

TOWN OF WASHINGTON, OKLAHOMA
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

WITH INDEPENDENT AUDITOR'S REPORT

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TOWN OF WASHINGTON
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TOWN OF WASHINGTON
BOARD MEMBERS AND OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2008

Tony Null	Mayor
Dorothy Thomas	Trustee
Paul Ratliff	Trustee
Susan Noel	Clerk/Treasurer
Paul Aday	Town Administrator

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Washington, Oklahoma

We have audited the accompanying combined financial statements - cash basis of the Town of Washington, Oklahoma as of and for the year ended June 30, 2008, as listed in the table of contents. These combined financial statements are the responsibility of the Town of Washington's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the Town of Washington prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles

As more fully described in Note B, the financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

To the Board of Trustees
Town of Washington, Oklahoma

Management has not presented government-wide financial statements to display the cash basis financial position and changes in cash basis financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America, as applied to the Town's cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from cash basis transactions for the Town's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the combined financial statements referred to in the first paragraph do not present fairly, the cash and unencumbered cash balances of the Town of Washington, Oklahoma as of June 30, 2008, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note A.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining financial statements. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements - cash basis of the Town of Washington, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the financial and combining financial statements - cash basis and, in our opinion, is fairly presented in all material respects in relation to the financial statements - cash basis taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2008 on our consideration of the Town of Washington's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grants.

*Michael Douglas, CPA,
A Professional Corporation*

Michael Douglas, CPA,
A Professional Corporation
Norman, Oklahoma
October 24, 2008

TOWN OF WASHINGTON, OKLAHOMA
 COMBINED BALANCE SHEET - CASH BASIS
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2008

Exhibit A

	Governmental	Fund Types	Proprietary Fund Type	Fiduciary Fund Type	(Totals memorandum only)	
	General	Special Revenue	Municipal Authority	Agency Funds	June 30, 2008	June 30, 2007
ASSETS						
Cash	\$31,437.63	\$36,534.11	\$33,490.85	\$92,732.00	\$194,194.59	\$215,456.84
Investments - Note A	0.00	0.00	0.00	0.00	0.00	37,919.73
Property, Plant, and Equipment - Note B	0.00	0.00	404,173.01	0.00	404,173.01	419,436.01
	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	\$31,437.63	\$36,534.11	\$437,663.86	\$92,732.00	\$598,367.60	\$672,812.58
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Customer Meter Deposit Reserves	\$0.00	\$0.00	\$0.00	\$18,307.22	\$18,307.22	\$17,155.25
Notes Payable	0.00	0.00	200,359.12	0.00	200,359.12	225,540.17
	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	0.00	0.00	200,359.12	18,307.22	218,666.34	242,695.42
FUND EQUITY						
Retained Earnings			237,304.74		237,304.74	221,780.57
Fund balances						
Unreserved	31,437.63	36,534.11	0.00	74,424.78	142,396.52	208,336.59
TOTAL FUND EQUITY	31,437.63	36,534.11	237,304.74	74,424.78	379,701.26	430,117.16
TOTAL LIABILITIES AND FUND EQUITY	\$31,437.63	\$36,534.11	\$437,663.86	\$92,732.00	\$598,367.60	\$672,812.58

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

TOWN OF WASHINGTON, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - CASH BASIS - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B

	Governmental Fund Types		(Totals memorandum only)	
	General	Special Revenue	June 30, 2008	June 30, 2007
REVENUES				
Sales and use tax	\$60,402.67	\$0.00	\$60,402.67	\$55,044.52
Franchise tax	13,047.61	0.00	13,047.61	22,002.67
Rent	525.00	0.00	525.00	350.00
Fire Department	8,994.00	0.00	8,994.00	3,987.00
Interest on investments	906.59	135.01	1,041.60	2,516.31
Intergovernmental	4,200.71	3,027.93	7,228.64	9,636.38
Grant revenue - ASCOG	3,000.00	0.00	3,000.00	4,057.11
Grant revenue - Senior Citizen	0.00	0.00	0.00	0.00
Grave openings	6,483.62	0.00	6,483.62	6,850.00
Building permits	5,219.59	0.00	5,219.59	10,351.15
Donations	0.00	7,383.47	7,383.47	6,345.00
Grant revenue - OHFA	0.00	0.00	0.00	0.00
Grant revenue - Fire Dept.	229,722.51	0.00	229,722.51	16,422.51
Miscellaneous receipts	8,257.41	130.00	8,387.41	2,182.67
TOTAL REVENUES	340,759.71	10,676.41	351,436.12	139,745.32
EXPENDITURES				
Salaries	70,069.00	7,800.00	77,869.00	74,710.00
Payroll taxes	6,302.54	612.30	6,914.84	7,119.18
Repairs and maintenance	487.46	460.00	947.46	1,303.45
Police	7,103.95	0.00	7,103.95	2,556.98
Fire	33,106.24	0.00	33,106.24	7,730.88
Insurance	34,329.18	0.00	34,329.18	29,326.02
Utilities	12,452.31	0.00	12,452.31	12,739.22
Streets and highways	0.00	989.76	989.76	347.48
Office expense	2,652.97	0.00	2,652.97	1,639.38
Gasoline and mileage	4,703.77	0.00	4,703.77	3,729.00
Professional fees	6,165.00	0.00	6,165.00	6,359.00
Telephone	3,709.92	0.00	3,709.92	3,867.19
Grant expenditure - ASCOG	3,000.00	0.00	3,000.00	5,727.33
Grant expenditure - Park	0.00	0.00	0.00	0.00
Grant expenditure - Fire Dept.	229,722.51	0.00	229,722.51	7,573.13
Dues and fees	1,308.85	0.00	1,308.85	619.65
Grant expenditures - OHFA	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	415,113.70	9,862.06	424,975.76	165,347.89
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,353.99)	814.35	(73,539.64)	(25,602.57)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	16,331.20	2,000.00	18,331.20	7,286.97
Operating transfers (out)	0.00	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	16,331.20	2,000.00	18,331.20	7,286.97
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES (USES)	(58,022.79)	2,814.35	(55,208.44)	(18,315.60)
FUND BALANCES - July 1, 2007	89,460.42	33,719.76	123,170.18	141,485.78
FUND BALANCES - June 30, 2008	\$31,437.63	\$36,534.11	\$67,961.74	\$123,170.18
	*****	*****	*****	*****

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

TOWN OF WASHINGTON, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - CASH BASIS - ALL FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2008

Exhibit C

	Fiduciary Fund Types			(Totals memorandum only)	
	Meter Deposit	Court Bond	Cemetery Perpetual	June 30, 2008	June 30, 2007
REVENUES					
Meter deposits	\$2,800.00	\$0.00	\$0.00	\$2,800.00	\$4,100.00
Donations	0.00	0.00	0.00	0.00	0.00
Fines and bonds	0.00	3,792.00	0.00	3,792.00	2,264.00
Interest on investments	78.72	17.92	1,466.80	1,563.44	2,371.03
Cemetery lot sales	0.00	0.00	4,100.00	4,100.00	9,985.00
	0.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	2,878.72	3,809.92	5,566.80	12,255.44	18,720.03
EXPENDITURES					
Meter deposits refunded	2,878.72	0.00	0.00	2,878.72	4,181.79
Repairs and maintenance	0.00	0.00	10,494.89	10,494.89	3,247.54
Capital outlay	0.00	0.00	0.00	0.00	0.00
Police	0.00	613.46	0.00	613.46	425.15
Miscellaneous expenditures	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	2,878.72	613.46	10,494.89	13,987.07	7,854.48
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	0.00	3,196.46	(4,928.09)	(1,731.63)	10,865.55
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0.00	0.00	0.00	0.00	0.00
Operating transfers (out)	0.00	(7,000.00)	(2,000.00)	(9,000.00)	(2,000.00)
TOTAL OTHER FINANCING SOURCES (USES)	0.00	(7,000.00)	(2,000.00)	(9,000.00)	(2,000.00)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES (USES)	0.00	(3,803.54)	(6,928.09)	(10,731.63)	8,865.55
FUND BALANCES - July 1, 2007	0.00	5,574.34	79,582.07	85,156.41	76,290.86
FUND BALANCES - June 30, 2008	\$0.00	\$1,770.80	\$72,653.98	\$74,424.78	\$85,156.41

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

TOWN OF WASHINGTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - CASH BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit D

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Sales and use tax	\$60,000.00	\$60,402.67	\$402.67
Franchise tax	13,000.00	13,047.61	47.61
Rent	250.00	525.00	275.00
Fire Department	8,900.00	8,994.00	94.00
Interest on investments	900.00	906.59	6.59
Intergovernmental	4,200.00	4,200.71	0.71
Building permits	5,200.00	5,219.59	19.59
Grave openings	6,400.00	6,483.62	83.62
Grant revenue - ASCOG	3,000.00	3,000.00	0.00
Grant revenue - Fire Department	229,000.00	229,722.51	722.51
Miscellaneous receipts	8,000.00	8,257.41	257.41
TOTAL REVENUES	338,850.00	340,759.71	1,909.71
EXPENDITURES			
Salaries	72,000.00	70,069.00	1,931.00
Payroll taxes	7,000.00	6,302.54	697.46
Repairs and maintenance	2,000.00	487.46	1,512.54
Police	8,010.62	7,103.95	906.67
Fire	36,000.00	33,106.24	2,893.76
Insurance	38,000.00	34,329.18	3,670.82
Utilities	15,000.00	12,452.31	2,547.69
Professional fees	7,000.00	6,165.00	835.00
Office expense	4,000.00	2,652.97	1,347.03
Gasoline and mileage	6,000.00	4,703.77	1,296.23
Telephone	6,000.00	3,709.92	2,290.08
Grant expenditures - ASCOG	6,000.00	3,000.00	3,000.00
Dues and fees	3,500.00	1,308.85	2,191.15
Grant expenditures - Fire Dept.	233,800.00	229,722.51	4,077.49
TOTAL EXPENDITURES	444,310.62	415,113.70	29,196.92
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,460.62)	(74,353.99)	31,106.63
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	16,000.00	16,331.20	(331.20)
	0.00	0.00	0.00
TOTAL OTHER FINANCING SOURCES (USES)	16,000.00	16,331.20	(331.20)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES (USES)	(89,460.62)	(58,022.79)	31,437.83
FUND BALANCES - July 1, 2007	89,460.62	89,460.62	0.00
FUND BALANCES - June 30, 2008	\$0.00	\$31,437.83	\$31,437.83
	=====	=====	=====

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

TOWN OF WASHINGTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - CASH BASIS - PROPRIETARY FUND TYPE (MUNICIPAL AUTHORITY)
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit E

	Municipal Authority	Totals Memorandum only
	June 30, 2008	June 30, 2007
OPERATING REVENUES		
Water	\$80,522.86	\$78,880.94
Sewer	25,627.51	23,895.00
Taps	887.13	6,547.00
Sanitation	41,780.24	37,999.10
Rent	1,350.00	5,235.00
Miscellaneous fees and receipts	57.61	0.00
TOTAL REVENUES	150,225.35	152,557.04
OPERATING EXPENSES		
Salaries	19,200.00	19,200.00
Taxes	1,468.80	1,468.80
Insurance	1,100.88	3,710.37
Repairs and maintenance	17,480.32	16,752.85
Utilities	5,570.45	5,997.12
Office supplies and postage	10,914.67	5,510.70
Gas and oil	8,931.52	6,710.94
Solid waste disposal	32,794.98	30,479.39
Professional fees	176.00	600.00
Returned checks	1,504.80	1,243.25
Fees and dues	2,350.00	5,565.56
Miscellaneous	1,444.90	3,989.36
Depreciation	15,263.00	15,263.00
TOTAL OPERATING EXPENSES	118,200.32	116,491.34
NET INCOME (LOSS) FROM OPERATIONS	32,025.03	36,065.70
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	114.82	103.20
Loan payments	0.00	0.00
Transfers out	(9,331.20)	(5,286.97)
Interest expense	(7,284.48)	(8,457.43)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(16,500.86)	(13,641.20)
NET INCOME (LOSS)	15,524.17	22,424.50
RETAINED EARNINGS, BEGINNING OF PERIOD	221,780.57	199,356.07
RETAINED EARNINGS, END OF PERIOD	\$237,304.74	\$221,780.57
	=====	=====

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

TOWN OF WASHINGTON, OKLAHOMA
STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUND TYPE (MUNICIPAL AUTHORITY)
FOR THE YEAR ENDED JUNE 30, 2008

Exhibit F

	Totals memorandum only	
	JUNE 30	JUNE 30
	2008	2007
Cash Flows from Operating Activities		
Net Income (Loss)	\$15,524.17	\$22,424.50
Adjustment to reconcile net loss to net cash from operating activities		
Depreciation and amortization	15,263.00	15,263.00
Increase (decrease) in accrued interest	0.00	0.00
Total cash flows from operating act	30,787.17	37,687.50
Cash Flows from Investing Activities		
Capital expenditures	0.00	0.00
Land purchases	0.00	0.00
Total cash flows from investing act	0.00	0.00
Cash Flows from Capital and Related Financing Activitie		
Loan proceeds	0.00	0.00
Principal payments	(25,181.05)	(26,640.50)
Total cash flows from capital and r activities	(25,181.05)	(26,640.50)
Cash Flows from Non-Capital Financing Activities		
Sale of asset	0.00	0.00
Transfer in	0.00	0.00
Total cash flows from non-capital f	0.00	0.00
Net Increase (Decrease) in Cash and Cash Equiv	5,606.12	11,047.00
Cash, beginning of period	27,884.73	16,837.73
Cash, end of period	\$33,490.85	\$27,884.73

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

TOWN OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Washington, Oklahoma ("Town") operates under a Board of Trustees-Mayor form of government and provides the following services as authorized by its charter: Public safety (police and fire); streets and highways; sanitation; culture-recreation; public improvements; planning and zoning; and general administrative services.

The financial statements of the Town have been prepared on the cash basis of accounting, which is not in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

1. Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town has considered the Washington Municipal Authority a component unit.

In accordance with governmental accounting standards, the financial statements of the Washington Municipal Authority are included in these financial statements.

2. Fund Accounting

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The various funds are grouped in this report, into four generic fund types and three broad categories as follows:

Governmental Fund Types:

General Fund-

The General Fund is used to account for all of the general revenues of the Town not specifically levied or collected for other Town funds, and for expenditures primarily related to the rendering of the general services to the Town.

Special Revenue Funds-

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Town currently utilizes the following Special Revenue Funds: Street and Alley Fund and Cemetery Care Fund.

Proprietary Fund Types:

Municipal Authority-

The Proprietary Fund uses the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Washington Municipal Authority leases the water and sewer utility system from the Town of Washington. The lease rental each year is the revenues remaining after payments have been made for debt service requirements and all operating expenses of the Authority have been paid.

Fiduciary Fund Types:

Agency Fund-

The Agency Fund is used to account for restricted assets held by the Town in a fiduciary capacity for individuals, private organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's meter fund, cemetery perpetual care fund and court bond fund are classified as agency funds.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the cash basis of accounting, which is not in accordance with generally accepted accounting principles. Their revenues are recorded when they received and expenditures are recorded when paid.

Revenues are generally recognized under the modified accrual basis of accounting. Revenues would be recorded when susceptible to accrual (i.e. both measurable and available.)

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

All proprietary funds are accounted for using the cash basis of accounting, which is not in accordance with generally accepted accounting principles. Their revenues are recognized when they are received, and their expenses are recognized when they are paid.

4. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting--under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation--is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

5. Cash and Investments

Oklahoma State Law allows for investment of funds in the following:

- a. Direct obligations of the United States Government to the payment of which the full faith and credit and the Government of the United States or of this state is pledged.
- b. Certificates of deposit of savings and loan associations, banks, and trust companies when the certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
- c. Savings accounts or savings certificates of savings and loan associations, banks, and trust companies, to the extent that the accounts or certificates are fully insured by the Federal Government.
- d. Negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investment in these instructions must be fully collateralized with investments specified in previous paragraphs 1 through 3, where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account.

According to State Law, collateral to secure deposits of public funds must be:

- a. U.S. Treasury bonds, notes, or certificates payable by the Treasurer of the United States, issued by an agency of the United States under authority of an Act of Congress where the full faith and credit of the United States is pledged to the payment.

- b. State of Oklahoma bonds, notes, or certificates payable by the State Treasurer, issued by an agency of the State under authority of an act of the legislature where full faith and credit is pledged to the payment.
- c. Bonds issued by any county in Oklahoma.
- d. Bonds issued by any school district or board of education.
- e. Bonds issued by any city or town where an ad valorem tax levy is pledged to the payment, with certain restrictions of sinking fund indebtedness of the issuing city or town.
- f. A surety bond.

The following is a table of deposits and investments for the Town at June 30, 2008 by risk category, carrying amount/bank balance and market value.

	Risk Category			Total Bank Balance	Total Carrying Value
	(1)	(2)	(3)		
Cash:					
Cash in Bank	\$133,490.85	\$60,703.74	\$0.00	\$194,194.59	\$194,194.59
Certificates of Deposit	0.00	0.00	0.00	0.00	0.00
	-----	-----	-----	-----	-----
Total Cash	\$133,490.85	\$60,703.74	\$0.00	\$194,194.59	\$194,194.59
	=====	=====	=====	=====	=====

Risk Categories:

- Category 1 - Investments that are insured or registered, or securities held by the Town or its agent in the Town's name.
Deposits that are insured or collateralized with securities held by the Town or its agent in the Town's name.
- Category 2 - Investments that are uninsured or unregistered with securities held by the counter party's trust department or agent in the Town's name.
Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 - Investments that are uninsured or unregistered with securities held by the counter party or by its trust department in the Town's name.
Deposits that are uncollateralized with securities held by the pledging financial institution or by its trust department or agent in the Town's name.

6. Total Columns on Combined Statements - Overview

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

7. Budgets and Budgetary Accounting

The Town adopts an annual budget in compliance with Oklahoma statutes, Title 68, section 2483, Oklahoma Municipal Code established guidelines which the Town follows when establishing its budget.

NOTE B - FIXED ASSETS

The Town records all fixed asset acquisitions only as expenditures and does not maintain detailed records of the fixed assets.

The general fixed assets of the Town have not been inventoried, and, because detailed records have not been maintained, the General Fixed Assets Account Group is excluded from these financial statements, which should be included to conform with generally accepted accounting principles.

All property, plant and equipment used by the Washington Municipal Authority is determined by the original cost of the assets by reference to vendor invoices and contracts. Depreciation on these assets has been included in the balance sheet and depreciation on these assets, calculated using the straight-line method, has been included in the accompanying statement of revenues, expenses and changes in retained earnings.

NOTE C - LONG-TERM DEBT

The following is a summary of long-term debt for the proprietary fund payable for the year ended June 30, 2008:

	Balance 1-Jul-07	Additions	Deductions	Balance 30-Jun-08
First American Bank Purcell, OK	\$3,589.87	\$0.00	(\$3,589.87)	\$0.00
Oklahoma Water Resources Board Oklahoma City, OK	221,950.50	0.00	(21,591.38)	200,359.12
Total	\$225,540.37	\$0.00	(\$25,181.25)	\$200,359.12

TERMS:

Oklahoma Water Resources Board, Note for \$371,683.81 @3.263%, payable in semi-annual payments, secured by sewage lagoon and Authority revenues, due February, 2017.

TERMS:

First American Bank, Note for \$37,683.81 @8.50%, payable in monthly installments, secured by real estate, due December, 2007.

The schedule of payments is as follows:

<u>Payment Period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
June 30, 2009	6,581.78	21,506.98	28,088.76
June 30, 2010	6,214.22	22,014.25	28,228.47
June 30, 2011	5,827.44	22,629.25	28,456.69
June 30, 2012	5,418.44	23,240.25	28,658.69
Thereafter	16,832.82	110,968.39	127,801.21
	<u>\$ 40,874.70</u>	<u>\$200,359.12</u>	<u>\$241,233.82</u>

NOTE D - INTERFUND TRANSACTIONS

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions which are normal and recurring between funds are recorded as operating transfers. Transactions which are nonrecurring and represent a transfer of equity between funds are recorded as a change in fund balance.

NOTE E - LITIGATION

Neither the Town nor the Authority have any pending claims or lawsuits against them as of June 30, 2008.

COMBINING FINANCIAL STATEMENTS

TOWN OF WASHINGTON, OKLAHOMA
 COMBINING BALANCE SHEET - CASH BASIS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2008

Schedule 1

(Totals memorandum only)				
	Street & Alley	Cemetery Care	June 30, 2008	June 30, 2007

ASSETS				
Cash	\$28,935.79	\$7,598.32	\$36,534.11	\$33,719.76
Investments	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00

TOTAL ASSETS	\$28,935.79	\$7,598.32	\$36,534.11	\$33,719.76
=====				
LIABILITIES AND FUND EQUITY				
LIABILITIES				
	\$0.00	\$0.00	\$0.00	\$0.00

TOTAL LIABILITIES	0.00	0.00	0.00	0.00

FUND EQUITY				
Fund balances				
Unreserved	28,935.79	7,598.32	36,534.11	33,719.76

TOTAL FUND EQUITY	28,935.79	7,598.32	36,534.11	33,719.76

TOTAL LIABILITIES AND FUND EQUITY	\$28,935.79	\$7,598.32	\$36,534.11	\$33,719.76
=====				

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

TOWN OF WASHINGTON, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - CASH BASIS - SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2008

Schedule 2

			(Totals memorandum only)	
	Street & Alley	Cemetery Care	June 30, 2008	June 30, 2007
REVENUES				
Motor vehicle tax	\$3,027.93	\$0.00	\$3,027.93	\$3,869.47
Miscellaneous				
Donations	0.00	7,383.47	7,383.47	6,345.00
Miscellaneous	0.00	130.00	130.00	220.00
Interest on investments	118.48	16.53	135.01	157.67
TOTAL REVENUES	3,146.41	7,530.00	10,676.41	10,592.14
EXPENDITURES				
Streets and highways	989.76	0.00	989.76	347.48
Repairs and maintenance	0.00	460.00	460.00	135.00
Salaries	0.00	7,800.00	7,800.00	7,800.00
Payroll taxes	0.00	612.30	612.30	669.57
TOTAL EXPENDITURES	989.76	8,872.30	9,862.06	8,952.05
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,156.65	(1,342.30)	814.35	1,640.09
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	0.00	2,000.00	2,000.00	2,000.00
TOTAL OTHER FINANCING SOURCES (USES)	0.00	2,000.00	2,000.00	2,000.00
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES (USES)	2,156.65	657.70	2,814.35	3,640.09
FUND BALANCES - July 1, 2007	26,779.14	6,940.62	33,719.76	30,079.67
FUND BALANCES - June 30, 2008	\$28,935.79	\$7,598.32	\$36,534.11	\$33,719.76
	=====	=====	=====	=====

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

TOWN OF WASHINGTON, OKLAHOMA
 COMBINING BALANCE SHEET - CASH BASIS
 AGENCY FUNDS
 JUNE 30, 2008

Schedule 3

(Totals memo random only)					
	Meter Deposit	Court Bond	Cemetery Perpetual	June 30, 2008	June 30, 2007
ASSETS					
Cash	\$18,307.22	\$1,770.80	\$72,653.98	\$92,732.00	\$102,311.66
Investments	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	\$18,307.22	\$1,770.80	\$72,653.98	\$92,732.00	\$102,311.66
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Meter deposits	\$18,307.22	\$0.00	\$0.00	\$18,307.22	\$17,155.25
TOTAL LIABILITIES	18,307.22	0.00	0.00	18,307.22	17,155.25
FUND EQUITY					
Fund balances					
Unreserved	0.00	1,770.80	72,653.98	74,424.78	85,156.41
TOTAL FUND EQUITY	0.00	1,770.80	72,653.98	74,424.78	85,156.41
TOTAL LIABILITIES AND FUND EQUITY	\$18,307.22	\$1,770.80	\$72,653.98	\$92,732.00	\$102,311.66

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

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

To the Board of Trustees
Town of Washington, Oklahoma

We have audited the combined financial statements of the Town of Washington, Oklahoma as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. The Town of Washington prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As more fully described in Note B, the financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Washington's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 of the combined financial statements and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

MEMBER OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Town of Washington

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Washington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our considerations of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Town's Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

*Michael Douglas, CPA,
A Professional Corporation*

Michael Douglas, CPA,
A Professional Corporation
Norman, Oklahoma
October 24, 2008