

CITY OF WALTERS, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

**THE CITY OF WALTERS,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

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CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Walters, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Walters, Oklahoma as of and for the year ended June 30, 2015, and the related notes to the financial, which collectively comprise the City'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.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express 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 of material misstatement.

An audit involves 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 principles 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walters, 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.B.

Basis of Accounting

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

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walters, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The budgetary comparison information, combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information.

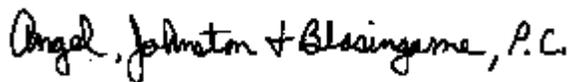
The combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information are the responsibility of management, derived from and related directly to the underlying accounting and other records used 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 our opinion the combining non-major governmental fund statements, the combining general fund accounts schedule, the federal and state awards information and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walters, Oklahoma's basic financial statements. The management's discussion and analysis on pages 7-13 and budgetary comparison information, 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
November 13, 2015

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

The management of the City of Walters is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2015. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$129,211, and the assets of the City exceed its liabilities at June 30, 2015, by \$1,376,805 (net position). Of this amount, \$190,438 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,183,478.
- At the end of fiscal year 2015, unassigned fund balance on a modified cash basis for the General Fund was \$15,604 or 2% of General Fund revenues.

ABOUT THE CITY

The City of Walters is an incorporated municipality with a population of approximately 2,551 located in Cotton County in southwestern Oklahoma. The City is a Council/Manager form of government and operates under home-rule charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body; four elected by ward and one elected at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a non-attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority and Industrial Authority, certain utility services including electric, water, wastewater, and sanitation, along with industrial development.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Walters City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

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The City's financial reporting entity includes the following separate legal entities.

- **The City of Walters** – an incorporated City that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City
- **The Walters Public Works Authority (WPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the electric, water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees
- **The Walters Industrial Development Authority (WIDA)** - public trust created pursuant to 60 O.S. § 176 that promotes, develops and secures industrial development within the City, with the City Council members serving as the trustees

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

Basis of Accounting and Presentation

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables/payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Walters (the “City”), the Walters Public Works Authority (the “Public Works Authority”), and the Walters Industrial Development Authority (the “Industrial Development Authority”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting described above and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City typically charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s electric, water, wastewater, sanitation utilities and industrial development activities are reported as business-type activities.

Reporting the City’s Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City’s most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City uses two kinds of funds – *governmental and proprietary*.

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Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds - The City operates two proprietary funds, the Walters Public Works Authority (major fund), and the Walters Industrial Development Authority (non-major fund). When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The City's proprietary funds are the Walters Public Works Authority that accounts for the operation of the electric, water, wastewater, and sanitation activities, and the Walters Industrial Authority, which accounts for industrial development activity.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 25-36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, combining and individual fund financial statements and schedules, a federal and state award schedule, and a debt service coverage requirement schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2015, net position on a modified cash basis for the governmental and business-type activities increased \$129,211.

Following is a summary of net position reported on a modified cash basis for the City of Walters.

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The City of Walters' Net Position (Modified Cash Basis)
June 30, 2015

TABLE 1
NET POSITION (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Total assets	\$ 1,184	\$ 1,194	-1%	\$ 350	\$ 201	74%	\$ 1,534	\$ 1,395	10%
Total liabilities	0	1	-100%	157	146	7%	157	147	6%
Net position									
Restricted	1,154	1,152	0%	32	32	0%	1,186	1,184	0%
Unrestricted	30	40	-25%	161	23	606%	191	63	203%
Total net position	<u>\$ 1,184</u>	<u>\$ 1,193</u>	-1%	<u>\$ 193</u>	<u>\$ 55</u>	251%	<u>\$ 1,377</u>	<u>\$ 1,248</u>	10%

The largest portion of the City's net position reflects a \$1,000,000 restricted non-expendable endowment.

The City of Walters' Revenues, Expenses and Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2015

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Revenues									
Charges for service	\$ 149	\$ 159	-6%	\$ 3,378	\$ 3,306	2%	\$ 3,527	\$ 3,465	2%
Operating grants, loans and contributions	48	55	-13%	-	252	-100%	48	307	-84%
Capital grants and contributions	53	-	100%	5	7	-29%	58	7	729%
Taxes	526	551	-5%	-	-	-	526	551	-5%
Gain (loss) on sale of fixed assets	-	(5)	-	-	-	-	-	(5)	-
Intergovernmental revenue	50	49	2%	-	-	-	50	49	2%
Investment income	5	5	0%	58	63	-8%	63	68	-7%
Miscellaneous	23	47	-51%	22	19	16%	45	66	-32%
Total revenues	<u>854</u>	<u>861</u>	-1%	<u>3,463</u>	<u>3,647</u>	-5%	<u>4,317</u>	<u>4,508</u>	-4%
Expenses									
General government	86	87	-1%	-	-	-	86	87	-1%
Public safety	489	558	-12%	-	-	-	489	558	-12%
Streets	390	412	-5%	-	-	-	390	412	-5%
Culture, parks and recreation	255	258	-1%	-	-	-	255	258	-1%
Cemetery	73	65	12%	-	-	-	73	65	12%
Airport	5	4	25%	-	-	-	5	4	25%
Principal on long-term debt	11	28	-61%	-	-	-	11	28	-61%
Interest on long-term debt	1	2	-50%	-	-	-	1	2	-50%
Electric	-	-	-	1,872	1,980	-5%	1,872	1,980	-5%
Water	-	-	-	598	624	-4%	598	624	-4%
Wastewater	-	-	-	127	174	-27%	127	174	-27%
Sanitation	-	-	-	281	287	-2%	281	287	-2%
Total expenses	<u>1,310</u>	<u>1,414</u>	-7%	<u>2,878</u>	<u>3,065</u>	-6%	<u>4,188</u>	<u>4,479</u>	-6%
Excess (deficiency) before transfers	(456)	(553)	18%	585	582	1%	129	29	345%
Transfers	447	583	-23%	(447)	(583)	23%	-	-	
Change in net position	(9)	30	130%	138	(1)	13900%	129	29	345%
Beginning net position	1,193	1,163	3%	55	56	-2%	1,248	1,219	2%
Ending net position	<u>\$ 1,184</u>	<u>\$ 1,193</u>	-1%	<u>\$ 193</u>	<u>\$ 55</u>	251%	<u>\$ 1,377</u>	<u>\$ 1,248</u>	10%

**CITY OF WALTERS, OKLAHOMA
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Governmental Activities

The increase in governmental activities capital grants and contributions of was due to loan proceeds in the amount of \$42,450 for a tractor and mower capital lease in the current year.

Business-type Activities

The decrease in business-type operating grants, loans and contributions is due to the City receiving loan proceeds from a line of credit in the prior year. The decrease in sewer expenses was primarily due to the City purchasing a John Deere Loader in the prior year.

**TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)**

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
	General government	\$ 86		\$ 87	-1%	
Public safety	489	557	-12%	(409)	(529)	-23%
Streets	390	412	-5%	(365)	(388)	-6%
Culture, parks and recreation	255	258	-1%	(172)	(166)	4%
Cemetery	73	65	12%	(16)	1	-1700%
Airport	5	4	25%	(5)	(4)	25%
Principal on long-term debt	11	28	-61%	(11)	(28)	-61%
Interest on long-term debt	1	2	-50%	(1)	(2)	(1)
Total	<u>\$ 1,310</u>	<u>\$ 1,413</u>	-7%	<u>\$(1,060)</u>	<u>\$(1,198)</u>	-12%

**TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
	Electric	\$ 1,872		\$ 1,980	-5%	
Water	598	624	-4%	(158)	86	-284%
Wastewater	127	174	-27%	142	90	58%
Sanitation	281	287	-2%	76	64	19%
Total	<u>\$ 2,878</u>	<u>\$ 3,065</u>	-6%	<u>\$ 505</u>	<u>\$ 499</u>	1%

**CITY OF WALTERS, OKLAHOMA
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A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$1,183,478. For the year ended June 30, 2015, the General Fund's total fund balance increased by \$4,975. The proprietary funds reported a combined net position balance of \$193,327. The total net position of the Walters Public Works Authority increased by \$136,499.

Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues over final estimates by \$468,322 or a 50% positive variance. General Fund actual expenditures were over final appropriations by \$54,933 or a 4.1% negative variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The City has been approved for an FAA grant for a repaving project at the airport. The project is expected to start in October 2015.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 485, Walters, Oklahoma 73572 or telephone at 580-875-3337.

CITY OF WALTERS, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 55,964	\$ 157,275	\$ 213,239
Restricted cash and cash equivalents	-	49,983	49,983
Investments	126,500	7,667	134,167
Restricted investments	1,000,000	137,050	1,137,050
Internal Balances	1,500	(1,500)	-
Total Assets	1,183,964	350,475	1,534,439
LIABILITIES			
Due to other governments	486	2,459	2,945
Due to depositors	-	154,689	154,689
Total liabilities	486	157,148	157,634
NET POSITION			
Restricted for:			
Nonexpendable endowment	1,000,000	-	1,000,000
Cemetery	149,163	-	149,163
Debt service	4,910	32,294	37,204
Unrestricted	29,405	161,033	190,438
Total net position	\$ 1,183,478	\$ 193,327	\$ 1,376,805

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants, Loans and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 86,502	\$ 4,268	\$ 800	\$ -	\$ (81,434)	\$ -	\$ (81,434)
Public Safety	488,823	21,380	5,685	53,025	(408,733)	-	(408,733)
Highways and streets	389,624	-	24,332	-	(365,292)	-	(365,292)
Culture and Recreation	255,233	76,039	7,484	-	(171,710)	-	(171,710)
Cemetery	72,599	47,465	9,103	-	(16,031)	-	(16,031)
Airport	4,777	-	-	-	(4,777)	-	(4,777)
Principal on Long-term debt	11,473	-	-	-	(11,473)	-	(11,473)
Interest on Long-term debt	683	-	-	-	(683)	-	(683)
Total governmental activities	<u>1,309,714</u>	<u>149,152</u>	<u>47,404</u>	<u>53,025</u>	<u>(1,060,133)</u>	<u>-</u>	<u>(1,060,133)</u>
Business-type activities:							
Electric	1,872,032	2,316,619	-	-	-	444,587	444,587
Water	597,797	435,049	-	5,083	-	(157,665)	(157,665)
Wastewater	127,050	269,372	-	-	-	142,322	142,322
Sanitation	281,591	357,469	-	-	-	75,878	75,878
Total business-type activities	<u>2,878,470</u>	<u>3,378,509</u>	<u>-</u>	<u>5,083</u>	<u>-</u>	<u>505,122</u>	<u>505,122</u>
Total primary government	<u>4,188,184</u>	<u>3,527,661</u>	<u>47,404</u>	<u>58,108</u>	<u>(1,060,133)</u>	<u>505,122</u>	<u>(555,011)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 509,443	\$ -	\$ 509,443
Franchise taxes and public service taxes					16,121	-	16,121
Intergovernmental revenue not restricted to specific programs					50,344	-	50,344
Unrestricted investment earnings					4,744	58,626	63,370
Miscellaneous					23,175	21,769	44,944
Transfers					<u>447,207</u>	<u>(447,207)</u>	<u>-</u>
Total general revenues and transfers					<u>1,051,034</u>	<u>(366,812)</u>	<u>684,222</u>
Change in net position					<u>(9,099)</u>	<u>138,310</u>	<u>129,211</u>
Net position - beginning					<u>1,192,577</u>	<u>55,017</u>	<u>1,247,594</u>
Net position - ending					<u>\$ 1,183,478</u>	<u>\$ 193,327</u>	<u>\$ 1,376,805</u>

See accompanying notes to these financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2015

	<u>General Fund</u>	<u>Graham Trust Fund</u>	<u>Cemetery Permanent Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 18,440	\$ 13,701	\$ 20,497	\$ 3,326	\$ 55,964
Investments	-	-	126,500	-	126,500
Restricted investments	-	1,000,000	-	-	1,000,000
Due from other funds	1,500	-	2,166	1,684	5,350
Total assets	<u>19,940</u>	<u>1,013,701</u>	<u>149,163</u>	<u>5,010</u>	<u>1,187,814</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	3,850	-	-	-	3,850
Due to other governments	486	-	-	-	486
Total liabilities	<u>4,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,336</u>
Fund balances:					
Nonspendable:					
Nonexpendable permanent endowment	-	1,000,000	-	-	1,000,000
Restricted:					
Cemetery	-	-	149,163	-	149,163
Debt service	-	-	-	4,910	4,910
Assigned	-	-	-	100	100
Unassigned	15,604	13,701	-	-	29,305
Total fund balances	<u>15,604</u>	<u>1,013,701</u>	<u>149,163</u>	<u>5,010</u>	<u>1,183,478</u>
Total liabilities and fund balances	<u>\$ 19,940</u>	<u>\$ 1,013,701</u>	<u>\$ 149,163</u>	<u>\$ 5,010</u>	<u>\$ 1,187,814</u>

See accompanying notes to these financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Graham Trust Fund</u>	<u>Cemetery Permanent Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 525,564	\$ -	\$ -	\$ -	\$ 525,564
Intergovernmental	96,759	-	-	-	96,759
Charges for services	122,409	-	5,969	-	128,378
Fines and foreitures	16,596	-	-	-	16,596
Licenses and permits	4,378	-	-	-	4,378
Investment income	628	4,067	41	8	4,744
Miscellaneous	34,539	-	-	-	34,539
Total revenues	<u>800,873</u>	<u>4,067</u>	<u>6,010</u>	<u>8</u>	<u>810,958</u>
EXPENDITURES					
General government	86,502	-	-	-	86,502
Public Safety	488,823	-	-	-	488,823
Highway and streets	323,871	-	-	-	323,871
Culture and recreation	240,429	-	-	-	240,429
Cemetery	67,599	-	-	-	67,599
Airport	4,777	-	-	-	4,777
Capital Outlay	80,557	-	5,000	-	85,557
Debt Service:					
Principal	9,794	-	-	1,679	11,473
Interest and other charges	678	-	-	5	683
Total Expenditures	<u>1,303,030</u>	<u>-</u>	<u>5,000</u>	<u>1,684</u>	<u>1,309,714</u>
Excess (deficiency) of revenues over expenditures	<u>(502,157)</u>	<u>4,067</u>	<u>1,010</u>	<u>(1,676)</u>	<u>(498,756)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	42,450	-	-	-	42,450
Transfers in	626,389	-	-	2,525	628,914
Transfers out	(161,707)	(20,000)	-	-	(181,707)
Total other financing sources and uses	<u>507,132</u>	<u>(20,000)</u>	<u>-</u>	<u>2,525</u>	<u>489,657</u>
Net change in fund balances	4,975	(15,933)	1,010	849	(9,099)
Fund balances - beginning	10,629	1,029,634	148,153	4,161	1,192,577
Fund balances - ending	<u>\$ 15,604</u>	<u>\$ 1,013,701</u>	<u>\$ 149,163</u>	<u>\$ 5,010</u>	<u>\$ 1,183,478</u>

See accompanying notes to these financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2015

	Major Enterprise Fund	Non-major Enterprise Fund Walters Industrial Development Authority	Total Enterprise Funds
	Walters Public Works Authority	Development Authority	Funds
ASSETS			
Cash and cash equivalents	\$ 141,663	\$ 15,612	\$ 157,275
Investments	-	7,667	7,667
Restricted:			
Restricted cash and cash equivalents	49,983	-	49,983
Restricted investments	137,050	-	137,050
Total assets	328,696	23,279	351,975
LIABILITIES			
Due to other governments	2,459	-	2,459
Due to other funds	1,500	-	1,500
Deposits subject to refund	154,689	-	154,689
Total liabilities	158,648	-	158,648
NET POSITION			
Restricted for debt service	32,294	-	32,294
Unrestricted	137,754	23,279	161,033
Total net position	\$ 170,048	\$ 23,279	\$ 193,327

See accompanying notes to these financial statements.

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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2015

	Major Enterprise Fund	Non-major Enterprise Fund Walters Industrial Development Authority	Total Enterprise Funds
	Walters Public Works Authority	Industrial Development Authority	
OPERATING REVENUES			
Electric	\$ 2,306,162	\$ -	\$ 2,306,162
Water	433,085	-	433,085
Sewer	268,156	-	268,156
Sanitation	355,855	-	355,855
Miscellaneous	15,251	-	15,251
Total operating revenues	<u>3,378,509</u>	<u>-</u>	<u>3,378,509</u>
OPERATING EXPENSES			
Electric	1,551,605	-	1,551,605
Water	334,506	-	334,506
Sewer	28,147	-	28,147
Sanitation	202,356	-	202,356
General government	467,305	-	467,305
Total operating expenses	<u>2,583,919</u>	<u>-</u>	<u>2,583,919</u>
Operating income	<u>794,590</u>	<u>-</u>	<u>794,590</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	58,565	61	58,626
Grant revenue	5,083	-	5,083
Miscellaneous revenue	20,019	1,750	21,769
Debt Service:			
Principal	(241,757)	-	(241,757)
Interest and other charges	(52,794)	-	(52,794)
Total net non-operating revenue (expense)	<u>(210,884)</u>	<u>1,811</u>	<u>(209,073)</u>
Income before transfers	583,706	1,811	585,517
Transfers in	181,707	-	181,707
Transfers out	(628,914)	-	(628,914)
Change in net position	136,499	1,811	138,310
Total net position - beginning	33,549	21,468	55,017
Total net position - ending	<u>\$ 170,048</u>	<u>\$ 23,279</u>	<u>\$ 193,327</u>

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Major Enterprise Fund</u>	<u>Non-major Enterprise Fund</u>	
	<u>Walters Public Works Authority</u>	<u>Walters Industrial Authority</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,378,509	\$ -	\$ 3,378,509
Payments to suppliers	(1,863,044)	-	(1,863,044)
Payments to employees	(720,875)	-	(720,875)
Interfund receipts/payments	154	-	154
Receipts of customer meter deposits	46,775	-	46,775
Refunds of customer meter deposits	(34,517)	-	(34,517)
Other receipts	25,102	1,750	26,852
Net cash provided by operating activities	<u>832,104</u>	<u>1,750</u>	<u>833,854</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	181,707	-	181,707
Transfers to other funds	(628,914)	-	(628,914)
Net cash provided by (used in) noncapital financing activities	<u>(447,207)</u>	<u>-</u>	<u>(447,207)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on debt	(241,757)	-	(241,757)
Interest and fiscal agent fees paid on debt	(52,794)	-	(52,794)
Net cash provided by (used in) capital and related financing activities	<u>(294,551)</u>	<u>-</u>	<u>(294,551)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(50,050)	(38)	(50,088)
Interest and dividends	58,565	61	58,626
Net cash provided by investing activities	<u>8,515</u>	<u>23</u>	<u>8,538</u>
Net increase in cash and cash equivalents	98,861	1,773	100,634
Balances - beginning of year	<u>92,785</u>	<u>13,839</u>	<u>106,624</u>
Balances - end of year	<u>\$ 191,646</u>	<u>\$ 15,612</u>	<u>\$ 207,258</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	141,663	15,612	157,275
Restricted cash and cash equivalents	49,983	-	49,983
Total cash and cash equivalents, end of year	<u>191,646</u>	<u>15,612</u>	<u>207,258</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 794,590	\$ -	\$ 794,590
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous revenue	25,102	1,750	26,852
Change in assets and liabilities:			
Due to other governments	(1,346)	-	(1,346)
Due from other funds	1,500	-	1,500
Deposits subject to refund	12,258	-	12,258
Net cash provided by operating activities	<u>\$ 832,104</u>	<u>\$ 1,750</u>	<u>\$ 833,854</u>

See accompanying notes to these financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Walters) and two component units.

- **The City of Walters**– that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Walters Public Works Authority** – that operates the electric, water, wastewater and sanitation services of the City
- **The City of Walters Industrial Development Authority** – that promotes, develops and secures industrial development within the City

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including electric, water, wastewater, and sanitation, and industrial development activities.

Both component units (Authorities) have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

In determining the financial reporting entity, the City fully complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus" that requires all component units of which the City is financially accountable be included in the financial report.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities

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resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits, mowing fees, operating grants and contributions
- Public safety: Fine revenue, impound fees, fire runs and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Golf course and swimming pool rentals and fees
- Cemetery: Sale of lots and interments and operating contributions

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Graham Trust Fund – a permanent fund that accounts for an irrevocable certificate of deposit donated to the City for use of interest earnings as deemed by the City Council
- Cemetery Permanent Fund – a capital project fund that accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

Non-Major Funds (Reported as Other Governmental Funds):

- CDBG Fund – accounts for grant revenues and expenditures related to CDBG grants. This fund is currently inactive as no CDBG funds were received during FY 14-15.
- Capital Outlay Fund – a debt service fund that accounts for residual \$1 meter charge assessed for fire truck capital lease obligation. City is no longer assessing this charge.

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The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The City's proprietary funds are comprised of the following:

Major Fund:

- Walters Public Works Authority (WPWA) – accounts for the operation of the electric, water, wastewater, and sanitation activities

Non-Major Fund:

- Walters Industrial Development Authority (WIDA) – accounts for industrial development activities

The proprietary funds are reported on a modified cash basis, as defined above.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 7.

E. Fund Balances and Net Position

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position:

Net Position is displayed in two components:

- b. *Restricted* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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F. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

2. Deposits and Investments

For the year ended June 30, 2015, the City recognized \$63,370 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2015, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Petty cash			\$ 1,709
Demand deposits			247,772
Time deposits			1,271,217
Money market mutual funds:			
Cavanal Hill U.S. Treasury - Admin fund	N/A	AAAm	13,741
			<u>\$ 1,534,439</u>
Total deposits and investments			<u><u>\$ 1,534,439</u></u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 213,239
Restricted cash and cash equivalents			49,983
Investments			134,167
Restricted investments			1,137,050
			<u>\$ 1,534,439</u>

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2015, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2015, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2015 are as follows:

<u>Type of Restricted Asset</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>
Utility Deposits	\$ 34,689	\$ 120,050
OWRB Debt Service	13,741	-
UDAG Savings	1,553	-
UDAG CD	-	17,000
Graham Trust	-	1,000,000
Total	<u>\$ 49,983</u>	<u>\$ 1,137,050</u>

3. Sales Tax Revenue

Sales tax revenue represents a 3 cent tax on each dollar of taxable sales of which 1 cent is pledged and transferred to the Walters Public Works Authority and used to secure debt payments.

4. Internal Balances and Transfers Between Legal Entities

Internal balances between fund and legal entities are comprised of the following:

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<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Cemetery Permanent Fund	\$ 2,166	Reimburse cemetery revenue owed
General Fund	Capital Outlay Fund	1,684	Reclass debt payments
WPWA	General Fund	1,500	Cemetery lots recorded in WPWA not yet transferred
Total		<u>\$ 5,350</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 5,350	\$ (3,850)	\$ 1,500
Proprietary Funds	-	(1,500)	(1,500)
Total	<u>\$ 5,350</u>	<u>\$ (5,350)</u>	<u>\$ -</u>

Transfers between funds and legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	WPWA	\$ 161,707	Sales tax transfer
WPWA	General Fund	410,000	Operational subsidy
WPWA	General Fund	161,707	Return of sales tax transfer
WPWA	General Fund	33,282	Debt payments
WPWA	Capital Outlay Fund	2,525	Transfer revenues
WPWA	Cemetery Fund	21,400	Transfer revenues
Graham Trust	WPWA	20,000	Debt payments
Total		<u>\$ 810,621</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 628,914	\$ (181,707)	\$ 447,207
Proprietary Funds	181,707	(628,914)	(447,207)
	<u>\$ 810,621</u>	<u>\$ (810,621)</u>	<u>\$ -</u>

5. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Building and Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through Oklahoma Municipal Assurance Group.
- Employee's Group Health and Life – Health covered through participation in Blue Cross/Blue Shield and life is with Mutual of Omaha.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

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6. Retirement Plan Participation

The City participates in two employee retirement plans:

Oklahoma State Firefighters Pension System

Pursuant to the requirements of Title 11, section 22-102, the City of Walters participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by state law to contribute 14% per year per firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions.

Contributions for the last three years were as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2013	\$ 16,088	\$ 16,088
2014	17,094	17,094
2015	16,647	16,647

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

Principal Mutual Life Defined Contribution Plan

The City provides a pension benefit for all of its full-time employees with the exception of the fire department, through a defined contribution plan. The plan is administered by the City and plan assets are supervised by Principal Mutual Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months from the date of employment. Employee contributions were equal to an amount not less than 4% and not to exceed 10% of total earnings with employer contributions equal to 7.7% of the employee's total salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after six years continuous service. The authority to establish and amend the provisions of the Plan rests with the City Council.

Contributions for the last three years were as follows:

<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>
2013	\$ 45,443	\$ 64,378
2014	53,778	70,359
2015	51,085	65,120

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7. Commitments and Contingencies

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 1,679	\$ 42,450	\$ 2,510	\$ 41,619	10,174
Notes payable	16,743	-	8,963	7,780	7,780
Total Governmental Activities	<u>\$ 18,422</u>	<u>\$ 42,450</u>	<u>\$ 11,473</u>	<u>\$ 49,399</u>	<u>\$ 17,954</u>
Business-Type Activities:					
Notes payable	\$ 929,320	-	\$ 208,878	\$ 720,442	83,845
Capital lease payable	24,546	-	7,532	17,014	7,741
Contracts payable	666,702	-	25,347	641,355	27,369
Total Business-Type Activities	<u>1,620,568</u>	<u>-</u>	<u>241,757</u>	<u>1,378,811</u>	<u>118,955</u>
Total Long-Term Debt	<u>\$ 1,638,990</u>	<u>\$ 42,450</u>	<u>\$ 253,230</u>	<u>\$ 1,428,210</u>	<u>\$ 136,909</u>

Governmental Activities:

At June 30, 2015, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Obligations Payable

Lease obligation for purchase of tractor and mower, original amount of \$42,450, payable in 48 monthly installments of \$941, interest of 3.05%, final payment due May 2019.

Total Capital Leases Payable \$ 41,619

Long-Term Note Commitments

Note Payable to Walters Bank & Trust, dated April 15, 2013, original amount \$26,700 with annual interest rate of 4.5%, due in monthly installments of \$794 beginning May 15, 2013, final installment due April 15, 2016, secured with a property mortgage and payable from WPWA resources

Total Notes Payable \$ 7,780

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2015, includes the following:

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Long-Term Note Commitments

OWRB Promissory Note dated December 23, 2009, original amount \$1,326,407, due in semi-annual principal installments of \$26,667 each March 15 and September 15, final installment due September 2030, interest rate of 2.21%. The note is secured by a pledge of net utility revenues, certain sales tax revenues, and a mortgage on the facilities.	\$ 671,859
Note payable to Welch State Bank, original amount of \$112,369, payable in monthly installments of \$2,483 with a 2.9% interest rate, final payment due April 2016.	24,514
Line of credit to Walters Bank and Trust, original amount of \$200,020, 5% interest payable monthly, with final payment of principal and interest due July 1, 2015.	24,069
Total Notes Payable	\$ 720,442

Capital Lease Obligations Payable

Lease obligation for purchase of 2011 John Deere Trac Loader, original amount of \$30,700, payable in monthly installments of \$676 with a 2.72% interest rate, final payment due August 2017.	\$ 17,014
Total Capital Leases Payable	\$ 17,014

Contracts Payable

Contract payable to the Waurika Project Master Conservancy District, original amount of \$110,423, for use of water facility, payable in 50 annual installments of \$5,155, final maturity in November 2026. Contract is secured by water revenues of the WPWA.	\$ 48,129
Contract payable to the Waurika Project Master Conservancy District, original amount of \$401,713, for use of water facility, payable in 25 annual installments of \$26,622, final maturity in October 2035. Contract is secured by water revenues of the WPWA.	345,742
Contract payable to the Waurika Project Master Conservancy District, original amount of \$498,919 for use of water conveyance facility, Payable in 50 annual installments of \$20,422, final maturity in March 2031. Contract is secured by water revenues of the WPWA.	247,484
Total Contracts Payable	\$ 641,355

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Long-term debt service requirements to maturity are as follows:

Year Ended June 30,	Governmental					
	Capital Lease		Notes Payable			
	Principal	Interest	Principal	Interest		
2016	\$10,174	\$1,116	\$7,780	\$163		
2017	10,487	803	-	-		
2018	10,807	483	-	-		
2019	10,151	154	-	-		
Total	<u>\$41,619</u>	<u>\$2,556</u>	<u>\$7,780</u>	<u>\$163</u>		

Year Ended June 30,	Business-Type					
	Notes Payable		Capital Lease		Contracts	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$83,845	\$19,801	\$7,741	\$370	\$27,369	\$24,599
2017	36,286	17,247	7,956	155	28,110	23,812
2018	37,291	16,243	1,317	5	28,940	23,003
2019	38,322	15,212	-	-	30,077	21,786
2020	39,344	14,189	-	-	31,089	20,787
2021-2025	213,839	53,829	-	-	172,797	86,234
2026-2030	245,114	22,554	-	-	190,817	52,654
2031-2035	26,401	365	-	-	132,156	18,639
Total	<u>\$720,442</u>	<u>\$159,440</u>	<u>\$17,014</u>	<u>\$530</u>	<u>\$641,355</u>	<u>\$271,514</u>

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 33.3%) of future sales tax revenue and utility revenues to repay the \$1,326,407 Series 2009 OWRB Promissory Notes. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2030. The total principal and interest payable for the remainder of the life of the notes is \$829,769. Pledged sales taxes (one cent) received in the current year were \$161,707 and net utility revenues (not including investment income) were \$794,590. Debt service payments of \$53,533 for the current fiscal year were 5.6% of both pledged sales taxes and net utility revenues of \$956,297.

Utility Net Revenues Pledge - The City has pledged future net water utility revenues to repay the \$1,011,055 Waurika Project Master Conservancy District contracts payable. Proceeds from the contracts provided financing for capital assets. The contracts are payable from net water revenues and are payable through 2035. The total principal and interest payable for the remainder of the life of these contracts is \$912,869. Net water utility revenues were \$98,579. Debt service payments of \$51,937 for the current fiscal year were 52.7% of net water utility revenues.

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Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation, sick and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2015, is summarized as follows:

- City – Accrued compensated absences \$165,396
- WPWA – Accrued compensated absences \$195,131

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Walters participates in various federal or state grant/loan programs from year to year. In 2015, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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SUPPLEMENTAL AND OTHER INFORMATION

**CITY OF WALTERS, OKLAHOMA
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Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2015

City of Walters Budget and Actual (with Variances) General Fund				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 10,701	\$ 10,701
Resources (Inflows)				
Taxes	540,484	540,484	525,564	(14,920)
Intergovernmental	83,096	83,096	96,759	13,663
Charges for services	85,405	85,405	80,913	(4,492)
Fines and forfeitures	14,178	14,178	16,596	2,418
Licenses and permits	4,370	4,370	4,378	8
Investment income	954	954	5	(949)
Miscellaneous	21,138	21,138	25,436	4,298
Loan proceeds	-	-	42,450	42,450
Transfers in	179,143	179,143	604,989	425,846
Total Resources	<u>928,768</u>	<u>928,768</u>	<u>1,397,090</u>	<u>468,322</u>
Amounts Available for Appropriation	<u>928,768</u>	<u>928,768</u>	<u>1,407,791</u>	<u>479,023</u>
Charges to Appropriations (Outflows)				
Police	250,614	280,414	282,931	(2,517)
Fire	240,657	212,457	214,855	(2,398)
Streets	328,844	337,043	390,565	(53,522)
Parks	45,880	64,070	62,924	1,146
General government	255,407	88,701	87,070	1,631
Library	55,365	51,365	51,339	26
Airport	3,901	4,901	4,777	124
Golf course	152,846	141,547	140,970	577
Transfers out	-	161,707	161,707	-
Total Charges to Appropriations	<u>1,333,514</u>	<u>1,342,205</u>	<u>1,397,138</u>	<u>(54,933)</u>
Fund balances - ending	<u>\$ (404,746)</u>	<u>\$ (413,437)</u>	<u>\$ 10,653</u>	<u>\$ 424,090</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end, therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.
3. The actual amounts on the budgetary comparison schedules differ from the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance due to a difference in the presentation of the General Fund. In the governmental fund statements, the General Fund includes the Cemetery General Account. This account did not meet the definition of special revenue funds as defined in GASB 54. The detail of the differences are as follows:

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Resources - Budgetary Comparison Schedule	\$ 1,397,090
Cemetery General Account revenue	51,222
Deduct transfers in and loan proceeds	<u>(647,439)</u>
Revenue - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 800,873</u>
Charges to appropriations - Budgetary Comparison Schedule	\$ 1,397,138
Cemetery General Account expenditures	67,599
Deduct transfers out	<u>(161,707)</u>
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 1,303,030</u>

4. The following department had excess expenditures over available appropriations:

General Fund:	
Police	\$2,517
Fire	2,398
Streets	53,522

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Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2015

	Capital Project Fund	Debt Service Fund		Total Governmental Funds
	CDBG Fund	Capital Outlay Fund		
ASSETS				
Cash and cash equivalents	\$ 100	\$ 3,226		\$ 3,326
Due from other funds	-	1,684		1,684
Total assets	100	4,910		5,010
 LIABILITIES AND FUND BALANCES				
Total liabilities	-	-		-
Fund balances:				
Restricted for:				
Debt service	-	4,910		4,910
Assigned	100	-		100
Total fund balances	100	4,910		5,010
Total liabilities and fund balances	\$ 100	\$ 4,910		\$ 5,010

CITY OF WALTERS, OKLAHOMA
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As of and for the Year Ended June 30, 2015

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds
(Modified Cash Basis) – Year Ended June 30, 2015

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
	<u>CDBG Fund</u>	<u>Capital Outlay Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Investment income	\$ -	\$ 8	\$ 8
Total revenues	-	8	8
EXPENDITURES			
Debt Service:			
Principal	-	1,679	1,679
Interest and other charges	-	5	5
Total Expenditures	-	1,684	1,684
Excess (deficiency) of revenues over expenditures	-	(1,676)	(1,676)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,525	2,525
Total other financing sources and uses	-	2,525	2,525
Net change in fund balances	-	849	849
Fund balances - beginning	100	4,061	4,161
Fund balances - ending	\$ 100	\$ 4,910	\$ 5,010

CITY OF WALTERS, OKLAHOMA
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Combining Schedule of Balance Sheet Accounts – General Fund Accounts (Modified Cash Basis) – June 30, 2015

	General Fund	Cemetery General Account	Total
ASSETS			
Cash and cash equivalents	\$ 12,823	\$ 5,617	\$ 18,440
Due from other funds	-	1,500	1,500
Total assets	12,823	7,117	19,940
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	1,684	2,166	3,850
Due to other governments	486	-	486
Total liabilities	2,170	2,166	4,336
Fund balances:			
Unassigned	10,653	4,951	15,604
Total fund balances	10,653	4,951	15,604
Total liabilities and fund balances	\$ 12,823	\$ 7,117	\$ 19,940

CITY OF WALTERS, OKLAHOMA
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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Total</u>
REVENUES			
Taxes	\$ 525,564	\$ -	\$ 525,564
Intergovernmental	96,759	-	96,759
Charges for services	80,913	41,496	122,409
Fines and forfeitures	16,596	-	16,596
Licenses and permits	4,378	-	4,378
Investment income	5	623	628
Miscellaneous	25,436	9,103	34,539
Total revenues	<u>749,651</u>	<u>51,222</u>	<u>800,873</u>
EXPENDITURES			
General government	86,502	-	86,502
Public Safety	488,823	-	488,823
Highway and streets	323,871	-	323,871
Culture and recreation	240,429	-	240,429
Cemetery	-	67,599	67,599
Airport	4,777	-	4,777
Capital Outlay	80,557	-	80,557
Debt Service:			
Principal	9,794	-	9,794
Interest and other charges	678	-	678
Total Expenditures	<u>1,235,431</u>	<u>67,599</u>	<u>1,303,030</u>
Excess (deficiency) of revenues over expenditures	<u>(485,780)</u>	<u>(16,377)</u>	<u>(502,157)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	42,450	-	42,450
Transfers in	604,989	21,400	626,389
Transfers out	<u>(161,707)</u>	<u>-</u>	<u>(161,707)</u>
Total other financing sources and uses	<u>485,732</u>	<u>21,400</u>	<u>507,132</u>
Net change in fund balances	(48)	5,023	4,975
Fund balances - beginning	10,701	(72)	10,629
Fund balances - ending	<u>\$ 10,653</u>	<u>\$ 4,951</u>	<u>\$ 15,604</u>

**CITY OF WALTERS, OKLAHOMA
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Schedule of Expenditures of Federal and State Awards – For the Year Ended June 30, 2015

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended	Add: Prior Year Accrual	Less: Current Year Accrual	Total
FEDERAL AWARDS:							
<u>U.S. DEPARTMENT OF JUSTICE:</u>							
Passed through District Attorneys Council:							
JAG LLE Grant 2013	16.738	CI-00020	\$ 9,355	\$ -	\$ 9,355	\$ -	\$ 9,355
JAG LLE Grant 2014	16.738	CI-00017	1,220	1,220	-	-	1,220
Total Federal Awards			<u>\$ 10,575</u>	<u>\$ 1,220</u>	<u>\$ 9,355</u>	<u>\$ -</u>	<u>\$ 10,575</u>
STATE AWARDS:							
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>							
Rural Fire Grant			\$ 4,484	\$ 4,484	\$ -	\$ -	\$ 4,484
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>							
FY 2015 State Aid			7,024	7,024	-	-	7,024
<u>ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:</u>							
REAP Grant - Water Treatment Plant Lagoons		2012 REAP	45,000	10,633	-	(5,550)	5,083
Total State Awards			<u>\$ 56,508</u>	<u>\$ 22,141</u>	<u>\$ -</u>	<u>\$ (5,550)</u>	<u>\$ 16,591</u>

Note: This schedule is prepared on a basis consistent with OMB Circular A-133.(Federal Awards Expended).

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2015

DEBT SERVICE COVERAGE:	OWRB Series 2009 <u>Promissory Note</u>
GROSS REVENUE AVAILABLE:	
Charges for services (all utility services)	3,378,509
Investment income	58,565
Sales tax appropriated and transferred from the City General Fund	<u>161,707</u>
Total Gross Revenue Available	<u>3,598,781</u>
OPERATING EXPENSES:	
Total Operating Expenses	<u>2,583,919</u>
Net Revenue Available for Debt Service	<u><u>\$1,014,862</u></u>
Maximum Annual Debt Service on all Obligations Payable From Revenues of the System	<u><u>\$53,533</u></u>
Computed Coverage	<u><u>1896%</u></u>
Coverage Requirement	<u><u>125%</u></u>

The 2009 OWRB Promissory Notes have a coverage requirement of 125%. Therefore, at June 30, 2015, the City met the coverage requirement.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

INTERNAL CONTROL AND COMPLIANCE



CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council
City of Walters, 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 accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Walters, Oklahoma, as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 13, 2015. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedure 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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.

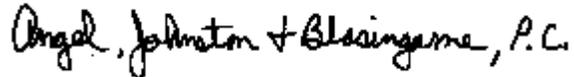
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma
November 13, 2015

**CITY OF WALTERS, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015**

Deficiencies of Internal Control, Compliance and Other Matters:

There were no significant or material findings to report.

**CITY OF WALTERS, OKLAHOMA
DISPOSITION OF PRIOR YEAR FINDINGS
Year Ended June 30, 2015**

Deficiencies of Internal Control, Compliance and Other Matters

There were no significant or material findings to report.