
THE TOWN OF WAKITA

(Including the Wakita Utilities Authority and the Wakita Public Works Authority)

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Wakita, Oklahoma

Report on Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, 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 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 modified cash basis of accounting described in Note 1; this includes determining that the modified 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, as of June 30, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015 the Town changed its basis of accounting to the modified cash basis. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Wakita's basic financial statements. The schedule of funding progress on page 22, the budgetary comparison schedule on page 23, and the schedule of expenditures of state awards on page 27, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2016, on our consideration of the internal control over financial reporting of the Town of Wakita and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wakita's internal control over financial reporting and compliance.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
July 7, 2016

THE TOWN OF WAKITA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total 2015
ASSETS			
Current Assets			
Cash and demand deposits	245,813	102,319	348,132
Certificates of deposit	108,396	53,759	162,155
Restricted cash and investments	798,461	45,261	843,722
Internal balances	25,229	(25,229)	0
Total current assets	1,177,899	176,110	1,354,009
Noncurrent Assets			
Depreciable property and equipment	1,407,683	2,207,964	3,615,647
Accumulated depreciation	(686,301)	(745,919)	(1,432,220)
Net depreciable property and equipment	721,382	1,462,045	2,183,427
Land	0	160,000	160,000
Construction in progress	0	6,768	6,768
Total noncurrent assets	721,382	1,628,813	2,350,195
TOTAL ASSETS	1,899,281	1,804,923	3,704,204
LIABILITIES			
Current Liabilities			
Accounts payable	1,479	464	1,943
Current portion of notes payable	1,374	15,348	16,722
Total current liabilities	2,853	15,812	18,665
Noncurrent Liabilities			
Meter deposits refundable	0	13,590	13,590
Notes payable, less current portion	12,193	363,547	375,740
Total noncurrent liabilities	12,193	377,137	389,330
TOTAL LIABILITIES	15,046	392,949	407,995
NET POSITION			
Net investment in capital assets	707,815	1,249,918	1,957,733
Restricted for:			
Fire department	789,074	0	789,074
Debt	0	31,671	31,671
Unrestricted	387,346	130,385	517,731
TOTAL NET POSITION	\$1,884,235	\$1,411,974	\$3,296,209

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2015
Governmental activities:							
General government	(94,526)	19,173	3,570	25,000	(46,783)		(46,783)
Police department	(29,624)	100	0	0	(29,524)		(29,524)
Fire department	(27,323)	300	210,863	0	183,840		183,840
Street department *	(25,371)	0	3,265	0	(22,106)		(22,106)
Total governmental activities	(176,844)	19,573	217,698	25,000	85,427	0	85,427
Business-type activities:							
Sewer department	(71,614)	26,562	0	0		(45,052)	(45,052)
Trash department	(41,720)	26,422	0	0		(15,298)	(15,298)
Water department **	(118,928)	97,192	0	0		(21,736)	(21,736)
Gas department	(103,633)	125,771	0	0		22,138	22,138
Total business-type activities	(335,895)	275,947	0	0	0	(59,948)	(59,948)
Total all activities	(512,739)	295,520	217,698	25,000	85,427	(59,948)	25,479
		General revenues:					
		Taxes:					
		Sales and use taxes			74,759	0	74,759
		Franchise and public service taxes			12,258	0	12,258
		Investment income			677	319	996
		Other revenues			15,382	14,987	30,369
		Total general revenues and transfers			103,076	15,306	118,382
		Change in net position			188,503	(44,642)	143,861
		Beginning net position			1,709,248	1,472,310	3,181,558
		Prior period adjustment			(13,516)	(15,694)	(29,210)
		Ending net position			\$1,884,235	\$1,411,974	\$3,296,209

* Interest expense of \$730 is included in the street department

** Interest expense of \$11,450 is included in the water department

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash and demand deposits	245,813
Certificates of deposit	108,396
Restricted cash and investments	798,461
Due from other funds	<u>25,229</u>
TOTAL ASSETS	<u><u>1,177,899</u></u>
 LIABILITIES	
Payroll withholding payable	<u>1,479</u>
TOTAL LIABILITIES	<u>1,479</u>
 FUND BALANCE	
Restricted:	
County fire tax for fire department	789,074
Workers comp reserves	9,387
Unrestricted:	
Unassigned	<u>377,959</u>
TOTAL FUND BALANCE	<u>1,176,420</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$1,177,899</u></u>
 Reconciliation of fund balance to net position of governmental activities:	
Fund balance	1,176,420
Capital assets	1,407,683
Accumulated depreciation	(686,301)
Capital lease payable	<u>(13,567)</u>
Net position	<u><u>\$1,884,235</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	74,759
Franchise taxes	12,258
Shared taxes	220,341
Grants	29,484
Rental revenues	19,148
Interest	677
Other revenues	<u>8,682</u>
TOTAL REVENUES	365,349
EXPENDITURES	
General government	57,329
Police department	26,225
Fire department	6,625
Street department	19,962
Debt service	1,830
Capital outlay	<u>221,038</u>
TOTAL EXPENDITURES	333,009
NET CHANGE IN FUND BALANCES	32,340
BEGINNING FUND BALANCE	1,157,596
Prior period adjustment	<u>(13,516)</u>
ENDING FUND BALANCE	<u><u>\$1,176,420</u></u>
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balances - total governmental funds	32,340
Capital asset purchases capitalized	221,038
Depreciation expense	(65,974)
Principal payments on capital lease	1,099
Change in net position of governmental activities	<u><u>\$188,503</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2015**

	<u>Wakita Utilities Authority</u>
ASSETS	
Current Assets	
Cash and demand deposits	102,319
Certificates of deposit	53,759
Restricted cash and investments	45,261
Total current assets	<u>201,339</u>
Noncurrent Assets	
Depreciable property and equipment	2,207,964
Accumulated depreciation	<u>(745,919)</u>
Net depreciable property and equipment	1,462,045
Land	160,000
Construction in progress	6,768
Total noncurrent assets	<u>1,628,813</u>
TOTAL ASSETS	<u><u>1,830,152</u></u>
LIABILITIES	
Current Liabilities	
Payroll withholding payable	464
Due to other funds	25,229
Current portion of notes payable	15,348
Total current liabilities	<u>41,041</u>
Noncurrent Liabilities	
Meter deposits refundable	13,590
Notes payable, less current portion	363,547
Total noncurrent liabilities	<u>377,137</u>
TOTAL LIABILITIES	<u>418,178</u>
NET POSITION	
Net investment in capital assets	1,249,918
Restricted for debt service	31,671
Unrestricted	130,385
TOTAL NET POSITION	<u><u>\$1,411,974</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Wakita Utilities Authority</u>
OPERATING REVENUES	
Sewer revenues	18,828
Trash revenues	26,422
Water revenues	97,192
Gas revenues	125,771
Late fees	1,602
Sewer surcharge	7,734
Other income	13,385
TOTAL OPERATING REVENUES	<u>290,934</u>
OPERATING EXPENSES	
Sewer department	71,614
Trash department	41,720
Water department	107,478
Gas department	103,633
TOTAL OPERATING EXPENSES	<u>324,445</u>
OPERATING INCOME (LOSS)	(33,511)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	319
Interest expense	(11,450)
NET NON-OPERATING REVENUES (EXPENSES)	<u>(11,131)</u>
CHANGE IN NET POSITION	(44,642)
BEGINNING NET POSITION	1,472,310
Prior period adjustment	(15,694)
ENDING NET POSITION	<u><u>\$1,411,974</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF CASH FLOWS - M ODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Wakita Utilities Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	277,549
Other operating receipts	13,385
Cash payments for:	
Goods and services	(152,418)
Employees	(77,460)
Net cash provided from operations	<u>61,056</u>
Cash flows from capital financing activities:	
Principal payments	(15,172)
Interest payments	(11,450)
Purchases of capital assets	(19,818)
Net transfers from restricted accounts	(3,800)
Net cash from capital financing activities	<u>(50,240)</u>
Cash flows from investing activities:	
Interest income	236
Net cash from investing activities	<u>236</u>
Net increase (decrease) in cash	<u>11,052</u>
Beginning cash	<u>91,267</u>
Ending cash	<u><u>\$102,319</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	(33,511)
Adjustments to income from operations:	
Depreciation	67,119
Change in assets and liabilities:	
Increase (decrease) in payables	1,247
Increase (decrease) in due to other funds	25,251
Increase (decrease) in refundable deposits	950
Net cash provided by operations	<u><u>\$61,056</u></u>
** Activity in debt service accounts:	
Beginning cash	27,871
Transfers from operating account	3,800
Ending cash	<u><u>\$31,671</u></u>

** Activity in trust accounts is supplemental information.

The accompanying notes are an integral part of these financial statements

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

1. Summary of Significant Accounting Policies

1A. Introduction

The Town's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

1B. Financial Reporting Entity

The Town of Wakita (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In conformity with GASB-61, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the town.

1B1. Blended Component Units

The Wakita Utilities Authority (WUA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the WUA is reported as if it were part of the Town's operations because its purpose is to finance and provide water, sewer, trash, and gas services to the citizens of the Town. The WUA does not present separate financial statements.

The Wakita Public Works Authority (PWA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its purpose was to finance construction of a community health center for the citizens of the Town. Since its purpose has been fulfilled, it is currently inactive. However, the building is currently leased to the James Dennis Medical Foundation (Community Health Center) in a contract that expires June 30, 2015.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

1C. Basis of Presentation

1C1. Fund Accounting

The Town uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The Town's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The Town has one governmental fund and one business-type fund.

1C2. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Measurement focus is a term used to describe which transactions are recorded.

1C2a. Modified Cash Basis of Accounting

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP, and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting *as a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;
2. have substantial support in GAAP or other accounting literature; and
3. be logical.

1C3. Government-wide Financial Statements

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets,

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

1C4. Governmental Fund Financial Statements

The general fund of the Town is a governmental fund. The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

1C5. Proprietary Fund Financial Statements

The utility fund of the Town is a proprietary fund. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The accounting principles applicable are those similar to businesses in the private sector. The Town maintains one proprietary fund, which is an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

1D. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1E. Deposits and Investments

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1F. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at cost. Infrastructure assets such as streets that were constructed prior to the adoption of GASB 34 are not required to be reported and are not reported. In the general fund financial statements, capital assets are expensed as capital outlay. In the proprietary fund financial statements and in the government-wide financial statements, capital assets are capitalized and depreciation on all capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Equipment	5 to 20 years
Utility systems	30 to 40 years

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

1H. Equity Classifications

In the government-wide statements, equity is classified as net position and reported in three components as follows:

1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.
2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes, but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the Town, this intent is expressed by the use of purchase orders encumbering amounts for assigned purposes as approved by the board of trustees.
5. Unassigned – remaining fund balance in excess of all other classifications.

1I. Revenues and Expenditures

Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

1J. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

2. Deposits and Investments

The Town has deposits of \$108,089 in excess of insured limits that are collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

3. Restricted Cash

Grant County sales taxes restricted for the Wakita fire department are recorded as restricted cash in the general fund. Although county funds, the Town records them on its books for purposes of oversight and control since the expenditure of these funds is material to the financial statements of the general fund. The balance at June 30 is \$789,074. Shared tax revenues of \$205,878 and expenditures of \$197,525 are included in these financial statements.

Workers compensation reserves of \$9,387 are on deposit at the Oklahoma Municipal Insurance Group (OMAG).

Debt service reserves are required by the Rural Development loan agreement. A debt service reserve of \$16,788 has been fully funded. A short-lived asset reserve is funded with monthly deposits of \$317, for a balance at June 30 of \$14,883. At year end, the combined balance of these reserve accounts is \$31,671, the required amount.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

4. Capital Assets

Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Depreciable assets				
Buildings	1,073,094	0	0	870,513
Leased equipment	55,200	0	0	55,200
Equipment	261,736	221,038	(20,677)	443,576
Infrastructure	38,394	0	0	38,394
Total depreciable assets	<u>1,428,424</u>	<u>221,038</u>	<u>(20,677)</u>	<u>1,407,683</u>
Accumulated depreciation				
Buildings	(456,378)	(36,364)	0	(492,742)
Leased equipment	(1,380)	(2,760)	0	(4,140)
Equipment	(176,526)	(24,930)	20,677	(180,780)
Infrastructure	(6,719)	(1,920)	0	(8,639)
Total depreciation	<u>(641,004)</u>	<u>(65,974)</u>	<u>20,677</u>	<u>(686,301)</u>
Net depreciable assets	<u>787,420</u>	<u>155,064</u>	<u>0</u>	<u>721,382</u>
Net governmental assets	<u>787,420</u>	<u>155,064</u>	<u>0</u>	<u>721,382</u>
Business-type activities				
Assets not depreciated				
Land	160,000	0	0	160,000
Construction in progress	0	6,768	0	6,768
Total assets not depreciated	<u>160,000</u>	<u>6,768</u>	<u>0</u>	<u>166,768</u>
Depreciable assets				
Buildings	10,000	0	0	10,000
Equipment	9,228	0	0	9,228
Utility systems	2,175,686	13,050	0	2,188,737
Total depreciable assets	<u>2,194,914</u>	<u>13,050</u>	<u>0</u>	<u>2,207,964</u>
Accumulated depreciation				
Buildings	(5,250)	(333)	0	(5,583)
Equipment	(7,475)	(739)	0	(8,215)
Utility systems	(666,075)	(66,047)	0	(732,121)
Total depreciation	<u>(678,800)</u>	<u>(67,119)</u>	<u>0</u>	<u>(745,919)</u>
Net depreciable assets	<u>1,516,114</u>	<u>(54,069)</u>	<u>0</u>	<u>1,462,045</u>
Net business-type assets	<u>1,676,114</u>	<u>(47,302)</u>	<u>0</u>	<u>1,628,813</u>

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	37,197	Administration	333
Police department	3,399	Sewer	34,810
Fire department	20,698	Water	30,770
Street department	4,680	Gas	1,206
Total governmental depreciation	<u>65,974</u>	Total business-type depreciation	<u>67,119</u>

5. Long-term Debt

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental activities					
Backhoe lease-purchase	14,667	0	(1,099)	13,568	1,375
Business-type activities					
Water system note payable	354,732	0	(5,338)	349,394	5,514
Water tower contract	39,336	0	(9,834)	29,502	9,834
Total business-type activities	<u>394,068</u>	<u>0</u>	<u>(15,172)</u>	<u>378,896</u>	<u>15,348</u>

Outstanding debt at year end was as follows:

	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Governmental activities					
Backhoe	5.766%	02/10/2024	20,200	13,567	backhoe
Business-type activities					
Water system	3.250%	11/22/1933	375,000	349,394	water system and revenues
Water tower	0.000%	06/30/2018	49,170	29,502	water system and revenues
			<u>424,170</u>	<u>378,896</u>	

February 10, 2009, the Town entered into a \$20,200 15 year lease-purchase agreement for a backhoe. The lease carries a fixed annual interest rate of 5.766% and matures February 10, 2024. The Town is obligated to pay only such rental payments as are appropriated for that purpose annually. If the Town fails to budget funds for the lease, it will be deemed terminated at the end of the term last budgeted. The Town has the option to take title to the backhoe upon fulfillment of the lease.

July 22, 2011, the WUA issued a \$375,000 note for water system improvements. The note carries a fixed annual interest rate of 3.25% and matures July 22, 2051. The note is secured by all water revenues and a mortgage on the water system. Debt service reserves required by the note are recorded as restricted cash (see Note 3).

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

February 5, 2014, the WUA entered into a contract for emergency water tower repairs with their water tower maintenance contractor (See note 8). The repairs are being financed by the contractor over 5 years for equal annual payments of \$9,834. Should the WUA cancel the long-term maintenance contract, the full amount of the repairs will be due within 30 days.

A summary of debt service requirements to maturity by year is as follows:

June 30:	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	1,374	788	2,162	15,348	11,274	26,622
2017	1,345	651	1,996	15,530	11,092	26,622
2018	1,423	573	1,996	15,718	10,904	26,622
2019	1,505	491	1,996	6,078	10,710	16,788
2020	1,592	404	1,996	6,279	10,509	16,788
2021-2025	6,328	1,062	8,982	34,641	49,299	83,940
2026-2030	0	0	0	40,743	43,196	83,939
2031-2035	0	0	0	47,921	36,016	83,937
2036-2040	0	0	0	56,367	27,573	83,940
2041-2045	0	0	0	66,297	17,641	83,938
2046-2050	0	0	0	73,974	5,971	79,945
Total	13,567	3,969	19,128	378,896	234,185	613,081

6. Long-term Maintenance and Repair Contract

During FY 2000/2001, the Town entered into a long-term contract for water tower repairs and maintenance. An annual maintenance fee began in 2004 with cost of service adjustments calculated every three years, but in no case to exceed 5% annually. The contract is subject to cancellation with 90 days written notice prior to the anniversary date. The cost for 2015 was \$6,902.

7. Defined Benefit Pension Plans

Volunteer Firefighters

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2015, 2014 and 2013 was \$720, \$1,020 and \$1,200 respectively equal to the required contribution for each year.

Town Employees

Plan Description. The Town's defined benefit pension plan, the Town of Wakita Plan and Trust (WPT), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. WPT is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer type plan administered by Bank One in Oklahoma City, OK. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in OMRF to the respective employer entities; for WPT, that authority rests with the Town of Wakita. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 100 North Broadway, Oklahoma City, OK 73102, or by calling 1-888-394-6673.

Funding Policy. OMRF members are required to contribute 2.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate which is currently 4.59% of annual covered payroll. However, the Town is currently contributing 8.16% in order to prefund a future benefit increase. The contribution requirements of plan members and the Town are established and may be amended by the OMRF Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2015, the Town's annual pension cost was \$1,905. Actual contributions of \$3,387 exceeded the required contributions. The required contribution was determined as part of the January 1, 2014 actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by year based on the age of the employee, and (c) 3% per year cost-of-living adjustments. The actuarial value of WPT assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 80% to 120% of the current market value of the fund.

**The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

Fiscal Year Ending	Annual Pension Cost	Percentage APC Contributed	Net Pension Obligation
6/30/2012	6,344	120%	0
6/30/2013	6,334	124%	0
6/30/2014	6,464	109%	0

Schedule of Funding Progress.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2014	198,592	Actuarial	205,795	EAN	7,203	96.5%	85,380	8.4%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There was no claims activity for the year just ended.

9. Workers' Compensation Plan

The Town participates in the Oklahoma Municipal Assurance Group (OMAG) Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any loss funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the Plan. Town funds on deposit with OMAG at year end were \$9,387 and are included in the Town's restricted cash.

10. Inter-fund Transactions

	General Fund	Utility Fund	Total
Internal Balances			
Payroll	25,229	(25,229)	0

11. Budgets

The board of trustees adopts a legally required annual operating budget each year. The same basis of accounting used for financial reporting purposes is used for budgetary purposes. Actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. For the year just ended, two budget amendments were approved by the trustees.

12. Prior Period Adjustments

Prior period adjustments as a result of changing the basis of accounting to the modified cash basis are as follows:

	General Fund	Utility Fund
Accounts receivable	18,637	20,117
Accounts payable	(5,121)	(4,423)
	<u>13,516</u>	<u>15,694</u>

13. Subsequent Events

Management performed an evaluation of the Town's activity through July 7, 2016, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**The Town of Wakita
Schedule of Funding Progress**

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/2005	85,525	Actuarial	137,252	EAN	51,746	62.3%	73,929	70.0%
01/01/2006	85,525	Actuarial	137,272	EAN	51,746	62.3%	73,929	70.0%
01/01/2007	101,423	Actuarial	150,359	EAN	48,936	67.5%	76,108	64.3%
01/01/2008	118,324	Actuarial	164,893	EAN	46,569	71.8%	78,338	59.4%
01/01/2009	122,144	Actuarial	160,053	EAN	37,909	76.3%	79,796	47.5%
01/01/2010	135,115	Actuarial	172,605	EAN	37,490	78.3%	80,241	46.7%
01/01/2011	143,403	Actuarial	173,580	EAN	30,176	82.6%	80,171	37.6%
01/01/2012	158,752	Actuarial	187,193	EAN	28,441	84.8%	79,199	35.9%
01/01/2013	174,435	Actuarial	189,104	EAN	14,670	92.2%	82,112	17.9%
01/01/2014	198,592	Actuarial	205,795	EAN	7,203	96.5%	85,380	8.4%

**THE TOWN OF WAKITA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	99,000	99,000	74,759	(24,241)
Franchise taxes	12,000	12,000	12,258	258
Shared taxes	12,100	12,100	220,341	208,241
Grants	4,400	29,400	29,484	84
Rental revenues	0	0	19,148	19,148
Interest	600	600	677	77
Other revenues	12,900	12,900	8,682	(4,218)
TOTAL REVENUES	141,000	166,000	365,349	199,349
EXPENDITURES				
General government	61,500	68,500	57,329	11,171
Police department	55,600	33,600	26,225	7,375
Fire department	9,500	9,500	6,625	2,875
Street department	23,870	43,870	19,962	23,908
Debt service	1,830	1,830	1,830	0
Capital outlay	0	25,000	221,038	(196,038)
TOTAL EXPENDITURES	152,300	182,300	333,009	(150,709)
NET CHANGE IN FUND BALANCES	(11,300)	(16,300)	32,340	48,640
BEGINNING FUND BALANCE	1,157,596	1,157,596	1,157,596	0
ENDING FUND BALANCE	1,146,296	1,141,296	1,189,936	48,640

Notes to the budgetary comparison schedule:

1. This schedule is prepared using the modified cash basis of accounting.
2. County fire tax revenues of \$205,878 and expenditures of \$197,525 were not budgeted. Expenditures included \$195,873 of capital outlay.

BECKY FLEMING, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT ON THE 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

The Board of Trustees
The Town of Wakita, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Wakita, and have issued our report thereon, dated July 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting of the Town of Wakita 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 the Town of Wakita's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Wakita'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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding 2015-1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

The Town of Wakita's Response to Findings

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

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 result 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.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
July 7, 2016

**Town of Wakita
Schedule of Findings and Responses
For the Year Ended June 30, 2015**

2015-1

Criteria: Segregation of duties or other compensating procedures to provide oversight and review between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments should be established to make deliberate fraud more difficult to enact and make it more likely that innocent errors will be found and corrected.

Condition: The same employee maintains the general ledger, billing system, performs reconciliations, and collects payments, with no compensating procedures to provide for oversight or review of those transactions.

Cause: There is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions.

Effect: Because there is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions, posting or other errors could occur and not be found and corrected on a timely basis.

Recommendation: We recommend that procedures be established to provide segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, or, where that is not possible, establish other compensating procedures to provide for oversight or review of those transactions.

Response - Since we are a small town with our clerk/treasurer as the only administrative and bookkeeping employee, we do not have a way of segregating duties. However, we will try to find ways to establish better oversight procedures.

THE TOWN OF WAKITA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
 (Accrual Basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR</i>	GRANTOR'S	
<u>PROGRAM TITLE</u>	<u>NUMBER</u>	<u>EXPENSES</u>
Oklahoma Department of Agriculture <i>N/A</i>		
Rural Fire Protection		4,484
Oklahoma State Auditor & Inspector <i>Northern Oklahoma Development Association</i>		
Rural Economic Action Plan	GR15-2	25,000
TOTAL EXPENDITURES OF STATE AWARDS		<u><u>29,484</u></u>