TOWN OF WAUKOMIS
GARFIELD COUNTY, OKLAHOMA

AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

FISCAL YEAR ENDED
JUNE 30, 2014

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA

TOWN OF WAUKOMIS
GARFIELD COUNTY, OKLAHOMA
TOWN COUNCIL AND OFFICERS

Tim Vanover	Mayor
James Hromas	Vice-Mayor
Brian Robinette	Councilmember
Larry Whitaker	Councilmember
Charles Jones	Councilmember
Tosha Tharpe	Town Clerk

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City officials	
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WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT

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Honorable Town Council
Town of Waukomis, Oklahoma

Honorable Board Trustees
Waukomis Public Works Authority

Independent Auditor's Report

We have audited the accompanying financial statements of Town of Waukomis, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the

aggregate remaining fund information of the Town of Waukomis, Oklahoma, as of June 30, 2014, and the respective changes in financial position—cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waukomis, Oklahoma's basic financial statements. The management's discussion and analysis and budgetary comparison information, which has been omitted budgetary information in the supplemental information section, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

William K. Gauer
Watonga, Oklahoma
December 31, 2014

TOWN OF WAUKOMIS, OKLAOMA
Statement of Net Position - Cash Basis
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 513,925	$ 147,720	$ 661,645
Certificated of deposis	142,343	-	142,343
Total Current Assets	656,268	147,720	803,988
Non-Current Assets:			
Restricted Cash and Investments	97,079	2,729,293	2,826,372
Capital Assets (Note			
Land, infrastructure	-	-	-
Depreciable capital assets, net	-	-	-
Total Non-Current Assets	97,079	2,729,293	2,826,372
Total Assets	753,347	2,877,013	3,630,360
LIABILITIES			
Due to Other Funds	-	-	-
Due to Depositors	-	-	-
Long-term Liabilities (Note			
Due within one year	-	50,000	50,000
Due in more than one year	-	3,130,000	3,130,000
Total Liabilities	-	3,180,000	3,180,000
NET POSITION			
Invested in capital assets, net of related debt	-	(3,180,000)	(3,180,000)
Restricted			
For Park Improvements and Repairs	3,670	-	3,670
Special Revenue and Grants	83,167	-	83,167
Gas Savings Fund	-	2,443	2,443
USDA Reserve Fund	-	-	-
Series 2013 Construction Fund	-	2,668,018	2,668,018
Series 2013 Sinking Fund	-	31,570	31,570
Customer Deposits	-	44,727	44,727
Unrestricted	666,510	130,255	796,765
Total Net Position	$ 753,347	$ (302,987)	$ 450,360

See accompanying notes to the basic financial statements.

TOWN OF WAUKOMIS, OKLAOMA
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014

Functional Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Primary Government:							
Governmental Activities:							
General Government	$ 134,047	$ 6,768	$ -	$ -	$ (127,280)	$ -	$ (127,280)
Public Safety	162,548	151,740	4,474	-	(6,334)	-	(6,334)
Streets amd Alley	20,711	10,031	-	-	(10,680)	-	(10,680)
Parks and Recreation	609	575	-	-	(34)	-	(34)
Total governmental activities	317,915	169,114	4,474	-	(144,328)	-	(144,328)
Business-Type Activities:							
Water and Sewer	240,854	362,643	-	-	$ -	121,789	121,789
Garbage Disposal	88,954	96,554	-	-	-	7,599	7,599
Capital Outlay - Series 2013 Construction	89,289	-	-	-	-	(89,289)	(89,289)
Debt Service - USDA Note	280,919	-	-	-	-	(280,919)	(280,919)
Debt Service - Series 2013 Bonds	247,353	-	-	-	-	(247,353)	(247,353)
Total business-type activities	947,368	459,197	-	-	-	(488,172)	(488,172)
Total Primary Government	1,265,283	628,310	4,474	-	(144,328)	(488,172)	(632,499)
Total Component Unit	$ -	$ -	$ -	$ -			
General Revenues:							
Taxes:							
Taxes, Sales, Use, etc...					280,519	-	280,519
Franchise Tax					40,847	-	40,847
Intergovernmental Taxes					14,596	-	14,596
Investment Income					186	54	241
Miscellaneous					7,621	4,304	11,925
Transfers-Internal Activity					-	-	-
Total general revenues and transfers					343,769	4,359	348,127
Changes in Net Assets					199,441	(483,813)	(284,372)
Net Position - Beginning					553,906	180,826	734,732
Net Position - Ending					$ 753,347	$ (302,987)	$ 450,360

See accompanying notes to the basic financial statements.

TOWN OF WAUKOMIS, OKLAOMA
STATEMENT OF NET POSITION - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Parks Fund	Emergency Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 513,925	$ -	$ -	$ 513,925
Investments, certificates of deposits	142,343	-	-	142,343
Non-Current assets:				
Restricted Cash and Cash Equivalents	8,149	3,670	83,167	94,986
Restricted Investments, certificates of deposits	2,092	-	-	2,092
Due from general fund	-	-	-	-
Capital Assets				
Land, inexhaustible assets and construction-in-process	-	-	-	-
Other capital assets, net of accumulated depreciation	-	-	-	-
Total Assets	666,510	3,670	83,167	753,347
LIABILITIES				
Bank Overdrafts	-	-	-	-
Due to other funds	-	-	-	-
Long-term debt				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total Liabilities	-	-	-	-
NET POSITION				
Invested in Capital Assets, net of debt	-	-	-	-
Restricted				
For Park Improvements and Repairs	-	3,670	-	3,670
Special Revenue and Grants	-	-	83,167	83,167
Unrestricted	666,510	-	-	666,510
Total Net Position	666,510	3,670	83,167	753,347

Reconcilation to Statement of Net Assets:

Amount reported for governmental activities in the statement of net assets	
Capital assets	-
Certain liabilies not payable in the reporting period	-
	$ 753,347

See accompanying notes to the basic financial statements,

TOWN OF WAUKOMIS, OKLAOMA
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2014

	Public Works Authority	Meter Fund	2013 Debt Fund	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 130,255	$ 17,464	$ -	$ 147,720
Due From Governmental Fund	-	-	-	-
Noncurrent Assets:				
Restricted cash and cash equivalents	2,443	27,262	-	29,705
2013 Series Bond Construction Fund	-	-	2,668,018	2,668,018
2013 Series Bond Sinking Fund	-	-	31,570	31,570
Capital Assets, net of accumulated depreciation	-	-	-	-
Total noncurrent assets	2,443	27,262	2,699,588	2,729,293
Total Assets	132,698	44,727	2,699,588	2,877,013
LIABILITIES				
Current Liabilities:				
Bank Overdrafts	-	-	-	-
Bonds payable-current portion (See Note)	-	-	50,000	50,000
Total current liabilities	-	-	50,000	50,000
Noncurrent Liabilities:				
Refundable deposits	-	-	-	-
Bonds payable-long-term portion (See Note)	-	-	3,130,000	3,130,000
Total noncurrent liabilities	-	-	3,130,000	3,130,000
Total Liabilities	-	-	3,180,000	3,180,000
NET POSITION				
Restricted				
Gas Savings	2,443	-	-	2,443
Bond Funds	-	-	(480,412)	(480,412)
Customer Deposits	-	44,727	-	44,727
Unrestricted	130,255	-	-	130,255
Total Net Position	$ 132,698	$ 44,727	$ (480,412)	$ (302,987)

See accompanying notes to the basic financial statements,

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

	General Fund	Parks Fund	Emergency Management	Total
Revenues:				
Taxes	$ 264,467	$ -	$ 67,505	$ 331,972
Intergovernmental	14,596	-	-	14,596
Charges for services	4,549	-	-	4,549
Fines and forfeitures	156,214	-	-	156,214
Licenses and permits	2,219	-	-	2,219
Investment income	186	-	-	186
Miscellaneous	7,046	575	-	7,621
Total Revenues	449,276	575	67,505	517,356
	449,276			
Expenditures:				
General Government	112,395	-	21,652	134,047
Police Department	127,060	-	-	127,060
Fire Department	35,488	-	-	35,488
Parks	-	609	-	609
Street	20,711	-	-	20,711
Total Expenditures	295,654	609	21,652	317,915
Excess (deficiency) of revenues over e	153,622	(34)	45,853	199,441
Other Financing Sources				
Transfers In	-	-	-	-
Tansfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Changes in Fund Balances	153,622	(34)	45,853	199,441
Fund Balance - Beginning	512,888	3,704	37,314	553,906
Fund Balance - Ending	$ 666,510	$ 3,670	$ 83,167	$ 753,347
	-	-	-	

Reconciliation to the Statement of Activities:

Net change in fund balances	199,441
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets capitalized	-
Depreciation expense	-
Change in net assets of governmental activities	$ 199,441

See Accompanying notes to the basic financial statements.

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

	Public Works Authority	Meter Fund	2013 Debt Fund	Total
Revenues:				
Charges for services:				
Water	$ 278,667	$ -	$ -	$ 278,667
Sewer	83,976	-	-	83,976
Trash	96,554	-	-	96,554
Total Revenues	459,197	-	-	459,197
Expenses:				
Water	-	-	-	-
Trash Removal	88,954	-	-	88,954
Personnel Services	103,699	-	-	103,699
Maitnenance & Operations	131,770	-	-	131,770
Capital Outlay	5,385	-	89,289	94,674
Total Expenses	329,808	-	89,289	419,097
Operating Income (Loss)	129,389	-	(89,289)	40,100
Non-operating revenues (expenses):				
Investment income	-	54	-	54
Debt Service (Interest & Fees)	(3,836)	-	(77,428)	(81,264)
Debt Service (Principle)	(7,512)	-	(191,131)	(198,643)
Debt Acquisition Costs	-	-	(247,353)	(247,353)
Transfer to Sinking Fund	(124,789)	-	124,789	-
Other revenue	-	3,293	-	3,293
Total Non-operating Revenues (Expenses)	(136,137)	3,347	(391,123)	(523,913)
Changes in Net Position	(6,748)	3,347	(480,412)	(483,813)
Net Position - Beginning	139,447	41,380	-	180,826
Net Position - Ending	$ 132,698	$ 44,727	$ (480,412)	$ (302,987)

See Accompanying notes to the basic financial statements.

TOWN OF WAUKOMIS
GARFIELD COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies

The accounting policy of the Town of Waukomis is to prepare its financial statements on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). These principles include all relevant Governmental Accounting Standards Board announcements. Cash basis is another Comprehensive Basis of Accounting utilized but is not GAAP.

A. REPORTING ENTITY

This report includes all of the funds of the Town of Waukomis. The reporting entity for the Town consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for

fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other defibrillate revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The town does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods. services, or privileges provided by a given function or identifiable activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and enterprise fund categories. A fund is considered major if it is the primary operating fund of the town or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the town believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

General Fund—accounts for the town's primary operating activities. It is used to account for all financial resources except those required to be accounted for in

another fund.

The Town reports the following nonmajor governmental funds:

Special Revenue Funds—used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Parks and Recreation Fund—accounts for resources and payments made for support of the Town's park and recreational facilities.

Emergency Management Fund—used to account for financial resources to be used for the of public safety and related expenditures.

The Town reports the following major enterprise funds:

Public Works Authority —accounts for operations of the water system, sewer and trash utility services of the Town.

The Town reports a fiduciary fund within the enterprise funds:

Meter Deposits Fund—accounts for funds held in reserve for customer payments for the receipt of utility service offered by the Town.

The Town has set-up a debt service fund to account for the 2013 Series Bond Dat3ed October 2013 in the Amount of $3,180,000. The Town historically does not capitalize its capital assets.

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30,1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the town's water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. MEASUREMENT FOCUS, BASISOF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Fund Financial Statements

Governmental fund financial statements are reported using cash basis of accounting, which is not generally accepted accounting principles, or GAAP. Under GAAP the Town should report using the current financial resources measurement focus current financial resources measurement focus and the modified accrual basis of accounting, where revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the town has actually received the resources.

Special assessments are recorded as revenues when they are received.

All Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. If these revenes are incurred, they are not recorded unless received. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are normally reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus. The Town uses the cash basis of Accounting in preparing the Proprietary fund statements.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the town considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents. The Town utilizes the Cash Basis of Accounting and does not present a cash flow statement.

Investment of town funds is restricted by state statutes. Available investments are limited to:

a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.

2. Restricted Assets

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

3. Use of Estimates

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

The Town utilizes the Cash Basis of Accounting and therefore no estimates are used in presenting the Town's financial statements.

4. Fixed Assets

Historically, small municipal governments treated all capital disbursements or expenditures as an expense in the year of the transaction. Under GASB No. 34 these transactions are recorded as assets at the historical transaction amount. After these assets are recorded the governmental entity now uses an estimated economical life of each individual asset to record a non-cash expense called depreciation. The concept of depreciation takes the cost of the assets and spreads that cost over the estimated useful life of the asset. It could also be stated that depreciation could be stating the replacement costs of the related asset. The Town does not record or capitalize capital assets or record depreciation.

5. Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources normally are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and bonds payable. Under fund accounting the payment of debt is recorded as expenditures. The Town does not record liabilities on the face of the financial statements. However, these liabilities are discussed within the notes to the financial statements.

6. Compensated Absences

The Town does not record amounts for compensated absences. All unpaid sick, vacation and other compensation is lost and not carried over per the Town policy.

7. Budget

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

Note 2 – Reconciliation of Government-Wide and Fund Financial Statements

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance—total governmental funds and net assets—governmental activities as reported in the government-wide statement of net assets. The details of the reconciliation include the following items:

The Town prepares its financial statements on the Cash Basis and therefore no reconciling items are used to explain any differences. No differences exist.

Note 3—Stewardship, Compliance, and Accountability

A. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of June 30, 2014, no individual funds held a deficit balance. However, the debt service fund has added a negative component of the Proprietary Funds. This due to the

fact that no capital assets have been recorded or capitalized on the books and records of the Proprietary Funds.

Note 4—Detailed Notes on All Funds

A. DEPOSITS AND INVESTMENTS

The town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as cash and investments. In addition, investments are separately held by several of the town's funds.

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

Deposits

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

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

The Town consists of two separate legal entities, 1) The Town of Waukomis, and 2) the Waukomis Public Utility Authority. Each entity has FIDC coverage of $250,000 for deposits held in insured financial institutions.

The Town has $608,911, in checking or savings accounts of which $250,000 is insured and the remainder is collateralized by the financial institution.

The Town has $144,435, in certificate of deposits of which all is collateralized by the financial institution.

The PWA has $177,425, in checking or savings accounts of which all is fully insured.

INVESTMENTS

The Town's investments consisted of bank certificates of deposit during the year

and are categorized as (A)&(B) type deposits identified above. The carrying amount and market value are reported in the chart above as of June 30, 2014.

Restrictions

The Town holds restricted funds in the amount of $2,843,995, and are accounted within the following accounts:

Gas Savings Account	$ 2,443
Parks Account	3,670
Emergency Management Fund	83,167
Municipal Court Fund	8,149
Centennial CD	2,092
Meter Fund Checking	17,464
Meter Fund Savings	27,242
2013 Series Bond Construction Account	2,668,018
2013 Series Bond Sinking Fund	31,750

The 2013 Series Bond Accounts are held in Trust at the Bank of Oklahoma, NA., and therefore fully collateralized by that institution.

Note 3 – Accounts Receivable

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

Note 4 – Capital Assets

The Town does not record Capital Assets as of June 30, 2014.

The Town has had Capital Expenditures of $43,827, from 2008 to June 30, 2014.

The PWA has had $235,217, from 2008 to June 30, 2014.

Note 5 – Long-Term Debt

Historically, the Town has not presented long-term debt balances on the face of the financial statements.

On October 2013 the Town incurred $3,180,000, in debt through the Public Works Authority. A Debt Fund has been established to reflect the debt associated with that debt,

Governmental Activities:
None

Business-Type Activities:
Revenue Obligation Notes:

Rural Development has issued three notes on March 11, 1980 and May 5, 2001, with the utility revenue pledged as collateral. These notes were retired in November 2013.

Series 2013 Revenue Bonds

A Bond indenture was approved as of October 2013 in the Amount of $3,180,000. These funds were used to retire debt to the USDA Rural Development program. The funds will also be used for improvements to the water and sewer system of the Town. This debt will bear interest rates of 4.0% to 5.5% during its expected life. The debt will be paid off as of October 1, 2043. Payments for the fiscal year ending June 30, 2015 are estimated to be $17,991.40 per month and paid to the Bank of Oklahoma, NA. The Bank of Oklahoma will serve as the Trustee in retiring the bonds as they come due.

Maturity of the Bonds are as follows:

October 1, 2014	$50,000	4.000%
2015	55,000	4.000%
2016	55,000	4.000%
2017	60,000	4.000%
2018	60,000	4.000%
2019-2023	330,000	3.750%
2024-2028	415,000	5.250%
2029-2033	535,000	5.500%
2034-2038	705,000	5.375%
2039-2043	915,000	5.500%

The Town and its related authorities incurred the following debt activity:

		July 1, 2013	Additions	Deductions	June 30, 2014
Governmental Activities:					
Business-type Activities:					
Notes Payable					
USDA 91-02	5.000%	112,487	-	112,487	-
USDA 92-03	5.000%	63,425	-	63,425	-
USDA 92-04	5.625%	22,731	-	22,731	-
Series 2013 Bond		-	3,180,000	-	3,180,000
Total Business-type activities		$ 198,643	$ 3,180,000	$ 198,643	$ 3,180,000

Total Long-Term Debt	$ 3,180,000
Less: Current Portion (Estimated)	(50,000)
Long-Term Debt, net of current portion	$ 3,130,000

Note 6 – Litigation and Contingencies

Neither the Town nor the Authority has any pending claim against them that would have a material effect on the financials statements as of June 30, 2013.

A. Grants

In the normal course of operations, the Town receives grant funds from various agencies. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of audits of grant funds, is not believed to be material.

B. Litigation

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

C. Risk management

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

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

and at the rate of six percent for each remaining year.

Note 7 - Retirement Plan

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

Oklahoma Municipal Retirement Fund

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is age 65 with ten (10) or more years of vesting service, or age 62, with thirty (30) years of service. The normal retirement benefit is equal to 2.625% of final average compensation multiplied by the number of years of credited service.

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

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

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

The Town has contributed $9,373, for participating employees of the Town and from its Police Department, during the fiscal year ended June 30, 2013. The past three years of contributions are as follows:

June 30, 2012	$ 8,861
June 30, 2013	$ 9,373
June 30, 2014	$15,371

Firefighters pension plan

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

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

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

There is no provision for an early retirement benefit. All firefighters are eligible for immediate disability or death benefits. Disabilities due to heart disease, injury to the respiratory system, or cancer are considered in the line of duty. If there is no eligible surviving spouse, the death benefit is divided between the children under age 18 or age 22 if children are enrolled as full-time students.

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

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

During the fiscal year the Town contributed $1,200 for the volunteer firefighters.

Note 8 – Subsequent Events

No material subsequent events have occurred since the end of the fiscal year and the date of this report.

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S 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 TOWN COUNCIL
TOWN OF WAUKOMIS, OKLAHOMA

WE HAVE AUDITED, IN ACCORDANCE WITH THE 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, THE FINANCIAL STATEMENTS OF THE GOVERNMENTAL ACTIVITIES, THE BUSINESS-TYPE ACTIVITIES, THE AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS, EACH MAJOR FUND, AND THE AGGREGATE REMAINING FUND INFORMATION OF TOWN OF WAUKOMIS, OKLAHOMA, AS OF AND FOR THE YEAR ENDED JUNE 30, 2014, AND THE RELATED NOTES TO THE FINANCIAL STATEMENTS, WHICH COLLECTIVELY COMPRISE TOWN OF WAUKOMIS, OKLAHOMA'S BASIC FINANCIAL STATEMENTS AND HAVE ISSUED OUR REPORT THEREON DATED DECEMBER 31, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

IN PLANNING AND PERFORMING OUR AUDIT OF THE FINANCIAL STATEMENTS, WE CONSIDERED TOWN OF WAUKOMIS, OKLAHOMA'S INTERNAL CONTROL OVER FINANCIAL REPORTING (INTERNAL CONTROL) TO DETERMINE THE AUDIT PROCEDURES THAT ARE APPROPRIATE IN THE CIRCUMSTANCES 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 WAUKOMIS, OKLAHOMA'S INTERNAL CONTROL. ACCORDINGLY, WE DO NOT EXPRESS AN OPINION ON THE EFFECTIVENESS OF TOWN OF WAUKOMIS, OKLAHOMA'S INTERNAL CONTROL.

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. 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.

OUR CONSIDERATION OF INTERNAL CONTROL WAS FOR THE LIMITED PURPOSE DESCRIBED IN THE FIRST PARAGRAPH OF THIS SECTION AND WAS NOT DESIGNED TO IDENTIFY ALL DEFICIENCIES IN INTERNAL

CONTROL THAT MIGHT BE MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES AND THEREFORE, MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES MAY EXIST THAT WERE NOT IDENTIFIED. GIVEN THESE LIMITATIONS, DURING OUR AUDIT WE DID NOT IDENTIFY ANY DEFICIENCIES IN INTERNAL CONTROL THAT WE CONSIDER TO BE MATERIAL WEAKNESSES. HOWEVER, MATERIAL WEAKNESSES MAY EXIST THAT HAVE NOT BEEN IDENTIFIED. WE DID IDENTIFY CERTAIN DEFICIENCIES IN INTERNAL CONTROL, DESCRIBED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS THAT WE CONSIDER TO BE SIGNIFICANT DEFICIENCIES.

1. *THE AUDITOR DRAFTED THE BASIC FINANCIAL STATEMENTS AND THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.*
2. *THE TOWN NEEDS TO COMPILE ITS CAPITAL ASSETS FOR INCLUSION IN THE BASIC FINANCIAL STATEMENTS FOR THE TOWN AND FOR THE RELATED AUTHORITIES.*

COMPLIANCE AND OTHER MATTERS

AS PART OF OBTAINING REASONABLE ASSURANCE ABOUT WHETHER TOWN OF WAUKOMIS, OKLAHOMA'S FINANCIAL STATEMENTS ARE FREE FROM 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 INSTANCES OF NONCOMPLIANCE OR OTHER MATTERS THAT ARE REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS AND WHICH ARE DESCRIBED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS AS ITEMS

TOWN OF WAUKOMIS, OKLAHOMA'S RESPONSE TO FINDINGS

AS OF THE DATE OF THE REPORT THE TOWN'S RESPONSE HAS NOT BEEN RECEIVED. THE TOWN WILL NEED ASSISTANCE IN COMPILING ITS CAPITAL ASSETS.

PURPOSE OF THIS REPORT

THE PURPOSE OF THIS REPORT IS SOLELY TO DESCRIBE THE SCOPE OF OUR TESTING OF INTERNAL CONTROL AND COMPLIANCE AND THE RESULTS OF THAT TESTING, AND NOT TO PROVIDE AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL OR ON COMPLIANCE. THIS REPORT IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS IN CONSIDERING THE ENTITY'S INTERNAL CONTROL AND COMPLIANCE. ACCORDINGLY, THIS COMMUNICATION IS NOT SUITABLE FOR ANY OTHER PURPOSE.

WILLIAM K. GAUER
WATONGA, OKLAHOMA

SUPPLEMENTAL INFORMATION

TOWN OF WAUKOMIS, OKLAOMA
Budgetary Comparison Schedule General Fund - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance:	$ 110,000	$ 110,000	$ 512,888	$ 402,888
Resources (Inflows):				
Taxes:				
Sales Tax	178,600	178,600	203,530	24,930
Use Tax	26,900	26,900	15,925	(10,975)
Tobacco Tax	4,000	4,000	3,261	(739)
Emergency Mgmt Tax	-	-	-	-
Franchise Tax	44,000	44,000	40,847	(3,153)
Lodging Tax	8,200	8,200	6,163	(2,037)
Total Taxes	261,700	261,700	269,727	8,027
Intergovernmental:				
Alcholic Beverage Tax	4,500	4,500	4,565	65
Motor Vehicle Tax	8,600	8,600	10,031	1,431
Gas Excise Tax	3,000	3,000	-	(3,000)
Investment Income	-	-	186	186
Miscellaneous Income				
Licenses and Permits	1,000	1,000	2,219	1,219
Fire	5,300	5,300	4,549	(751)
Police Fines	180,000	180,000	156,214	(23,786)
Royalty	100	100	238	138
Wheatheart	-	-	-	-
Miscellaneous	2,500	2,500	1,547	(953)
Other Financing Sources:				
Transfer from Other Funds	-	-	-	-
Amounts available for approproations	576,700	576,700	962,164	385,464
General Government				
Personal Services	68,000	68,000	58,419	(9,581)
Maitenance and Operations	86,000	86,000	53,466	(32,534)
Capital Outlay	127,200	127,200	510	(126,690)
	281,200	281,200	112,395	(168,805)
Police Department				
Personal Services	138,000	138,000	88,339	(49,661)
Maitenance and Operations	69,000	69,000	38,721	(30,279)
Capital Outlay	-	-	-	-
	207,000	207,000	127,060	(79,940)
Fire Department				
Personal Services	-	-	-	-
Maitenance and Operations	38,500	38,500	35,488	(3,012)
Capital Outlay	-	-	-	-
	38,500	38,500	35,488	(3,012)
Street Department				
Personal Services	-	-	-	-
Maitenance and Operations	50,000	50,000	20,711	(29,289)
Capital Outlay	-	-	-	-
	50,000	50,000	20,711	(29,289)
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	576,700	576,700	295,654	(281,046)
Ending Budgetary Fund Balance	-	-	$ 666,510	$ 666,510

TOWN OF WAUKOMIS, OKLAOMA
Budgetary Comparison Schedule Public Works Authority - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance:	$ -	$ -	$ 139,447	$ 139,447
Resources (Inflows):				
Authority Revenues:				
Water Receipts	220,103	220,103	278,667	58,564
Sewer Receipts	48,000	48,000	83,976	35,976
Solid Waste Receipts	99,000	99,000	96,554	(2,446)
Total Taxes	367,103	367,103	459,197	92,094
Investment Income	-	-	-	-
Miscellaneous Income	1,000	1,000	-	-
Other Financing Sources:				
Transfer from General Fund	-	-	-	-
Reap Grant Receipts	-	-	-	-
Amounts available for approproations	368,103	368,103	598,643	231,540
Cost of Services				
Water	-	-	-	-
Trash Removal	85,239	85,239	88,954	(3,715)
	85,239	85,239	88,954	(3,715)
Personal Services	105,772	105,772	103,699	2,073
Maitenance and Operations	164,649	164,649	131,770	32,879
Capital Outlay	60,105	60,105	5,385	54,721
	330,526	330,526	240,854	89,672
Debt Service				
Debt Service Disbusements	34,044	34,044	136,137	(102,093)
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	449,809	449,809	465,945	(16,136)
Ending Budgetary Fund Balance	(81,706)	(81,706)	$ 132,698	$ 215,404

TOWN OF WAUKOMIS, OKLAOMA
Cimarron County, Oklahoma
Schedule of Grant Awards,
Revenues and Expenditures
For Year Ended June 30, 2014

Grant Description	Contract Number	Grant Award	Revenue Collected	Total Expenditures
Department of AG FY 11-12	Fire Department	$4,473.98	$4,473.98	$4,473.98
		$4,473.98	$4,473.98	$4,473.98

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.