

TOWN OF WALTERS, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

**THE CITY OF WALTERS,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

This page intentionally left blank

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

TABLE OF CONTENTS

Independent Auditor’s Report on Financial Statements..... 5-6

Other Information - Management’s Discussion and Analysis..... 7-13

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position (Modified Cash Basis)..... 15

Statement of Activities (Modified Cash Basis)..... 16

Governmental Funds Financial Statements:

Balance Sheet (Modified Cash Basis)..... 18

Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)..... 19

Proprietary Funds Financial Statements:

Statement of Net Position (Modified Cash Basis) 21

Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis)..... 22

Statement of Cash Flows (Modified Cash Basis)..... 23

Footnotes to the Basic Financial Statements24-36

Supplemental and Other Information:

Budgetary Comparison Information

Budgetary Comparison Schedule (Modified Cash Basis)– General Fund..... 38

Footnotes to Budgetary Comparison Schedules..... 38-39

Combining Non-Major Governmental Fund Statements

Combining Balance Sheet (Modified Cash Basis)..... 40

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)..... 41

Combining General Fund Accounts Schedules

Combining Schedule of Balance Sheet Accounts (Modified Cash Basis)..... 42

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)..... 43

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Federal and State Awards Information

Schedule of Expenditures of Federal and State Awards44

Debt Service Coverage Information

Schedule of Debt Service Coverage Requirement..... 45

Internal Control and Compliance over Financial Reporting

Independent Auditor’s Report on Internal Control and Compliance..... 47-48
Schedule of Findings and Responses..... 49-50



CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, 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, 2016, 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 and Other Information

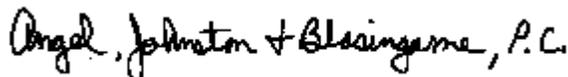
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walters, Oklahoma basic financial statements. The Supplemental and Other Information as listed in the table of contents and the management discussion and analysis are presented for additional analysis and are not a required part of the basic financial statements.

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.

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 2, 2016, 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 2, 2016

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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, 2016. 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 decreased by \$59,725, and the assets of the City exceed its liabilities at June 30, 2016, by \$1,317,080 (net position). Of this amount, \$114,875 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,348,929.
- At the end of fiscal year 2016, unassigned fund balance on a modified cash basis for the General Fund was \$160,288 or 12.5% 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 Manager

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.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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, 2016**

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*.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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, 2016, net position on a modified cash basis for the governmental and business-type activities decreased \$59,725.

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

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

**The City of Walters' Net Position (Modified Cash Basis)
June 30, 2016**

**TABLE 1
NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
Total assets	\$ 1,349	\$ 1,184	14%	\$ 141	\$ 350	-60%	\$ 1,491	\$ 1,534	-3%
Total liabilities	0	-	-	346	157	120%	346	157	120%
Net position									
Restricted	1,216	1,154	5%	32	32	-	1,248	1,186	5%
Unrestricted	133	30	-	(63)	161	-	70	191	-63%
Total net position	\$ 1,349	\$ 1,184	14%	\$ (32)	\$ 193	-116%	\$ 1,317	\$ 1,377	-4%

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, 2016**

**TABLE 2
CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
Revenues									
Charges for service	\$ 143	\$ 149	-4%	\$ 2,990	\$ 3,378	-11%	\$ 3,133	\$ 3,527	-11%
Operating grants, loans and contributions	192	48	300%	70	-	100%	262	48	446%
Capital grants and contributions	403	53	660%	465	5	9200%	868	58	1397%
Taxes	508	526	-3%	-	-	-	508	526	-3%
Intergovernmental revenue	51	50	2%	-	-	-	51	50	2%
Investment income	6	5	20%	55	58	-5%	61	63	-3%
Miscellaneous	20	23	-13%	61	22	177%	81	45	80%
Total revenues	1,323	854	55%	3,641	3,463	5%	4,964	4,317	15%
Expenses									
General government	139	86	62%	-	-	-	139	86	62%
Public safety	560	489	15%	-	-	-	560	489	15%
Streets	448	390	15%	-	-	-	448	390	15%
Culture, parks and recreation	243	255	-5%	-	-	-	243	255	-5%
Cemetery	72	73	-1%	-	-	-	72	73	-1%
Airport	418	5	8260%	-	-	-	418	5	8260%
Principal on long-term debt	20	11	82%	-	-	-	20	11	82%
Interest on long-term debt	2	1	100%	-	-	-	2	1	100%
Electric	-	-	-	1,631	1,872	-13%	1,631	1,872	-13%
Water	-	-	-	1,068	598	79%	1,068	598	79%
Wastewater	-	-	-	145	127	14%	145	127	14%
Sanitation	-	-	-	273	281	-3%	273	281	-3%
Industrial development	-	-	-	5	-	100%	5	-	100%
Total expenses	1,902	1,310	45%	3,122	2,878	8%	5,024	4,188	20%
Excess (deficiency) before transfers	(579)	(456)	-27%	519	585	-11%	(60)	129	-147%
Transfers	744	447	66%	(744)	(447)	-66%	-	-	
Change in net position	165	(9)	1933%	(225)	138	263%	(60)	129	-147%
Beginning net position	1,184	1,193	-1%	193	55	251%	1,377	1,248	10%
Ending net position	\$ 1,349	\$ 1,184	14%	\$ (32)	\$ 193	-117%	\$ 1,317	\$ 1,377	-4%

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Governmental Activities

The increase in governmental activities operating and capital grants and contributions was due primarily to FEMA reimbursements totaling \$149,416 and an FAA grant in the amount of \$372,748. Airport expenditures increased as a direct result of expenditures related to the aforementioned FAA grant.

Business-type Activities

The increase in business-type operating grants, loans and contributions was due to the City receiving loan proceeds from a line of credit in the current year. The increase in capital grants, loans and contributions was due primarily to loan proceeds received for water projects and activities through the Waurika Master Conservancy District.

**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>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
	General government	\$ 139		\$ 86	62%	
Public safety	560	489	15%	(508)	(409)	24%
Streets	448	390	15%	(275)	(365)	-25%
Culture, parks and recreation	243	255	-5%	(160)	(172)	-7%
Cemetery	72	73	-1%	(18)	(16)	13%
Airport	418	5	8260%	(45)	(5)	800%
Principal on long-term debt	20	11	82%	(20)	(11)	82%
Interest on long-term debt	2	1	100%	(2)	(1)	100%
Total	<u>\$ 1,902</u>	<u>\$ 1,310</u>	45%	<u>\$(1,164)</u>	<u>\$(1,060)</u>	10%

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

**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>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Electric	\$ 1,631	\$ 1,872	-13%	\$ 344	\$ 445	-23%
Water	1,068	598	79%	(124)	(158)	-22%
Wastewater	145	127	14%	113	142	-20%
Sanitation	273	281	-3%	75	76	-1%
Industrial development	<u>5</u>	<u>-</u>	100%	<u>(4)</u>	<u>-</u>	100%
Total	<u>\$ 3,122</u>	<u>\$ 2,878</u>	8%	<u>\$ 404</u>	<u>\$ 505</u>	-20%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$1,348,929. For the year ended June 30, 2016, the General Fund's total fund balance increased by \$144,684. The proprietary funds reported a combined net position balance of \$(31,849). The total net position of the Walters Public Works Authority decreased by \$222,321.

Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues over final estimates by \$115,493 or a 5.83% positive variance. General Fund actual expenditures were over final appropriations by \$78,899 or a 4.05% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The City has approved a contract related to installation of a rotating beacon at the airport related to the FAA grant.
- The City has approved the purchase of three controllers at the Water Plant.

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
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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, 2016

Statement of Net Position (Modified Cash Basis) – June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 71,963	\$ 82,128	\$ 154,091
Internal Balances	150,916	(150,916)	-
Investments	126,500	7,706	134,206
Restricted cash and cash equivalents	-	65,305	65,305
Restricted investments	1,000,000	137,050	1,137,050
Total Assets	<u>1,349,379</u>	<u>141,273</u>	<u>1,490,652</u>
LIABILITIES			
Due to other governments	450	3,150	3,600
Due to depositors	-	169,972	169,972
Total liabilities	<u>450</u>	<u>173,122</u>	<u>173,572</u>
NET POSITION			
Restricted for:			
Nonexpendable endowment	1,000,000	-	1,000,000
Cemetery	155,041	-	155,041
Grant expenditures	45,769	-	45,769
Debt service	14,781	32,383	47,164
Unrestricted	133,338	(64,232)	69,106
Total net position	<u>\$ 1,348,929</u>	<u>\$ (31,849)</u>	<u>\$ 1,317,080</u>

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants, Loans and Contributions	Capital Grants, Loans and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 139,415	\$ 3,163	\$ 400	\$ -	\$ (135,852)	\$ -	\$ (135,852)
Public Safety	559,611	16,296	4,290	30,732	(508,293)	-	(508,293)
Highways and streets	447,755	-	173,007	-	(274,748)	-	(274,748)
Culture and Recreation	243,066	75,689	7,352	-	(160,025)	-	(160,025)
Cemetery	72,243	47,475	6,946	-	(17,822)	-	(17,822)
Airport	417,704	-	-	372,748	(44,956)	-	(44,956)
Principal on Long-term debt	20,333	-	-	-	(20,333)	-	(20,333)
Interest on Long-term debt	1,605	-	-	-	(1,605)	-	(1,605)
Total governmental activities	<u>1,901,732</u>	<u>142,623</u>	<u>191,995</u>	<u>403,480</u>	<u>(1,163,634)</u>	<u>-</u>	<u>(1,163,634)</u>
Business-type activities:							
Electric	1,630,722	1,939,183	-	35,100	-	343,561	343,561
Water	1,067,893	443,780	70,000	430,194	-	(123,919)	(123,919)
Wastewater	144,904	258,198	-	-	-	113,294	113,294
Sanitation	273,251	348,489	-	-	-	75,238	75,238
Industrial development	4,665	-	-	-	-	(4,665)	(4,665)
Total business-type activities	<u>3,121,435</u>	<u>2,989,650</u>	<u>70,000</u>	<u>465,294</u>	<u>-</u>	<u>403,509</u>	<u>403,509</u>
Total primary government	<u>5,023,167</u>	<u>3,132,273</u>	<u>261,995</u>	<u>868,774</u>	<u>(1,163,634)</u>	<u>403,509</u>	<u>(760,125)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 495,049	\$ -	\$ 495,049
Franchise taxes and public service taxes					12,441	-	12,441
Intergovernmental revenue not restricted to specific programs					51,027	-	51,027
Unrestricted investment earnings					5,709	54,411	60,120
Miscellaneous					20,476	61,287	81,763
Transfers					<u>744,383</u>	<u>(744,383)</u>	<u>-</u>
Total general revenues and transfers					<u>1,329,085</u>	<u>(628,685)</u>	<u>700,400</u>
Change in net position					165,451	(225,176)	(59,725)
Net position - beginning					<u>1,183,478</u>	<u>193,327</u>	<u>1,376,805</u>
Net position - ending					<u>\$ 1,348,929</u>	<u>\$ (31,849)</u>	<u>\$ 1,317,080</u>

See accompanying notes to these financial statements.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2016

	<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	\$ 13,672	\$ 18,719	\$ 26,375	\$ 13,197	\$ 71,963
Investments	-	-	126,500	-	126,500
Restricted investments	-	1,000,000	-	-	1,000,000
Due from other funds	150,916	-	2,166	1,684	154,766
Total assets	<u>164,588</u>	<u>1,018,719</u>	<u>155,041</u>	<u>14,881</u>	<u>1,353,229</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	3,850	-	-	-	3,850
Due to other governments	450	-	-	-	450
Total liabilities	<u>4,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,300</u>
Fund balances:					
Nonspendable:					
Nonexpendable permanent endowment	-	1,000,000	-	-	1,000,000
Restricted:					
Cemetery	-	-	155,041	-	155,041
Grant expenditures	45,769	-	-	-	45,769
Debt service	-	-	-	14,781	14,781
Assigned	-	-	-	100	100
Unassigned	114,519	18,719	-	-	133,238
Total fund balances	<u>160,288</u>	<u>1,018,719</u>	<u>155,041</u>	<u>14,881</u>	<u>1,348,929</u>
Total liabilities and fund balances	<u>\$ 164,588</u>	<u>\$ 1,018,719</u>	<u>\$ 155,041</u>	<u>\$ 14,881</u>	<u>\$ 1,353,229</u>

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – Year Ended June 30, 2016

	<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	\$ 507,490	\$ -	\$ -	\$ -	\$ 507,490
Intergovernmental	607,650	-	-	-	607,650
Charges for services	122,489	-	5,831	-	128,320
Fines and forfeitures	12,445	-	-	-	12,445
Licenses and permits	1,998	-	-	-	1,998
Investment income	632	5,018	47	12	5,709
Miscellaneous	28,456	-	-	-	28,456
Total revenues	<u>1,281,160</u>	<u>5,018</u>	<u>5,878</u>	<u>12</u>	<u>1,292,068</u>
EXPENDITURES					
Current:					
General government	91,303	-	-	-	91,303
Public Safety	518,879	-	-	-	518,879
Highway and streets	344,527	-	-	-	344,527
Culture and recreation	241,694	-	-	-	241,694
Cemetery	72,243	-	-	-	72,243
Airport	3,825	-	-	-	3,825
Capital Outlay	607,323	-	-	-	607,323
Debt Service:					
Principal	20,333	-	-	-	20,333
Interest and other charges	1,605	-	-	-	1,605
Total Expenditures	<u>1,901,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,901,732</u>
Excess (deficiency) of revenues over expenditures	<u>(620,572)</u>	<u>5,018</u>	<u>5,878</u>	<u>12</u>	<u>(609,664)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	30,732	-	-	-	30,732
Transfers in	884,146	-	-	9,859	894,005
Transfers out	(149,622)	-	-	-	(149,622)
Total other financing sources and uses	<u>765,256</u>	<u>-</u>	<u>-</u>	<u>9,859</u>	<u>775,115</u>
Net change in fund balances	144,684	5,018	5,878	9,871	165,451
Fund balances - beginning	15,604	1,013,701	149,163	5,010	1,183,478
Fund balances - ending	<u>\$ 160,288</u>	<u>\$ 1,018,719</u>	<u>\$ 155,041</u>	<u>\$ 14,881</u>	<u>\$ 1,348,929</u>

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2016

	<u>Major Enterprise Fund</u>	<u>Non-major Enterprise Fund</u>	
	<u>Walters Public Works Authority</u>	<u>Walters Industrial Development Authority</u>	<u>Total Enterprise Funds</u>
ASSETS			
Cash and cash equivalents	\$ 69,410	\$ 12,718	\$ 82,128
Investments	-	7,706	7,706
Restricted:			
Restricted cash and cash equivalents	65,305	-	65,305
Restricted investments	137,050	-	137,050
Total assets	<u>271,765</u>	<u>20,424</u>	<u>292,189</u>
LIABILITIES			
Due to other governments	3,150	-	3,150
Due to other funds	150,916	-	150,916
Deposits subject to refund	169,972	-	169,972
Total liabilities	<u>324,038</u>	<u>-</u>	<u>324,038</u>
NET POSITION			
Restricted for debt service	32,383	-	32,383
Unrestricted	(84,656)	20,424	(64,232)
Total net position	<u>\$ (52,273)</u>	<u>\$ 20,424</u>	<u>\$ (31,849)</u>

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2016

	<u>Major Enterprise Fund</u>	<u>Non-major Enterprise Fund Walters Industrial Development Authority</u>	<u>Total Enterprise Funds</u>
	<u>Walters Public Works Authority</u>		
OPERATING REVENUES			
Electric	\$ 1,939,183	\$ -	\$ 1,939,183
Water	443,780	-	443,780
Sewer	258,198	-	258,198
Sanitation	348,489	-	348,489
Total operating revenues	<u>2,989,650</u>	<u>-</u>	<u>2,989,650</u>
OPERATING EXPENSES			
Electric	1,298,084	-	1,298,084
Water	585,949	-	585,949
Sewer	40,055	-	40,055
Sanitation	190,170	-	190,170
Industrial Development	-	4,665	4,665
General government	500,272	-	500,272
Total operating expenses	<u>2,614,530</u>	<u>4,665</u>	<u>2,619,195</u>
Operating income (loss)	<u>375,120</u>	<u>(4,665)</u>	<u>370,455</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	54,351	60	54,411
Loan proceeds	491,573	-	491,573
Grant revenue	43,721	-	43,721
Miscellaneous revenue	59,537	1,750	61,287
Debt Service:			
Principal	(453,610)	-	(453,610)
Interest and other charges	(48,630)	-	(48,630)
Total net non-operating revenue (expense)	<u>146,942</u>	<u>1,810</u>	<u>148,752</u>
Income (loss) before transfers	522,062	(2,855)	519,207
Transfers in	149,622	-	149,622
Transfers out	(894,005)	-	(894,005)
Change in net position	<u>(222,321)</u>	<u>(2,855)</u>	<u>(225,176)</u>
Total net position - beginning	170,048	23,279	193,327
Total net position - ending	<u>\$ (52,273)</u>	<u>\$ 20,424</u>	<u>\$ (31,849)</u>

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2016

	<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	\$ 2,989,650	\$ -	\$ 2,989,650
Payments to suppliers	(1,865,207)	(4,665)	(1,869,872)
Payments to employees	(749,323)	-	(749,323)
Interfund receipts/payments	150,107	-	150,107
Receipts of customer meter deposits	65,609	-	65,609
Refunds of customer meter deposits	(50,326)	-	(50,326)
Other receipts	103,258	1,750	105,008
Net cash provided by (used in) operating activities	<u>643,768</u>	<u>(2,915)</u>	<u>640,853</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	149,622	-	149,622
Transfers to other funds	(894,005)	-	(894,005)
Net cash provided by (used in) noncapital financing activities	<u>(744,383)</u>	<u>-</u>	<u>(744,383)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from debt	491,573	-	491,573
Principal paid on debt	(453,610)	-	(453,610)
Interest and fiscal agent fees paid on debt	(48,630)	-	(48,630)
Net cash provided by (used in) capital and related financing activities	<u>(10,667)</u>	<u>-</u>	<u>(10,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(39)	(39)
Interest and dividends	54,351	60	54,411
Net cash provided by investing activities	<u>54,351</u>	<u>21</u>	<u>54,372</u>
Net increase (decrease) in cash and cash equivalents	(56,931)	(2,894)	(59,825)
Balances - beginning of year	<u>191,646</u>	<u>15,612</u>	<u>207,258</u>
Balances - end of year	<u>\$ 134,715</u>	<u>\$ 12,718</u>	<u>\$ 147,433</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	69,410	12,718	82,128
Restricted cash and cash equivalents	65,305	-	65,305
Total cash and cash equivalents, end of year	<u>134,715</u>	<u>12,718</u>	<u>147,433</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 375,120	\$ (4,665)	\$ 370,455
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Miscellaneous revenue	103,258	1,750	105,008
Change in assets and liabilities:			
Due to other governments	691	-	691
Due from other funds	149,416	-	149,416
Deposits subject to refund	15,283	-	15,283
Net cash provided by (used in) operating activities	<u>\$ 643,768</u>	<u>\$ (2,915)</u>	<u>\$ 640,853</u>

See accompanying notes to these financial statements.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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 15-16.
- Capital Outlay Fund – a debt service fund that accounts for residual \$1 meter charge assessed for Water Plant lagoon cleanout.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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, 2016, the City recognized \$60,120 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, 2016, 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			167,765
Time deposits			1,271,256
Money market mutual funds:			
Cavanal Hill U.S. Treasury - Admin fund	N/A	AAAm	49,922
			<u>\$ 1,490,652</u>
Total deposits and investments			<u><u>\$ 1,490,652</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 154,091
Restricted cash and cash equivalents			65,305
Investments			134,206
Restricted investments			1,137,050
			<u>\$ 1,490,652</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, 2016, 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.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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, 2016, 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, 2016 are as follows:

<u>Type of Restricted Asset</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>
Utility Deposits	\$ 49,922	\$ 120,050
OWRB Debt Service	13,742	-
UDAG Savings	1,641	-
UDAG CD	-	17,000
Graham Trust	-	1,000,000
Total	<u>\$ 65,305</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:

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Cemetery Perpetual	Cemetery General Fund	\$ 2,166	Reimburse cemetery revenue owed
General Fund	Capital Outlay Fund	1,684	Reimburse revenues
WPWA	Cemetery General Fund	1,500	Cemetery lots recorded in WPWA not yet transferred
WPWA	General Fund	149,416	FEMA grant revenues
Total		<u>\$ 154,766</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 154,766	\$ (3,850)	\$ 150,916
Proprietary Funds	-	(150,916)	(150,916)
Total	<u>\$ 154,766</u>	<u>\$ (154,766)</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	\$ 149,622	Sales tax transfer
WPWA	General Fund	630,000	Operational subsidy
WPWA	General Fund	149,622	Return of sales tax transfer
WPWA	General Fund	21,938	Debt payments
WPWA	General Fund	14,474	Transfer revenues
WPWA	General Fund	48,112	Transfer capital related expenses
WPWA	Capital Outlay Fund	9,859	Transfer revenues
WPWA	Cemetery Fund	20,000	Operational subsidy
Total		<u>\$ 1,043,627</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 894,005	\$ (149,622)	\$ 744,383
Proprietary Funds	149,622	(894,005)	(744,383)
	<u>\$ 1,043,627</u>	<u>\$ (1,043,627)</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 Dearborn National.

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.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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>
2014	\$ 17,094	\$ 17,094
2015	16,647	16,647
2016	17,695	17,695

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>
2014	\$ 53,778	\$ 70,359
2015	51,085	65,120
2016	48,047	61,420

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

7. Commitments and Contingencies

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Notes payable	\$ 7,780	\$ 30,732	\$ 10,213	\$ 28,299	9,984
Capital lease payable	41,619	-	10,120	31,499	10,487
Total Governmental Activities	<u>\$ 49,399</u>	<u>\$ 30,732</u>	<u>\$ 20,333</u>	<u>\$ 59,798</u>	<u>\$ 20,471</u>
Business-Type Activities:					
Notes payable	\$ 720,442	\$ 70,000	\$ 153,845	\$ 636,597	36,286
Capital lease payable	17,014	35,100	15,257	36,857	19,543
Contracts payable	641,355	386,473	284,508	743,320	32,705
Total Business-Type Activities	<u>1,378,811</u>	<u>491,573</u>	<u>453,610</u>	<u>1,416,774</u>	<u>88,534</u>
Total Long-Term Debt	<u>\$ 1,410,310</u>	<u>\$ 522,305</u>	<u>\$ 473,943</u>	<u>\$ 1,476,572</u>	<u>\$ 109,005</u>

Governmental Activities:

At June 30, 2016, the governmental activities long-term payable from taxes and other general revenues include the following:

Long-Term Note Commitments

Note Payable to Welch State Bank dated March 15, 2016, original amount \$30,732 with annual interest rate of 3.51%, due in monthly installments of \$902 beginning April 20, 2016, final installment due March 20, 2019, secured with a property mortgage and payable from WPWA resources

Total Notes Payable \$28,299

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 \$31,499

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, 2016, includes the following:

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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.	\$	636,597
Total Notes Payable	\$	<u>636,597</u>

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.	\$	9,283
Lease obligation for purchase of 2000 Ford Bucket Truck, original amount of \$35,100, payable in monthly installments of \$1,018 with a 2.82% interest rate, final payment due October 2018.		<u>27,574</u>
Total Capital Leases Payable	\$	<u>36,857</u>

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.	\$	44,062
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.		333,694
Contract payable to the Waurika Project Master Conservancy District, original amount of \$254,544 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.		239,610
Contract payable to Waurika Project Master Conservancy District, original amount of \$131,928, for silt removal and line extension, payable in annual installments of approximately \$9,400, final maturity in October 2036. Contract is secured by water revenues of the WPWA.		<u>125,954</u>
Total Contracts Payable	\$	<u>743,320</u>

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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

Year Ended June 30,	Governmental					
	<u>Notes Payable</u>		<u>Capital Lease</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$9,984	\$836	\$10,487	\$803		
2018	10,341	479	10,807	483		
2019	7,974	211	10,205	154		
Total	\$28,299	\$1,526	\$31,499	\$1,440		

Year Ended June 30,	Business-Type					
	<u>Notes Payable</u>		<u>Capital Lease</u>		<u>Contracts</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$36,286	\$17,247	\$19,543	\$786	\$32,705	\$27,812
2018	37,291	16,243	13,246	304	34,283	26,922
2019	38,322	15,212	4,068	24	35,597	25,591
2020	39,344	14,189	-	-	36,671	24,475
2021	40,471	13,062	-	-	37,874	23,352
2022-2026	219,755	47,914	-	-	209,200	96,237
2027-2031	225,128	15,772	-	-	226,548	58,820
2032-2036	-	-	-	-	130,442	17,044
Total	\$636,597	\$139,639	\$36,857	\$1,114	\$743,320	\$300,253

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 \$1,326,974 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 \$776,236. Pledged sales taxes (one cent) received in the current year were \$149,622 and net utility revenues (not including investment income) were \$524,742. Debt service payments of \$53,533 for the current fiscal year were 7.3% of both pledged sales taxes and net utility revenues of \$728,715.

Utility Net Revenues Pledge - The City has pledged future net water utility revenues to repay the \$898,609 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 2036. Net water utility revenues were \$(142,169). Debt service payments of \$60,225 for the current fiscal year were (42)% of net water utility revenues. There were capital items purchased totaling \$171,594 from the water department in the current fiscal year.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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, 2016, is summarized as follows:

- City – Accrued compensated absences \$152,073
- WPWA – Accrued compensated absences \$214,247

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 2016, 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.

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

SUPPLEMENTAL AND OTHER INFORMATION

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2016

City of Walters Budget and Actual (with Variances) General Fund				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ (7,710)	\$ (33,069)	\$ 10,653	\$ 43,722
Resources (Inflows)				
Taxes	492,694	492,693	507,490	14,797
Intergovernmental	486,300	486,300	607,650	121,350
Charges for services	84,711	89,671	80,845	(8,826)
Fines and forfeitures	17,240	15,850	12,445	(3,405)
Licenses and permits	3,727	1,993	1,998	5
Investment income	9	9	6	(3)
Miscellaneous	22,724	20,888	21,210	322
Transfers in	723,393	872,893	864,146	(8,747)
Total Resources	<u>1,830,798</u>	<u>1,980,297</u>	<u>2,095,790</u>	<u>115,493</u>
Amounts Available for Appropriation	<u>1,823,088</u>	<u>1,947,228</u>	<u>2,106,443</u>	<u>159,215</u>
Charges to Appropriations (Outflows)				
Police	251,096	299,097	285,962	13,135
Fire	237,692	237,692	232,917	4,775
Streets	378,424	454,425	447,755	6,670
Parks	43,954	57,540	57,261	279
General government	94,898	94,898	91,303	3,595
Library	50,244	62,296	62,179	117
Airport	453,950	440,450	417,704	22,746
Golf course	151,437	139,437	123,626	15,811
Transfers out	161,393	161,393	149,622	11,771
Total Charges to Appropriations	<u>1,823,088</u>	<u>1,947,228</u>	<u>1,868,329</u>	<u>78,899</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,114</u>	<u>\$ 238,114</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 differences is as follows:

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Resources - Budgetary Comparison Schedule	\$ 2,095,790
Cemetery General Account revenue	49,516
Police capital lease	30,732
Deduct transfers in and loan proceeds	(894,878)
Revenue - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 1,281,160</u>
Charges to appropriations - Budgetary Comparison Schedule	\$ 1,868,329
Cemetery General Account expenditures	72,243
General government reclassification of capital expenditures	48,112
Police capital outlay related to new capital lease	40,732
Police debt payment reclassification	10,648
Street debt payment reclassification	11,290
Deduct transfers out	(149,622)
Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 1,901,732</u>

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2016

	Capital Project Fund	Debt Service Fund		Capital Outlay Fund	Total Governmental Funds
	CDBG Fund			Fund	Funds
ASSETS					
Cash and cash equivalents	\$ 100			\$ 13,097	\$ 13,197
Due from other funds	-			1,684	1,684
Total assets	100			14,781	14,881
 LIABILITIES AND FUND BALANCES					
Total liabilities	-			-	-
Fund balances:					
Restricted for:					
Debt service	-			14,781	14,781
Assigned	100			-	100
Total fund balances	100			14,781	14,881
Total liabilities and fund balances	\$ 100			\$ 14,781	\$ 14,881

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds
(Modified Cash Basis) – Year Ended June 30, 2016

	<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	\$ -	\$ 12	\$ 12
Total revenues	<u>-</u>	<u>12</u>	<u>12</u>
EXPENDITURES			
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>12</u>	<u>12</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	9,859	9,859
Total other financing sources and uses	<u>-</u>	<u>9,859</u>	<u>9,859</u>
Net change in fund balances	-	9,871	9,871
Fund balances - beginning	100	4,910	5,010
Fund balances - ending	<u>\$ 100</u>	<u>\$ 14,781</u>	<u>\$ 14,881</u>

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Schedule of Balance Sheet Accounts – General Fund Accounts (Modified Cash Basis) – June 30, 2016

	General Fund	Cemetery General Account	Total
ASSETS			
Cash and cash equivalents	\$ 10,782	\$ 2,890	\$ 13,672
Due from other funds	149,416	1,500	150,916
Total assets	160,198	4,390	164,588
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	1,684	2,166	3,850
Due to other governments	450	-	450
Total liabilities	2,134	2,166	4,300
Fund balances:			
Restricted for:			
Grant expenditures	45,769	-	45,769
Unassigned	112,295	2,224	114,519
Total fund balances	158,064	2,224	160,288
Total liabilities and fund balances	\$ 160,198	\$ 4,390	\$ 164,588

CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2016

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Total</u>
REVENUES			
Taxes	\$ 507,490	\$ -	\$ 507,490
Intergovernmental	607,650	-	607,650
Charges for services	80,845	41,644	122,489
Fines and forfeitures	12,445	-	12,445
Licenses and permits	1,998	-	1,998
Investment income	6	626	632
Miscellaneous	21,210	7,246	28,456
Total revenues	<u>1,231,644</u>	<u>49,516</u>	<u>1,281,160</u>
EXPENDITURES			
Current:			
General government	91,303	-	91,303
Public Safety	518,879	-	518,879
Highway and streets	344,527	-	344,527
Culture and recreation	241,694	-	241,694
Cemetery	-	72,243	72,243
Airport	3,825	-	3,825
Capital Outlay	607,323	-	607,323
Debt Service:			
Principal	20,333	-	20,333
Interest and other charges	1,605	-	1,605
Total Expenditures	<u>1,829,489</u>	<u>72,243</u>	<u>1,901,732</u>
Excess (deficiency) of revenues over expenditures	<u>(597,845)</u>	<u>(22,727)</u>	<u>(620,572)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	30,732	-	30,732
Transfers in	864,146	20,000	884,146
Transfers out	(149,622)	-	(149,622)
Total other financing sources and uses	<u>745,256</u>	<u>20,000</u>	<u>765,256</u>
Net change in fund balances	147,411	(2,727)	144,684
Fund balances - beginning	10,653	4,951	15,604
Fund balances - ending	<u>\$ 158,064</u>	<u>\$ 2,224</u>	<u>\$ 160,288</u>

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Schedule of Expenditures of Federal and State Awards – For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Award Amount</u>	<u>Passed Through to Subrecipients</u>	<u>Awards Expended</u>	<u>Add: Prior Year Accrual</u>	<u>Less: Current Year Accrual</u>	<u>Total Expenditures</u>
FEDERAL AWARDS:								
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>								
Passed through Oklahoma Aeronautics Commission								
2015 Rehabilitation Runway	20.106	3-40-0103-004-2015	\$ 372,748	\$ -	\$ 372,748	\$ -	\$ -	\$ 372,748
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>								
FEMA - Storms and Flooding	97.036	FEMA-4222-DR-OK	149,416	-	103,647	-	-	103,647
Total Federal Awards			<u>\$ 522,164</u>	<u>\$ -</u>	<u>\$ 476,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,395</u>
STATE AWARDS:								
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>								
Rural Fire Grant	N/A	N/A	\$ 4,290	\$ -	\$ 4,290	\$ -	\$ -	\$ 4,290
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>								
FY 2016 State Aid	N/A	N/A	6,578	-	6,578	-	-	6,578
<u>ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:</u>								
REAP Grant - Water Treatment Plant Lagoons	N/A	2013 REAP	45,000	-	7,000	5,550	-	12,550
REAP Grant - Sludge Removal	N/A	2015 REAP	45,000	-	31,171	-	-	31,171
Total State Awards			<u>\$ 100,868</u>	<u>\$ -</u>	<u>\$ 49,039</u>	<u>\$ 5,550</u>	<u>\$ -</u>	<u>\$ 54,589</u>

Note: This schedule is prepared on a basis consistent with the new Uniform Guidance. (Federal Awards Expended).

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2016

DEBT SERVICE COVERAGE:	OWRB Series 2009 <u>Promissory Note</u>
GROSS REVENUE AVAILABLE:	
Charges for services (all utility services)	2,989,650
Investment income	54,351
Sales tax appropriated and transferred from the City General Fund	<u>149,622</u>
Total Gross Revenue Available	<u>3,193,623</u>
OPERATING EXPENSES:	
Total Operating Expenses	<u>2,614,530</u>
Net Revenue Available for Debt Service	<u><u>\$579,093</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>1082%</u></u>
Coverage Requirement	<u><u>125%</u></u>

The 2009 OWRB Promissory Notes have a coverage requirement of 125%. Therefore, at June 30, 2016, the City met the coverage requirement.

**CITY OF WALTERS, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2016. Our report included an emphasis matter paragraph on the City's use of the modified cash basis of accounting.

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.

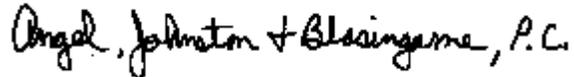
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, we did not identify any deficiencies 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 2, 2016

**CITY OF WALTERS, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016**

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, 2016**

Deficiencies of Internal Control, Compliance and Other Matters

There were no significant or material findings to report.