Cash Equivalents

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 short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of meter deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2011.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

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

Allowance for Doubtful Accounts

The Wayne Economic Development Authority, has made economic development loans to local businesses. During the year ending June 30, 2011, the Authority had a loan loss reserve of \$-0-.

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Wayne is considered a separate entity from the Wayne Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Wayne's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Wayne Public Works Authority. The remaining funds would be category 3.

As of June 30, 2011, the Town of Wayne and the Wayne Public Works Authority had collateral pledged in the amount of \$194,762 from McClain Bank. The deposits uncollateralized totaled \$-0-. It is a violation of Oklahoma state law to not have a municipal deposits collateralized.

Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2011 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decrease	Ending Balance
Town Hall	\$ 120,694.56	-	-	\$ 120,694.56
Fire Department	239,296.00	-	-	239,296.00
Police Department	65,501.25	-	-	65,501.25
Total	425,491.81			425,491.81
Accumulated Depreciation	(305,070.48)	(20,725.09)	-	(325,795.57)
Net Assets	<u>\$ 120,421.33</u>			<u>\$ 99,696.24</u>

As of June 30, 2011, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$1,035 for general government, \$15,010 was recorded for the fire department and \$4,680 for the police department.

Proprietary Funds

	Beginning Balance	Increases	Decrease	Ending Balance
Water and Sewer System	\$ 1,657,378.80	-	-	\$ 1,657,378.80
Vehicles and Equipment	154,456.58	-	-	154,456.58
Total	1,811,835.38			1,811,835.38
Accumulated Depreciation	(792,346.23)	(64,110.37)	-	(856,456.60)
Net Assets	<u>\$ 1,019,489.15</u>			<u>\$ 955,378.78</u>

As of June 30, 2011, the proprietary funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$64,110 for the proprietary funds was recorded as follows: \$49,017 for the water system and \$15,093 for the sewer system.

Note 4-Notes Payable

Governmental

As of June 30, 2011, the Town of Wayne had two lease-purchases outstanding.

The first obligation from the McClain Bank has an outstanding balance of \$5,718. The original loan was for \$12,900 with an interest rate of 7%. Payments are due in annual installments. This purchase agreement was for the purchase of a new truck for the fire department. The final payment is due October, 2012. Principal and interest paid on this obligation for the year ending June 30, 2011 was \$2,563 and \$599 respectively. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>	<u>Interest</u>		
2011/2012	2,748	413	Balance, Beginning of Year	\$ 8,281
2012/2013	2,970	215	Principal Paid During Year	<u>2,563</u>
	<u>\$ 5,718</u>	<u>\$ 628</u>	Balance, End of Year	<u>\$ 5,718</u>

The second obligation from the McClain Bank has an outstanding balance of \$1,690. The original loan was for \$14,500 with an interest rate of 5%. Payments are due in monthly payments of \$435. This purchase agreement was for the purchase of a new radio system for the police department. The final payment is due October, 2011. Principal and interest paid on this obligation for the year ending June 30, 2011 was \$4,994 and \$221 respectively. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>	<u>Interest</u>		
2011/2012	1,690	17	Balance, Beginning of Year	\$ 6,684
	<u>\$ 1,690</u>	<u>\$ 17</u>	Principal Paid During Year	<u>4,994</u>
			Balance, End of Year	<u>\$ 1,690</u>

Wayne Public Works Authority

As of June 30, 2011, the Wayne Public Works Authority had four notes outstanding.

The first obligation from the Oklahoma Water Resources Board has an outstanding balance of \$37,467. The original loan was for \$270,000 with an interest rate of 1.820%. Payments are due in semi-annual installments. The final payment is due September, 2013. Principal and interest paid on this obligation for the year ending June 30, 2011 was \$21,200 and \$373 respectively. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>	<u>Interest</u>		
2011/2012	22,900	373	Balance, Beginning of Year	\$ 58,667
2012/2013	14,567	373	Principal Paid During Year	<u>21,200</u>
	<u>\$ 37,467</u>	<u>\$ 746</u>	Balance, End of Year	<u>\$ 37,467</u>

The second obligation has an outstanding balance of \$88,231 as of June 30, 2011. The loan is due to mature in September, 2020 with zero interest. Payments are paid monthly in the amount of \$729.17 per month. Principal paid on this obligation for the year ending June 30, 2011 was \$8,750. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>		
2011/2012	8,750	Balance, Beginning of Year	\$ 96,981
2012/2013	8,750	Principal Paid During Year	<u>8,750</u>
2013/2014	8,750	Balance, End of Year	<u>\$ 88,231</u>
2014/2015	8,750		
2015/2016	8,750		
2016/2021	43,750		
2021/2022	731		
	<u>\$ 88,231</u>		

The third obligation has an outstanding balance of \$23,517 as of June 30, 2011. The original loan amount was \$28,700, is due to mature in May 2036 and carries an interest rate of 4.5%. Monthly payments are due

in the amount of \$131 per month. Principal and interest paid on this obligation for the year ending June 30, 2011 was \$506 and \$1,066 respectively. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>	<u>Interest</u>		
2011/2012	523	1,049	Balance, Beginning of Year	\$ 24,023
2012/2013	547	1,025	Principal Paid During Year	<u>506</u>
2013/2014	572	1,000	Balance, End of Year	<u><u>\$ 23,517</u></u>
2014/2015	598	974		
2015/2016	626	1,566		
2016/2021	3,588	4,272		
2021/2026	4,491	3,369		
2026/2031	5,622	2,238		
2031/2035	6,950	910		
	<u>\$ 23,517</u>	<u>\$ 16,403</u>		

The fourth obligation has an outstanding balance of \$336,879 as of June 30, 2011. The original loan amount was \$392,000, is due to mature in August, 2038 and carries an interest rate of 4.75%. Monthly payments are due in the amount of \$1,843 per month. Principal and interest paid on this obligation for the year ending June 30, 2011 was \$6,040 and \$16,076 respectively. Principal required to amortize this note till maturity is as follows:

	<u>Principal</u>	<u>Interest</u>		
2011/2012	6,221	15,895	Balance, Beginning of Year	\$ 342,919
2012/2013	6,523	15,593	Principal Paid During Year	<u>6,040</u>
2013/2014	6,840	15,276	Balance, End of Year	<u><u>\$ 336,879</u></u>
2014/2015	7,172	14,944		
2015/2016	7,520	14,596		
2016/2021	43,446	67,134		
2021/2026	55,067	55,513		
2026/2031	69,796	40,784		
2031/2036	88,465	22,115		
2036/2038	45,829	42,635		
	<u>\$ 336,879</u>	<u>\$ 304,485</u>		

The water department was charged with \$15,895 of interest for the year. The sewer department was charged with \$1,422 of interest for the year.

Note - 5 Rural Development Loan Compliance

Wayne Public Works Authority's loans from Rural Development has a net revenue requirement, as well as a required debt service reserve amount. As of June 30, 2011, the WPWA has \$14,652 on deposit in the reserve account. The reserve account is to be used for monthly loan payments in the event that WPWA is unable to otherwise make payments.

The new revenues of the Wayne Public Works Authority are required to be at least 125% of the average debt service. The following year is a summary of the net revenues and the debt service payments required for the year ended June 30, 2011.

Operating revenues	\$ 358,360
Operating expenses	<u>314,854</u>
Net operating income (loss)	43,507
Other revenues and expenses:	
Miscellaneous income	-
Interest	<u>-</u>
Total Net operating income (loss)	<u>\$ 43,507</u>
Required debt payments:	
Principal	6,245
Interest	<u>17,739</u>
Total debt service	23,984
Net revenue percentage requirement	<u>125%</u>
Net revenue required	<u>29,980</u>
Excess net revenues	<u>\$ 13,527</u>

Note – 6 Volunteer Firefighter’s Pension Plan

The Town participates in the Oklahoma State Firefighters Pension and Retirement system which applies only to the Town’s volunteer firefighters. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. Contributions are made by the Town at the rate of \$60 per volunteer firefighter per year. The total contribution for 2010/2011 was \$900 and covered 15 volunteers.

Note – 7 Subsequent Events

Subsequent events have been evaluated through September 30, 2011, which is the date the financial statements were issued.

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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
Town of Wayne, 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 Wayne, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2011-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Wayne's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

This report is intended solely for the information and use of management, Board of Trustees, 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.

Handwritten signature of Casey J. Russell CPA in cursive script.

Casey J. Russell CPA, Inc.
Oklahoma City, Oklahoma
September 30, 2011

Schedule of Current Findings and Questioned Costs

2011 - 1 Lack of Segregation of Duties

Condition: During our review of the internal control structure, we noted that several procedures lacks the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented.

Criteria: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

Cause and effect: The cause is due to limited personnel and the full effect is unknown.

Recommendation: The town should implement a policy of not accepting cash payments at city hall. The town should also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on a daily payment ledger. All payments, receipts, and a copy of the daily receipt ledger should be given directly to the Treasurer at the end of the day. The town clerk or other personnel, except for the Treasurer, should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the town clerk or other personnel should print off a payment listing from the system as well as a daily adjustment history to insure that no unnecessary adjustments have been made, the town clerk or other personnel should also prepare the deposit slip at this time and retain the carbon copy. These reports along with the original daily payment ledger and original of the deposit slip should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. The Treasurer should then staple all documents together and give these back to the town clerk or other personnel. When the Treasurer returns from the bank she should give the bank deposit receipt to the town clerk or other personnel who should compare the receipt to the previous documents given to her by the Treasurer and also compare the carbon copy of the deposit slip to the bank deposit receipt. The town clerk or other personnel should then staple everything together and maintain for the audit files.

Management's Response: In many cases due to our limited resources, controls will be limited. However, the town will consider incorporating these recommendations.