

**TOWN OF WEST SILOAM SPRINGS,
OKLAHOMA**

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

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**TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
YEAR ENDED JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Town of West Siloam Springs
West Siloam Springs, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of West Siloam Springs, 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'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 opinion.

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

Also discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital assets purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental Activities is not readily determinable.

In our opinion, except for the effects, if any, on the financial statements of incomplete capital asset record keeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental and business-type activities, and each major governmental fund of the Town of West Siloam Springs, Oklahoma, as of June 30, 2010, and the respective changes in financial position – modified cash basis, and cash flows – modified cash basis, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November xx, 2010, 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.

Budgetary comparison information on pages 25 – 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Siloam Springs's basic financial statements. The accompanying schedule of financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town. The schedule of financial assistance has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Kathy Hewitt CPA, Inc., P.C.
Muskogee, Oklahoma
December 21, 2010

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2010

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|--------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 428,988 | 121,806 | \$ 550,793 |
| Due from other funds | 4,345 | - | 4,345 |
| Accounts receivable | 145 | 41,540 | 41,685 |
| Capital assets: | | | |
| Other capital assets, net of accumulated depreciation | 624,470 | 1,071,751 | 1,696,222 |
| TOTAL ASSETS | \$ 1,057,948 | \$ 1,235,096 | \$ 2,293,045 |
| LIABILITIES | | | |
| Deferred revenue | \$ - | \$ - | \$ - |
| Due to other funds | 1,343 | 4,345 | 5,688 |
| Accounts payable | 784 | - | 784 |
| Note payable | 21,005 | - | 21,005 |
| Long-term liabilities | | | |
| Due within one year | | 8,691 | 8,691 |
| Due in more than one year | | 22,664 | 22,664 |
| Refundable customer deposits | - | 40,508 | 40,508 |
| TOTAL LIABILITIES | 23,132 | 76,209 | 99,340 |
| NET ASSETS | | | |
| Invested in capital assets | 624,470 | 1,071,751 | 1,696,221 |
| Restricted | 108,349 | - | 108,349 |
| Unrestricted | 301,996 | 87,136 | 389,132 |
| TOTAL NET ASSETS | 1,034,815 | 1,158,887 | 2,193,702 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,057,947 | \$ 1,235,096 | \$ 2,293,042 |

The accompanying notes are an integral part of these financial statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010

| | Program Revenue | | Net (Expense) Revenue & Changes in Net Assets Primary Government | | |
|-------------------------------------|----------------------------|--|---|--------------------------------|--------------|
| | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Business Type Activities | Total |
| FUNCTIONS/PROGRAMS | | | | | |
| PRIMARY GOVERNMENT | | | | | |
| Governmental activities: | | | | | |
| General Government | \$ 163,589 | \$ - | \$ - | \$ (130,122) | \$ (130,122) |
| Public Safety | 850,361 | - | - | (850,361) | (850,361) |
| Sewer | 106,046 | - | - | (106,046) | (106,046) |
| Water | 13,181 | - | - | (13,181) | (13,181) |
| Streets | 37,351 | - | - | (37,351) | (37,351) |
| Total governmental activities | 1,170,528 | 33,468 | - | (1,137,061) | (1,137,061) |
| Business-type activities | | | | | |
| Water and sewer | 426,781 | \$ - | \$ - | 92,678 | 92,678 |
| Total primary government | 1,597,309 | 33,468 | - | 92,678 | (1,044,383) |
| GENERAL REVENUE: | | | | | |
| Taxes: | | | | | |
| Sales | | | | | 373,644 |
| EMS | | | | | 7,526 |
| Use | | | | | 5,199 |
| Alcoholic beverage | | | | | 5,883 |
| Cigarettes | | | | | 3,852 |
| Franchise | | | | | 7,189 |
| Motor vehicle license | | | | | 4,735 |
| Gasoline | | | | | 1,749 |
| Fines and forfeitures | | | | | 785,061 |
| CNE EMS income | | | | | 151,500 |
| Grant Proceeds | | | | | 33,468 |
| Other reimbursements | | | | | 55,000 |
| Miscellaneous | | | | | 14,773 |
| Investment income | | | | | 192 |
| Transfer of funds (net) | | | | | (41,312) |
| Total general revenue and transfers | | | | | 1,408,710 |
| Change in net assets | | | | | 271,649 |
| NET ASSETS - BEGINNING | | | | | 763,166 |
| NET ASSETS - ENDING | | | | | \$ 1,034,815 |

\$ 1,034,815 **\$ 1,158,887** **\$ 2,193,701**

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010

| ASSETS | General Fund | Sales Tax Sewer Project Fund | Total Governmental Funds |
|--|-------------------|------------------------------------|--------------------------------|
| Cash and cash equivalents | \$ 319,295 | \$ 109,692 | \$ 428,988 |
| Due from other funds | 4,345 | - | 4,345 |
| Accounts receivable | 145 | - | 145 |
| Total assets | \$ 323,785 | \$ 109,692 | \$ 433,478 |
| | | | |
| LIABILITIES | | | |
| Accounts payable | 784 | - | 784 |
| Note payable | 21,005 | - | 21,005 |
| Due to other funds | - | 1,343 | 1,343 |
| Deferred revenue | - | - | - |
| Total liabilities | 21,789 | 1,343 | 23,132 |
| | | | |
| FUND BALANCES | | | |
| Reserved | - | 108,349 | 108,349 |
| Unreserved | 301,996 | - | 301,996 |
| Total fund balance | 301,996 | 108,349 | 410,345 |
| Total liabilities and fund balances | \$ 323,785 | \$ 109,692 | \$ 433,477 |

Reconciliation to statement of net assets:

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

Capital assets used in governmental activities, \$1,905,957, net of accumulated financial resources and, therefore, are not reported in the funds net assets of governmental activities

624,470

\$ 1,057,947

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | Sales Tax | | Total Governmental Funds |
|--|-----------------|--------------------------|--------------------------------|
| | General Fund | Sewer Project Fund | |
| REVENUE: | | | |
| Taxes: | | | |
| Sales | \$ 268,470 | \$ 105,174 | \$ 373,644 |
| EMS | \$ 7,526 | \$ - | \$ 7,526 |
| Use | 5,199 | - | 5,199 |
| Alcoholic beverage | 5,883 | - | 5,883 |
| Cigarette | 3,852 | - | 3,852 |
| Franchise | 7,189 | - | 7,189 |
| Motor vehicle license | 4,735 | - | 4,735 |
| Gasoline | 1,749 | - | 1,749 |
| Fines/forfeitures | 785,061 | - | 785,061 |
| CNE EMS income | 151,500 | - | 151,500 |
| Other reimbursements | 55,000 | - | 55,000 |
| Grant proceeds | 33,468 | - | 33,468 |
| Miscellaneous | 9,048 | - | 9,048 |
| Interest earned | 345 | 98 | 443 |
| Licenses and permits | 5,725 | - | 5,725 |
| Total revenue | 1,344,750 | 105,272 | 1,450,022 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 130,122 | - | 130,122 |
| Public Safety (Police, Fire, EMS) | 755,954 | - | 755,954 |
| Sewer | 37,073 | 68,973 | 106,046 |
| Street | 37,351 | - | 37,351 |
| Water | 13,181 | - | 13,181 |
| Capital outlay | 94,407 | - | 94,407 |
| Total expenditures | 1,068,088 | 68,973 | 1,137,061 |
| Excess of Revenue Over (Under) Expenditures | 276,662 | 36,299 | 312,961 |
| Other Financing Sources (Uses): | | | |
| Transfers to: | | | |
| Subsidy Pool | - | - | - |
| PWA | (98,969) | 57,656 | (41,312) |
| Total Other Financing Sources (Uses) | (98,969) | 57,656 | (41,312) |
| Excess of Revenue and Other Financing Sources Over (Under) Other Financial Uses | 177,694 | 93,955 | 271,649 |
| Fund Balance July 1 | 124,302 | 14,394 | 138,696 |
| Fund Balance June 30 | \$ 301,996 | \$ 108,349 | \$ 410,345 |

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2010

| ASSETS | Public Works Authority <u>Enterprise Funds</u> |
|---|---|
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 83,298.30 |
| Restricted cash and cash equivalents | \$ 38,507.62 |
| Due from other Town funds | \$ - |
| Accounts receivable | \$ 41,539.52 |
| Inventory | \$ - |
| Total current assets | <u>163,345</u> |
| NONCURRENT ASSETS: | |
| Restricted cash and cash equivalents | \$ - |
| Other capital assets, net of accumulated depreciation | \$ 1,071,751 |
| Total noncurrent assets | <u>1,071,751</u> |
| TOTAL ASSETS | <u><u>\$ 1,235,097</u></u> |
| CURRENT LIABILITIES: | |
| Deferred revenue | \$ - |
| Due to other Town funds | \$ 4,344.32 |
| Notes payable - current portion | \$ 8,691.48 |
| Total current liabilities | <u>13,035.80</u> |
| NONCURRENT LIABILITIES: | |
| Note payable - Arvest for Animal Control Shelter | \$ 22,664.41 |
| Less current portion | \$ - |
| | <u>22,664.41</u> |
| Refundable customer deposits | \$ 40,508 |
| Total noncurrent liabilities | <u>63,172</u> |
| TOTAL LIABILITIES | <u>\$ 76,208</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | \$ 1,071,751 |
| Restricted for debt service | \$ - |
| Unrestricted | \$ 87,138 |
| TOTAL NET ASSETS | <u><u>\$ 1,158,889</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,235,097</u></u> |

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | |
|---|-------------------------|
| OPERATING REVENUE: | |
| Water usage income (net of refunds/adjustments) | 364,845 |
| Sewer usage income | 99,871 |
| Installation charges | 1,050 |
| Reconnect fees | 2,825 |
| Animal Shelter Fees | 1,102 |
| Miscellaneous | 3,367 |
| Penalty income | 6,398 |
| CNE subsidy income | 40,000 |
| TOTAL OPERATING REVENUE | <u>519,459</u> |
| | |
| OPERATING EXPENSES: | |
| Cost of water purchased | 244,271 |
| Salaries and related taxes | 38,550 |
| Repairs and Maintenance | 23,792 |
| Materials and supplies | 17,280 |
| Dues and memberships | 1,250 |
| Fuel Costs | 8,176 |
| Utilities | 3,035 |
| Postage and office expense | 7,710 |
| Licenses and permits | 1,133 |
| Insurance and bonds | 21,891 |
| Telephone | 5,434 |
| Legal and professional fees | 11,296 |
| Travel and training | 418 |
| Miscellaneous | 4,793 |
| Uniforms | 863 |
| Water testing | 1,076 |
| Animal Shelter Expenses | 1,670 |
| TOTAL OPERATING EXPENSES | <u>392,638</u> |
| | |
| NON-OPERATING REVENUE (EXPENSES): | |
| Interest revenue - unrestricted | (192) |
| Interest revenue - restricted, debt service | - |
| Interest expense - debt service | 1,383 |
| Trustee and advisor fees - debt service | - |
| Depreciation | 32,760 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>33,951</u> |
| NET INCOME (LOSS) BEFORE TRANSFERS | 160,771 |
| | |
| TRANSFERS: | |
| Transfers In | - |
| Transfers Out | (119,932) |
| EXCESS REVENUES OVER EXPENSES OR EXPENSES OVER REVENUES | <u>(27,063)</u> |
| | |
| TOTAL NET ASSETS - BEGINNING | <u>1,185,949</u> |
| TOTAL NET ASSETS - ENDING | <u><u>1,158,887</u></u> |

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------|
| Receipts from customers | \$ 479,459 |
| Payments to suppliers | (354,088) |
| Payments to employees | (38,550) |
| Receipts from Cherokee Nation | 40,000 |
| Decrease in restricted funds | 24,149 |
| Decrease in inventory | 15,083 |
| Increase in accounts receivable | (5,212) |
| Decrease in due from other Town funds | 14,746 |
| Increase in meter deposits | 12,723 |
| Decrease in deferred revenue | (36,239) |
| Net Cash Provided by Operating Activities | <u>152,071</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|--|-----------------|
| Transfers from other funds | 0 |
| Transfers to other funds | (119,932) |
| Net Cash Provided by Noncapital Financing Activities | <u>-119,932</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|---|-----------------|
| Principal paid on capital debt | (63,091) |
| New debt financing | 22,664 |
| Interest paid on capital debt | (1,383) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(41,810)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|------------|
| Interest on checking accounts - unrestricted | 192 |
| Interest on checking accounts - restricted | 0 |
| Net Cash Provided by Investing Activities | <u>192</u> |

| | |
|---|------------------|
| Net Increase (Decrease) in Cash and Cash Equivalents | -9,479 |
| Balance - Beginning of Year (Net of prior period adjustments) | <u>92,777</u> |
| Balance - End of Year | <u>\$ 83,298</u> |

The accompanying notes are an integral part of these statements.

KATHY HEWITT, CPA, INC., P.C.

Certified Public Accountant

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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**

Board of Trustees
Town of West Siloam Springs
West Siloam Springs, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of West Siloam Springs, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 21, 2010. These financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The report was qualified for the effect on the financial statements for the lack of fixed asset records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town'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 the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs on page 29, items 2010-1, 2010-2, 2010-3 and 2010-4 to be significant deficiencies in internal control over financial reporting.

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.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider significant deficiencies 2009-1, 2009-2, 2009-3 and 2009-4 described in the schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, Town Council, 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.



Kathy Hewitt CPA, Inc., P.C.
Muskogee, Oklahoma
December 21, 2010

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of West Siloam Springs, Oklahoma presents its financial statements on a modified cash basis of accounting. 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, 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 June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- a. A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations. However, the Town has chosen not to present the required MD&A for the current year.
- b. Financial statements prepared using full accrual accounting for all of the Town’s activities, except for including the infrastructure (roads, bridges, etc.).
- c. A change in the fund financial statements to focus on major funds.

A. Reporting Entity

The Town of West Siloam Springs, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services: general government, public safety (fire and police), streets, public works (water, sewer, trash and animal control), judicial, public improvements, and planning and zoning for the geographical area organized as the Town of West Siloam Springs, Oklahoma.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Blended Component Units:

The West Siloam Springs Public Works Authority (PWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of West Siloam Springs, Oklahoma. The PWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to the PWA. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes and is governed by a board consisting of five trustees identical with the Town Council. The PWA is exempt from State and Federal Income taxes and is reported as an enterprise fund.

B. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide Financial Statements – The statement of net assets and the statement of activities include information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements – The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of government and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. There were no non-major funds to present.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

Governmental Funds – are used to account for the Town’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

If the Town utilizes the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

The following is the Town’s major governmental funds:

- **General Fund** – is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Special Revenue Funds** – account for revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions of the Town. The reporting entity includes the following special revenue funds.

| <u>Fund</u> | <u>Brief Description</u> |
|-------------------------|---|
| Sales Tax Sewer Project | Accounts for sales tax revenue received that are restricted for voter approved sewer project. |

- **Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the modified cash basis of accounting. Under this method, revenues and expenses are recorded when they result from cash transactions. 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

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

- **Enterprise Funds** – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.
- **West Siloam Springs Public Works Authority** – accounts for the operations of providing public works (water, sewer, trash and animal control) to the Town residents.

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

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash

Certain funds are restricted for West Siloam Springs Public Works Authority customer deposit refunds.

3. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, and certain liabilities. The Town's estimates of the fair value of all financial

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
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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.

4. 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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Receivables and Payables

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

6. Capital Assets

Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized.

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

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

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

| | |
|------------------------------------|----------|
| Buildings | 40 years |
| Improvements, other than buildings | 20 years |

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

| | |
|------------------------------------|----------|
| Machinery, furniture and equipment | 7 years |
| Utility property and improvements | 40 years |
| Vehicles | 5 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 our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental Activities is not readily determinable.

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least one year are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

8. 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 fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

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

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 WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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9. 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, consist 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 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.

1. DETAILED NOTES CONCERNING THE FUNDS

A. Cash and investments

Custodial Credit Risk – Deposits

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2010. The categories of custodial credit risk are defined as follows:

Category 1 – Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

| Type of Deposits | Total Bank Balance | Custody Credit Risk Category | | |
|---------------------|--------------------|------------------------------|-------------|-------------|
| | | 1 | 2 | 3 |
| Insured deposits | \$ 550,793 | \$ 550,793 | \$ - | \$ - |
| Uninsured deposits: | | | | |
| Collateralized | \$ - | \$ - | \$ - | \$ - |
| Uncollateralized | \$ - | \$ - | \$ - | \$ - |
| Total deposits | <u>\$ 550,793</u> | <u>\$ 550,793</u> | <u>\$ -</u> | <u>\$ -</u> |

B. Capital Assets

Capital asset activity resulting from modified cash basis transactions, for the fiscal year ended June 30, 2010, was as follows:

Government activities:

| | <u>Balance</u> <u>07/01/08</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/09</u> |
|---------------------------------------|-----------------------------------|-------------------|-------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Other capital assets: | | | | |
| Buildings | \$ 231,500 | \$ - | \$ - | \$ 231,500 |
| Infrastructure | \$ 1,410,442 | \$ - | \$ - | \$ 1,410,442 |
| Vehicles | \$ 184,988 | \$ 133,781 | \$ - | \$ 318,769 |
| Machinery and equipment | <u>\$ 79,027</u> | <u>\$ 8,566</u> | <u>\$ -</u> | <u>\$ 87,593</u> |
| Total other capital assets | <u>\$ 1,905,957</u> | <u>\$ 142,347</u> | <u>\$ -</u> | <u>\$ 2,048,304</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 147,583 | \$ 5,788 | \$ - | \$ 153,371 |
| Infrastructure | \$ 923,159 | \$ 66,474 | \$ - | \$ 989,633 |
| Vehicles | \$ 186,634 | \$ 15,932 | \$ - | \$ 202,566 |
| Equipment | <u>\$ 76,742</u> | <u>\$ 1,522</u> | <u>\$ -</u> | <u>\$ 78,264</u> |
| Total accumulated depreciation | <u>\$ 1,334,118</u> | <u>\$ 89,716</u> | <u>\$ -</u> | <u>\$ 1,423,834</u> |

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Business-type activities:

| | <u>Balance</u> <u>07/01/08</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/09</u> |
|--|-----------------------------------|--------------------|-------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Other capital assets: | | | | |
| Water system | \$ 166,330 | \$ - | \$ - | \$ 166,330 |
| Sewer system | \$ 1,138,723 | \$ - | \$ - | \$ 1,138,723 |
| Machinery and equipment | \$ 113,994 | \$ - | \$ - | \$ 113,994 |
| Total other capital assets | <u>\$ 1,419,047</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,419,047</u> |
| Less accumulated depreciation: | | | | |
| Water system | \$ 101,877 | \$ 4,158 | \$ - | \$ 106,035 |
| Sewer system | \$ 99,638 | \$ 28,468 | \$ - | \$ 128,106 |
| Machinery and equipment | \$ 112,450 | \$ (341) | \$ - | \$ 112,109 |
| Total accumulated depreciation | <u>\$ 313,965</u> | <u>\$ 32,285</u> | <u>\$ -</u> | <u>\$ 346,250</u> |
| Business-type activities capital assets, net | <u>\$ 1,105,082</u> | <u>\$ (32,285)</u> | <u>\$ -</u> | <u>\$ 1,072,797</u> |

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

C. Long-term debt

The Town does not maintain a general long-term group since all long-term liabilities are recorded in the Town's component units. The Town is not obligated in any manner for the debt of its component units. The following is a summary of long-term transactions of the proprietary fund:

| | | | | |
|---------|------------------|------------------|------------------|------------------|
| Banks & | <u>\$ 79,950</u> | <u>\$ 52,360</u> | <u>\$ 79,950</u> | <u>\$ 52,360</u> |
| Others | | | | |

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

The annual debt service requirements to maturity are as follows:

| | | | | | | |
|------|----|---------------|----|--------------|----|---------------|
| 2011 | \$ | 31,356 | \$ | 1,602 | \$ | 32,958 |
| 2012 | \$ | 5,924 | \$ | 608 | \$ | 6,532 |
| 2013 | \$ | 6,214 | \$ | 317 | \$ | 6,531 |
| 2014 | \$ | 8,866 | \$ | 45 | \$ | 8,911 |
| | \$ | <u>52,360</u> | \$ | <u>2,572</u> | \$ | <u>54,932</u> |

D. 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.

| | | |
|-----------------------------|----|----------------|
| Sales Tax Sewer Project | \$ | <u>108,349</u> |
| Debt Service Funds | \$ | <u>-</u> |
| Total restricted net assets | \$ | <u>108,349</u> |

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangement 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 fund.

B. Contingent Liabilities

The governing board of the Town is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

C. Employee Retirement Plans

The Town participates in the Oklahoma Municipal Retirement Fund (O.M.R.F.), which provides coverage to substantially all full-time employees. The plan is a multiple-employer plan.

Plan Description

The Town contributes to the Oklahoma Municipal Retirement Fund Employee Retirement System (O.M.R.F.), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of Oklahoma.

All regular full-time employees except police, firefighters and other employees covered under a state system are eligible to participate in O.M.R.F. Benefits vest after five years of service. Upon vesting, Town employees who retire at age 65 with 10 or more years vested are entitled to annual retirement benefits payable monthly for life in an amount equal

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

to a percentage of their average salary during their last year of employment.

These benefit provisions and all other requirements are established by the plan. The total contribution rate for the plan is separated between the employee-paid and municipality-paid portions based on the most recent reported employees contribution rate. The employee contribution rate is set by the plan, and the municipality is committed to meet the long term funding needs of the plan by paying any portion of the contribution not provided by employees.

The total required contribution rate for the 2009-2010 plan year was 6.00% of participant's payroll which results in 3.0% for the employee and 3.00% for the Town.

The reporting entity's contributions to O.M.R.F. were \$10,721 for the Town.

SUPPLEMENTAL INFORMATION

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - UNAUDITED
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

| | Budgeted | Actual | Variance |
|---------------------------------------|-------------------|---------------------|----------------------------|
| | Amount | Amount | Favorable (Unfavorable) |
| Beginning Budgetary Fund Balance | \$ 99,634 | \$ 143,111 | \$ 43,477 |
| Resources (Inflows): | | | |
| Taxes: | | | |
| Sales | 125,000 | 268,470 | 143,470 |
| Use | 10,000 | 5,199 | (4,801) |
| Cigarette | 2,500 | 3,852 | 1,352 |
| Alcoholic beverage | 6,000 | 5,883 | (117) |
| Franchise | 2,400 | 7,189 | 4,789 |
| Motor vehicle license | 4,200 | 4,735 | 535 |
| Gasoline | 1,700 | 1,749 | 49 |
| Grant revenue, net | - | 33,468 | 33,468 |
| Fines and forfeitures | 415,000 | 785,061 | 370,061 |
| Permits/licenses | 2,000 | 5,725 | 3,725 |
| Other reimbursements | 1,300 | 55,000 | 53,700 |
| Interest on investments | 200 | 345 | 145 |
| Miscellaneous revenue | - | 9,048 | 9,048 |
| Police Services | 60,000 | - | (60,000) |
| CNE EMS income | 202,000 | 159,026 | (42,974) |
| Transfers from other funds | - | (98,969) | (98,969) |
| Amounts available for appropriation | <u>931,934</u> | <u>1,245,781</u> | <u>313,847</u> |
| Charges to appropriations (Outflows): | | | |
| General Government: | | | |
| Personnel services | 53,028 | 69,954 | (16,926) |
| Materials and supplies | 6,000 | 8,981 | (2,981) |
| Other services and charges | 297,000 | 51,187 | 245,813 |
| Capital outlay | 8,220 | 32,295 | (24,075) |
| Total General Government | <u>364,248</u> | <u>162,417</u> | <u>201,831</u> |
| Police: | | | |
| Personnel services | 290,000 | 375,653 | (85,653) |
| Materials and supplies | 55,000 | 78,876 | (23,876) |
| Other services and charges | 95,000 | 301,425 | (206,425) |
| Capital outlay | 16,610 | 62,112 | (45,502) |
| Total Police | <u>456,610</u> | <u>818,066</u> | <u>(361,456)</u> |
| Sewer: | | | |
| Personnel services | 26,432 | 31,034 | (4,602) |
| Materials and supplies | 1,500 | 6,039 | (4,539) |
| Other services and charges | - | - | - |
| Total Sewer | <u>27,932</u> | <u>37,073</u> | <u>(9,141)</u> |
| Total outflows - forward | <u>\$ 848,790</u> | <u>\$ 1,017,556</u> | <u>\$ (168,766)</u> |

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - UNAUDITED
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

| | | | |
|----------------------------------|------------|--------------|--------------|
| Total outflows - brought forward | \$ 848,790 | \$ 1,017,556 | \$ (168,766) |
| Street: | | | |
| Personal services | - | - | - |
| Materials and supplies | 6,000 | 60 | 5,940 |
| Other services and charges | 5,000 | 37,291 | (32,291) |
| Capital outlay | - | - | - |
| Total Street | 11,000 | 37,351 | (26,351) |
| Water: | | | |
| Personal services | 18,583 | 13,181 | 5,402 |
| Materials and supplies | - | - | - |
| Other services and charges | - | - | - |
| Capital outlay | - | - | - |
| Total Water | 18,583 | 13,181 | 5,402 |
| Transfers to (from) other funds | - | - | - |
| Total charges to appropriations | 878,373 | 1,068,088 | (189,715) |
| Ending Budgetary Balance | \$ 53,561 | \$ 320,804 | \$ 167,609 |

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - UNAUDITED
 SALES TAX SEWER PROJECT FUND
 FOR THE YEAR ENDED JUNE 30, 2010

| | Budgeted Amount | Actual Amount | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|------------------|--|
| Beginning Budgetary Fund Balance | \$ 498 | \$ 3,889 | \$ 3,391 |
| Resources (Inflows): | | | |
| Sales tax | 77,500 | 105,174 | 27,674 |
| Grant revenue | - | - | - |
| Interest on investments | - | 98 | 98 |
| Transfers in | 14,400 | 112,384 | 97,984 |
| Amounts available for appropriation | 91,900 | 217,656 | 125,756 |
| Charges to appropriations (Outflows): | | | |
| Personal services | 70,000 | 32,638 | 37,362 |
| Materials and supplies | - | - | - |
| Other services and charges | 19,890 | 36,335 | (16,445) |
| Capital outlay | - | - | - |
| Total | 89,890 | 68,973 | 20,917 |
| Transfers from other funds | - | - | - |
| Transfers to other funds | - | 54,728 | (54,728) |
| Total charges to appropriations | 89,890 | 123,701 | (33,811) |
| Ending Budgetary Balance | \$ 2,508 | \$ 97,843 | \$ 95,335 |

The accompanying notes are an integral part of these statements.

TOWN OF WEST SILOAM SPRINGS, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - UNAUDITED
 SUBSIDY POOL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

| | Budgeted Amount | Actual Amount | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|------------------|--|
| Beginning Budgetary Fund Balance | \$ 18,348 | \$ 18,356 | \$ 8 |
| Resources (Inflows): | | | |
| Revenues | 40,000 | 40,000 | - |
| Grant revenue | - | - | - |
| Interest on investments | - | 28 | 28 |
| Transfers in | - | - | - |
| Amounts available for appropriation | <u>40,000</u> | <u>40,028</u> | <u>28</u> |
| Charges to appropriations (Outflows): | | | |
| Personal services | - | - | - |
| Materials and supplies | - | - | - |
| Other services and charges | 50 | 1,626 | (1,576) |
| Capital outlay | - | - | - |
| Total | <u>50</u> | <u>1,626</u> | <u>(1,576)</u> |
| Transfers from other funds | - | - | - |
| Transfers to other funds | 40,000 | 30,000 | 10,000 |
| Total charges to appropriations | <u>40,050</u> | <u>31,626</u> | <u>8,424</u> |
| Ending Budgetary Balance | <u>\$ 18,298</u> | <u>\$ 26,758</u> | <u>\$ 8,460</u> |

The accompanying notes are an integral part of these statements.

Town of West Siloam Springs, Oklahoma
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

- 2010 – 1** Lack of segregation of Duties - The Town has two employees involved in the collection and recording of revenue, expenditures and other financial transactions. An adequate internal control structure does not exist due to the small size of the entity and lack of segregation of duties of its employees. This condition has been discussed with management, who determined that the cost of correcting this weakness would exceed the benefits derived.
- 2010 – 2** Only minimal fixed asset records are now being maintained. Periodic physical inventories required for good internal control are not being conducted. This condition has been discussed with management. Council needs to address the issue of a possible formal capitalization policy for the Town. A capitalization policy could provide guidance in the future for the proper process of purchasing and recording fixed assets.
- 2010 – 3** Debt obligations related to capital asset purchases are not being recorded on the financial statements. This is partially due to the fact some capital assets that are purchased with loan proceeds paid directly to vendors are not being recorded on the books and records of the Town. Additionally, debt reduction payments on these installment loans are being expensed. More attention to accounting detail needs to be addressed in this area.
- 2010 – 4** The "Net Income" reported on the financial statement for the Town Sewer fund does not agree with the "Net Income" from the Income Statement. This could be a result of parameter settings within the accounting software. The software may not be picking up all income and expense accounts for the general ledger. This can be checked in the report set up application in the accounting software.