

Town of Manchester
Manchester, Oklahoma

Audit Report
June 30, 2015

Contents

	Page
Independent Auditor's Report	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	6
Statement of Activities & Changes in Net Assets	7
Fund Financial Statements	
Balance Sheet: Governmental Funds.....	8
Statement of Revenues, Expenditures, & Changes in Fund Balances: Governmental Funds	10
Statement of Net Assets: Proprietary Funds	12
Statement of Revenues, Expenses and Changes in Fund Net Assets: Proprietary Funds	13
Statement of Cash Flows: Proprietary Funds.....	14
Notes to the Basic Financial Statements	15
Required Supplemental Information	
Statement of Revenues, Expenses, & Changes in Fund Balance: Budget (GAAP Budgetary Basis) & Actual: Governmental Funds.....	25
Notes to the Required Supplemental Information	26
Other Information	
Combining Balance Sheet: Non-Major Governmental Funds	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-Major Governmental Funds.....	29
Schedule of Expenditures of Federal Awards.....	30
Report Required by <i>Government Auditing Standards</i>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31
Schedule of Findings & Responses	33

Independent Auditor's Report

Honorable Board of Town Council
Town of Manchester
PO Box 5
Manchester, Oklahoma 73758

Report on the Financial Statements

I have audited the accompanying 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 the Town of Manchester, Oklahoma (Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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 fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I 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 auditors consider 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate a basis for my audit opinion.

Basis for Qualified Opinions

As Discussed in Note 1 to the financial statements, the Town has not maintained complete 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 my review. In addition, the town has elected to not report depreciation on these capital assets. The Amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business- Type Activities is not readily determinable.

Qualified Opinions

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Manchester, as of June 30, 2015, and the respective changed in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 25 and the notes on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of the financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion, or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted Management’s discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards (GASB), who considers it an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 26, 2016 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and 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 in considering the Town's internal control over financial reporting and compliance.

Linda S. Woodruff, CPA, P.C.

Linda S. Woodruff, CPA, PC
Certified Public Accountant

Oklahoma City, OK
September 26, 2016

Town of Manchester
Manchester, Oklahoma

Basic Financial Statements
June 30, 2015

Town of Manchester
Statement of Net Assets
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash & Equivalents	\$ 16,897	\$ 54,797	\$ 71,694
Investments, at Cost	101,321	2,208	103,529
Receivables	-	6,239	6,239
Due from Other Funds	-	-	-
Prepaid Costs	-	4,152	4,152
Capital Assets			
Land & Improvements Not Being Depreciated	-	-	-
Buildings, Net of Depreciation	-	-	-
Equipment & Furniture, Net of Depreciation	197,636	266,608	464,244
Other Capital Assets, Net of Depreciation	-	-	-
Total Capital Assets	<u>197,636</u>	<u>266,608</u>	<u>464,244</u>
Total Assets	<u>315,854</u>	<u>334,004</u>	<u>649,858</u>
Deferred Outflows of Resources			
Total Deferred Outflows	669		669
Accounts Payable & Accrued Expenses	379	468	847
Due to Other Funds	-	-	-
Deferred Revenues	-	-	-
Long-Term Liabilities			
Due within One Year			
Bonds, Capital Leases, & Contracts	-	-	-
Accrued Interest	-	-	-
Compensated Absences	-	-	-
Claims & Judgments	-	-	-
Due in more than One Year			
Net Pension Liability	28,065	-	28,065
Accrued Interest	(28,065)	-	(28,065)
Compensated Absences	-	-	-
Total Liabilities	<u>379</u>	<u>468</u>	<u>847</u>
Deferred Inflows of Resources			
Total Deferred Inflows Position	4,248		4,248
Net Position			
Invested in Capital Assets, Net of Related Debt	-	266,608	266,608
Restricted for			
Capital Projects	-	-	-
Pension Liability	28,065	-	28,065
Meter Deposits	-	10,078	10,078
Unrestricted	<u>311,896</u>	<u>54,813</u>	<u>366,709</u>
Total Net Position	<u>\$ 339,961</u>	<u>\$ 333,534</u>	<u>\$ 671,460</u>

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
Statement of Activities and Changes in Net Position
for the Year Ended June 30, 2015

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 16,614	\$ 405	\$ 6,175	\$ -	\$ (10,034)	\$ -	\$ (10,034)
Public Safety	19,507	-	-	-	(19,507)	-	(19,507)
Street & Alley	-	-	-	-	-	-	-
Health, Welfare, & Sanitation	-	-	-	-	-	-	-
Net Pension Expense	3,579	-	-	-	(3,579)	-	(3,579)
Depreciation	5,329	-	-	-	(5,329)	-	(5,329)
Total Governmental Activities	45,029	405	6,175	-	(38,449)	-	(38,449)
Business-Type Activities							
Public Works Authority	51,689	77,837	-	-	-	26,145	26,145
Other Business-Type Activities	-	-	-	-	-	-	-
Total Business-Type Activities	51,689	77,837	-	-	-	26,145	26,145
Total Primary Government	96,718	78,242	6,175	-	(38,449)	26,145	(12,304)
General Revenues							
Taxes							
Franchise & Miscellaneous Taxes					7,947	-	7,947
Grants & Contributions Not Restricted to Specific Programs					-	-	-
Unrestricted Investment Earnings					542	13	555
Miscellaneous					16,873	-	16,873
Transfers					-	-	-
Total General Revenues, Special Items, & Transfers					25,362	13	25,375
Change in Net Assets					(13,087)	26,158	13,071
Net Position - Beginning of Year					353,048	305,343	658,391
Net Position - Ending of Year					\$ 339,961	\$ 333,534	\$ 671,460

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
Balance Sheet: Governmental Funds
June 30, 2015

	<u>General Fund</u> <u>(Major)</u>	<u>Street & Alley</u> <u>Fund</u> <u>(Non-Major)</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets			
Cash & Cash Equivalents	\$ 16,897	\$ -	\$ 16,897
Investments	101,321	-	101,321
Taxes Receivable, net	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	-
Inventories	-	-	-
Prepaid Expenses	-	-	-
Total Assets	<u>118,218</u>	<u>-</u>	<u>118,218</u>
Liabilities			
Accounts Payable	\$ 379	-	379
Due to Other Funds	-	-	-
Payable to Other Governments	-	-	-
Deferred Revenue	-	-	-
Other Accrued Expenses	-	-	-
Other Payables	-	-	-
Total Liabilities	<u>379</u>	<u>-</u>	<u>379</u>
Fund Balances			
Assigned to:			
Prepaid Expenses	-	-	-
Other Purposes	-	-	-
Committed to:			
Unassigned	117,839	-	117,839
Total Fund Balances	<u>117,839</u>	<u>-</u>	<u>117,839</u>
Total Liabilities & Fund Balances	<u>\$ 118,218</u>	<u>\$ -</u>	<u>\$ 118,218</u>

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2015

Total Fund Balance, Governmental Funds \$ 117,839

Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 197,636

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. -

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Pension Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 24,486

Net Assets of Governmental Activities in the Statement of Net Position \$ 339,961

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
Statement of Revenues, Expenditures and Changes in Fund Balances: Governmental Funds
for the Year Ended June 30, 2015

	<u>General Fund</u> (Major)	<u>Street & Alley</u> <u>Fund</u> (Non-Major)	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ -
Sales & Miscellaneous Taxes	7,091	788	7,879
Fees & Fines	-	-	-
Licenses & Permits	405	-	405
Charges for Services	-	-	-
Investment Earnings	542	-	542
Miscellaneous	16,941	-	16,941
Total Revenues	<u>24,979</u>	<u>788</u>	<u>25,767</u>
Expenditures			
Current			
General Government	16,614	-	16,614
Public Safety	19,507	-	19,507
Public Works	-	-	-
Health & Sanitation	-	-	-
Culture & Recreation	-	-	-
Education	-	-	-
Street & Alley	-	-	-
Debt Service	-	-	-
Principal	-	-	-
Interest & Other Charges	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>36,121</u>	<u>-</u>	<u>36,121</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,142)</u>	<u>788</u>	<u>(10,354)</u>
Other Financing Sources (Uses)			
Proceeds from Long-Term Debt, Net	-	-	-
Proceeds from Capital Leases	-	-	-
Grant Revenue	6,175	-	6,175
Other Uses	-	-	-
Transfer In	788	-	788
Transfer Out	-	(788)	(788)
Total Other Financing Sources & Uses	<u>6,963</u>	<u>(788)</u>	<u>6,175</u>
Net change in fund balances	(4,179)	-	(4,179)
Fund Balance - Beginning of Year	<u>121,617</u>	<u>-</u>	<u>121,617</u>
Fund Balance - End of Year	<u>\$ 117,839</u>	<u>\$ -</u>	<u>\$ 117,839</u>

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund
 Balance to the Government-Wide Statement of Activities and Changes in Net Position
 for the Year Ended June 30, 2015

Net change in fund balances - total governmental funds: \$ (4,179)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$0 exceed depreciation \$5,329 in the current period.

(5,329)

Government funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report payment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term debt. This is the amount by which proceeds exceeded repayments.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: Net Pension Expense

(3,579)

Change in Net Position of Governmental Activities

\$ (13,087)

Town of Manchester
Statement of Net Position: Proprietary Funds
June 30, 2015

	Enterprise Funds	
	Public Works Authority	Total
Assets		
Current Assets		
Cash & Cash Equivalents	\$ 54,797	\$ 54,797
Investments	2,208	2,208
Accounts Receivable, Net	6,239	6,239
Prepaid Expenses	4,152	4,152
Total Current Assets	67,396	67,396
Non-Current Assets		
Capital Assets		
Land & Improvements	-	-
Infrastructure	280,640	280,640
Buildings	-	-
Equipment & Furniture	-	-
Less Accumulated Depreciation	(14,032)	(14,032)
Total Non-Current Assets	266,608	266,608
Total Assets	334,004	334,004
 Deferred Outflows of the Resources:		
Total Deferred Outflows		
Liabilities		
Current Liabilities		
Accounts Payable	-	-
Salaries Payable	-	-
Other Accrued Expenses	468	468
Deferred Revenue	-	-
Compensated Absences	-	-
Capital Lease Obligation	-	-
Claims & Judgments	-	-
Total Current Liabilities	468	468
Non-Current Liabilities		
Compensated Absences	-	-
Total Non-Current Liabilities	-	-
Total Liabilities	468	468
 Deferred Inflows of Resources:		
Total Deferred Inflows		
Net Assets		
Invested in Capital Assets, Net of Related Debt	266,608	266,608
Restricted for Meter Deposits	10,078	10,078
Unrestricted	56,850	56,850
Total Net Position	\$ 333,536	\$ 333,536

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
Statement of Revenues, Expenses and Changes in Fund Net Assets: Proprietary Funds
for the Year Ended June 30, 2015

	Enterprise Funds	
	Public Works	Total
	Authority	Total
Operating Revenues		
Charges for Services	\$ 77,837	\$ 77,837
Miscellaneous	-	-
Total Operating Revenues	77,837	77,837
Operating Expense		
Personal Services	25,807	25,807
Contractual Services	-	-
Utilities	1,288	1,288
Repairs & Maintenance	1,613	1,613
Other Supplies & Expenses	12,104	12,104
Insurance	3,863	3,863
Depreciation	7,016	7,016
Total Operating Expenses	51,691	51,691
Operating Income (Loss)	26,146	26,146
Non-Operating Revenues (Expenses)		
Interest & Investment Revenue	13	13
Miscellaneous Revenue	-	-
Operating Grants & Contributions	-	-
Interest Expense	-	-
Miscellaneous Expenses	-	-
Total Non-Operating Revenue (Expenses)	13	13
Income (Loss) Before Contributions & Transfers	26,159	26,159
Capital Contributions	-	-
Transfers In	-	-
Transfers Out	-	-
Change in Net Position	26,159	26,159
Total Net Position - Beginning of Year	307,377	307,377
Total Net Position - End of Year	\$ 333,536	\$ 333,536

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
Statement of Cash Flows
Proprietary Funds
for the Year Ended June 30, 2015

Business-Type Activities--Enterprise Fund	<u>Public Works Authority</u>
Cash Flows from Operating Activities:	
Cash Received from Customers & Service Users	\$ 73,346
Cash Payments for Goods & Services & Employees	(45,258)
Net Cash Provided by Operating Activities	<u>28,088</u>
Cash Flows from Noncapital Financing Activities:	
Operating Transfers In/(Out) to Other Funds	
Prior Period Adjustment	2,035
Net Cash Provided (Used) for Noncapital Financing Activities	<u>2,035</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Fixed Assets	-
Grants	-
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>-</u>
Cash Flows from Investing Activities:	
Interest Income	-
Net Cash Provided by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash & Cash Equivalents	30,123
Cash and Cash Equivalents - Beginning of Year	<u>26,882</u>
Cash and Cash Equivalents - End of Year	<u>\$ 57,005</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 26,159
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	7,016
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(4,491)
(Increase) Decrease in Prepaid Expense	(446)
Increase (Decrease) in Accrued Expenses	-150
Total Adjustments	<u>1,929</u>
Net Cash Provided by Operating Activities	<u>\$ 28,088</u>

The accompanying notes are an integral part of the basic financial statements.

Town of Manchester
Manchester, Oklahoma
Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

The Town of Manchester, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

The Town of Manchester, Oklahoma was organized under the statutes of the State of Oklahoma; The Town provides the following services as authorized by state statutes: general government, public safety (fire), streets, and a Public Works Authority for the geographical area organized as the Town of Manchester, Oklahoma. The Town operates under a council form of government and is governed by a town council.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for 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. The Town provides the following services as authorized by its charter: general government, public safety (fire), streets, and public works (water, sewer, and refuse).

Blended Component Units/Trusts:

In evaluating how to define the Town of Manchester, Oklahoma, 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 established the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. 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. A second criterion used in evaluating 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.

Town of Manchester
Manchester, Oklahoma
Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Account Policies -- Continued

A. Reporting Entity—Continued

Blended Component Units/Trusts Continued:

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component unit is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

The Town has no blended units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net position 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 are prepared using the accrual basis of accounting.

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, 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 governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category and is at least 5% of the corresponding element total for all governmental and enterprise funds combined or is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

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-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 three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes collected and held by the state at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the Town's major governmental fund:

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.

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds - account for revenue sources that are legally restricted to expenditures for specific purposes (not including capital projects). The following is the Town's Special Revenue Fund: Street and Alley.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

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 that 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. The Manchester Public Works Authority is accounted for as an enterprise fund. The following are the Town's major enterprise funds:

Manchester Public Works Authority – accounts for the operations of providing public works (water, sewer and sanitation) to the Town.

There are no enterprise funds of the Town that are considered a non-major funds.

Fiduciary Funds—account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds accounts for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

The Town does not have a fiduciary fund.

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.

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity—Continued

The cash and investments held at June 30, 2015 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of deposit	N/A	\$ 103,529	\$ 103,529
Total Investments		\$ 103,529	\$ 103,529
Reconciliation to Statement of Net Assets			
			\$ 101,321
			2,208
			\$ 103,529

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following of credit risk: 100% in Certificates of deposit (\$ 103,529).

2. Restricted Cash and Investments

There are no restricted funds in the governmental funds.

Restricted cash and investments of the enterprise funds consists of customer meter deposits.

3. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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".

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity—Continued

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets and Infrastructure

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities of the government-wide statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town does not maintain a capitalization threshold. The Town's infrastructure consists of roads, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value of 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.

The Town has not maintained complete asset records to support the historical cost of past capital 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 to determine these amounts. The amount by which this departure would affect the assets, net position, and expenses of the governmental and Business-Type Activities is not readily determinable.

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 Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity—Continued

9. Net Position/ Fund Balance

In the government-wide statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered non-spendable (i.e. fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and note receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned, or unassigned, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are only useable for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

Assigned fund balances represent amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity—Continued

10. Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. Detailed Notes Concerning the Funds

A. Deposits and Investments

At June 30, 2015, the Town held deposits of approximately \$175,223 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Credit Risk

The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

B. Restricted Cash and Investments

Other restricted cash includes \$10,078 in cash held for meter deposits.

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

2. Detailed Notes Concerning the Funds – Continued

C. Uncollectible Accounts

Accounts receivable in the financial statements are reflected net of allowances. The Town's estimates of uncollectible accounts receivable are based on a review of past due listing by management. At June 30, 2015, the estimated uncollectible amounts from utility customers was zero.

E. Prepaid Expense

At June 30, 2015, the Town had \$4,152 in prepaid insurance.

F. Inter-fund Receivables and Payables

At year-end, there were no inter-fund receivables or payables.

G. Long-term Debt

The Town had no debt at June 30, 2015.

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 for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

The Town provides workers' compensation through Comp Source Oklahoma.

B. Contingent Liabilities

At times the Town is a defendant in legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the Town. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the Town. The Town's potential liability in the litigation is limited by the Governmental Tort Claims Act.

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.

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

4. Other Information – Continued

C. Employee Retirement System and Other Benefit Plans

The Town participates in one pension systems as follows:

Oklahoma Firefighters Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The Town of Manchester, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

4. Other Information – Continued

C. Employee Retirement System and Other Benefit Plans

employees' annual pay. Contributions to the pension plan from the Town were \$900 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues,

Expenditures, and Changes in Fund Balance. In the Government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Town's proportion of the net pension liability was based on the Town's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information the Town's proportion was 0.0102%.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,579. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 669	\$ -
Changes of assumptions	-	
Net difference between projected and actual earnings on pension plan investments		4,248
Changes in proportion and differences between Town contributions and proportionate share of contributions		-
Town contributions subsequent to the measurement date	900	
 Total	 \$ 1,569	 \$ 4,248

\$1,569 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

4. Other Information – Continued

C. Employee Retirement System and Other Benefit Plans

Year ended June 30:

2016		\$ 900
2017		900
2018		900
2019		900
2020		900
Thereafter		900

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:		3%
Salary increases:		3.5% to 9.0% average, including inflation
Investment rate of return:		7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Manchester
Manchester, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2015

4. Other Information – Continued

C. Employee Retirement System and Other Benefit Plans

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers’ net pension liability (asset)	\$378,671	\$290,469	\$215,648

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

5. Restatement of Beginning Net Position

Net position of the Government-Wide Governmental Activities financial statements has been restated to include the net pension liability at the beginning of the period in accordance with GASB 68. As a result of the restatement, total beginning net position has decreased by \$32,281. The prior period financial statements were not reissued or restated as a result of this change in accounting principle.

Town of Manchester
Manchester, Oklahoma

Required Supplemental Information
June 30, 2015

Town of Manchester
 Budget & Actual (with Variance): General Fund
 June 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales & Miscellaneous Taxes	6,200	6,200	7,091	891
Fees & Fines	-	-	-	-
Licenses & Permits	-	-	405	405
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Investment Earnings	2,600	2,600	542	(2,058)
Miscellaneous	11,500	11,500	16,941	5,441
Total Revenues	<u>20,300</u>	<u>20,300</u>	<u>24,979</u>	<u>4,679</u>
Expenditures				
Current				
General Government	5,000	5,000	16,614	(11,614)
Public Safety	15,000	15,000	19,507	(4,507)
Public Works	-	-	-	-
Health & Sanitation	-	-	-	-
Culture & Recreation	-	-	-	-
Education	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest & Other Charges	-	-	-	-
Capital Outlay				
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>36,121</u>	<u>(16,121)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>300</u>	<u>300</u>	<u>(11,142)</u>	<u>(11,442)</u>
Other Financing Sources (Uses)				
Proceeds from Capital Leases	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	<u>300</u>	<u>300</u>	<u>(11,142)</u>	<u>11,442</u>
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>157,704</u>	<u>(157,704)</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,704</u>	<u>\$ 157,704</u>

The accompanying notes are an integral part of the required supplemental information.

Town Manchester
Manchester, Oklahoma

Notes on Required Supplemental Information
for the fiscal year ended June 30, 2015
(Unaudited)

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, Management submits a proposed operating budget for the fiscal year commencing July 1, to the Town Council (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the Town Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

Town of Manchester
Manchester, Oklahoma

Other Information
June 30, 2015

Town of Manchester
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Street & Alley	Total Governmental Funds
Assets		
Cash & Cash Equivalents	\$ -	\$ -
Investments	-	-
Taxes Receivable, Net	-	-
Due from Other Funds	-	-
Receivable from Other Governments	-	-
Other Receivables	-	-
Inventories	-	-
Prepaid Expenses	-	-
Total Assets	-	-
Liabilities & Fund Balances		
Liabilities		
Accounts Payable	-	-
Due to Other Funds	-	-
Payable to Other Governments	-	-
Deferred Revenue	-	-
Other Accrued Expenses	-	-
Other Payables	-	-
Total Liabilities	-	-
Fund Balances		
Reserved for		
Inventories	-	-
Encumbrances	-	-
Prepaid Expenses	-	-
Debt Service	-	-
Other Purposes	-	-
Unreserved	-	-
Total Fund Balances	-	-
Total Liabilities & Fund Balances	\$ -	\$ -

Town of Manchester
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Non-Major Governmental Funds
 for the Year Ended June 30, 2015

	<u>Street & Alley</u>	<u>Total-Other Governmental Funds</u>
Revenues		
Property Taxes	\$ -	\$ -
Sales & Miscellaneous Taxes	788	788
Fees & Fines	-	-
Licenses & Permits	-	-
Intergovernmental	-	-
Charges for Services	-	-
Investment Earnings	-	-
Miscellaneous	-	-
Total Revenues	788	788
Expenditures		
Current		
General Government	-	-
Public Safety	-	-
Highways & Roads	-	-
Health & Sanitation	-	-
Culture & Recreation	-	-
Education	-	-
Street Repair	-	-
Debt Service		
Principal	-	-
Interest & Other Charges	-	-
Capital Outlay	-	-
Total Expenditures	-	-
Excess (Deficiency) of Revenues Over Expenditures	788	788
Other Financing Sources (Uses)		
Proceeds from Long-Term Debt, Net	-	-
Proceeds from Capital Leases	-	-
Other Sources	-	-
Other Uses	-	-
Transfers In	-	-
Transfers Out	(788)	(788)
Total Other Financing Sources (Uses)	(788)	(788)
Net Changes in Fund Balances	-	-
Fund Balances - Beginning of Year	-	-
Fund Balances - End of Year	\$ -	\$ -

Town of Manchester
Manchester, Oklahoma

Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2015

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
Oklahoma Department of Commerce: CDBG14 Contract # 16091	18,175	6,175	6,175

note A – Basis of Presentation

This schedule includes the federal grant activity of the Town of Manchester and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

note B – Presentation

This schedule is incomplete since the formal grant title and number has been omitted

Town of Manchester
Manchester, Oklahoma

Report Required by
Government Auditing Standards
June 30, 2015

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

Honorable Board of Town Council
Town of Manchester
PO Box 5
Manchester, Oklahoma 73758

I have audited, in accordance with the auditing standards generally accepted by 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, each major fund, and the aggregate remaining fund information of the Town of Manchester, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Manchester, Oklahoma's basic financial statements, and have issued my report thereon dated September 26, 2016. The report on governmental and business-type activities was qualified because of the lack of fixed asset records and failure to provide depreciation on those fixed assets. Additionally, the Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town'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.

My 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. Given these limitations, during my audit I did identify deficiencies in internal control that I consider to be material weaknesses as finding 2015-01 and 2015-02.

Compliance and other matters

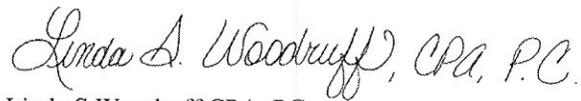
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

Town's Response to Findings

The Town's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliances 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Linda S Woodruff CPA, PC

Oklahoma City, Oklahoma 73172-1578
September 26, 2016

Town of Manchester
Manchester, Oklahoma

Schedule of Findings & Responses

2015-01 **Internal Control**

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the Town.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the Town strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: Management agrees with the recommendation, but economic cost could exceed the benefit.

2015-02 **Internal Control—Material Adjusting Journals Entries**

Criteria: The Town's management is responsible for internal controls over accounting and financial reporting. This responsibility include the design and implementation of controls over the fair and complete presentation of the Town's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the Town's accounting records. For trial balances to be both complete and accurate, the Town must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit, in other words, Town management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, Assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The Town's trial balances for the year ended June 30, 2015, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP.

Cause: The Town's accounting and financial reporting structure lacks the necessary expertise relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to the audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balance.

Effect of Potential Effect: As a result of this condition, without reliance on its external auditors, the Town lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statement in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions in regard to the trial balance.

2015-02 Internal Control—Material Adjusting Journals Entries—Continued

Recommendation: The Town should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the Town's annual financial statements. This could be achieved through recording prior and current year audit adjusting entries and using the class separation features in QuickBooks

Response: Management concurs with the recommendation. QuickBooks is being utilized to enter adjusting entries proposed by the auditor to reconcile records to current audit reports.