

**TOWN OF BEAVER
BEAVER, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2015**

TOWN OF BEAVER, OKLAHOMA
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TOWN OF BEAVER, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Kirk A. Fisher – Mayor

Charles Weber – Vice Mayor

Debbie Brennon – Trustee

Bob Downing – Trustee

Blaine Smylie – Trustee

TOWN ADMINISTRATOR

Marc Davis

TOWN TREASURER

Lori Downing

TOWN CLERK

Lana Sleeper



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Beaver, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Beaver, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Beaver, Oklahoma'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Beaver, Oklahoma, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of pension liabilities on pages 4–9, 33 and 34–35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016, on our consideration of the Town of Beaver, Oklahoma'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Beaver, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, Oklahoma
February 1, 2016

Our discussion and analysis of the Town of Beaver's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$2,200,952 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,094,121, as restated for the implementation of GASB 68 Accounting and Financial Reporting for Pensions. Refer for the detail of adjustment in the footnotes.
- Total liabilities of the Town were \$367,600 of which \$206,936 represents long term debt outstanding. The increase in long term liabilities is mainly due to the recording of the net pension obligation of \$79,717.
- Total net position is comprised of the following:
 - 1) Net investment in capital assets, of \$1,358,813 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Unrestricted net position of \$820,968 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
 - 3) Reserve for restricted purposes of \$21,171 is restricted for debt and other obligations.
- The Town's governmental funds reported total ending fund balance of \$816,534 at June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety; transportation; and recreation. Business-type activities include utility services provided by the Town. Fiduciary activities,

including municipal bond activity, are excluded from the government-wide statements since these assets are not available to fund Town programs.

The Town's financial reporting entity includes the funds of the Town (primary government) comprising of governmental and business-type activities. Management's Discussion and Analysis will focus on the Town's primary government.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at fiscal yearend was \$2,200,952. The following table provides a summary of the Town's net position at June 30:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2015	2014	2015	2014	2015	2014	\$	%
Current assets	\$ 233,003	\$ 183,532	\$ 56,886	\$ 98,012	\$ 289,889	\$ 281,544	\$ 8,345	3%
Restricted assets	853,847	806,480	149,120	145,699	1,002,967	952,179	50,788	5%
Capital assets, net	1,275,763	1,284,758	196,034	147,275	1,471,797	1,432,033	39,764	3%
Total assets	\$ 2,362,613	\$ 2,274,770	\$ 402,040	\$ 390,986	\$ 2,764,653	\$ 2,665,756	\$ 98,897	4%
Deferred outflows	3,679	-	-	-	3,679	-	3,679	100%
Current liabilities	\$ 74,215	\$ 67,798	\$ 86,449	\$ 69,030	\$ 160,664	\$ 136,828	\$ 23,836	17%
Non-current liabilities	79,717	-	127,219	158,989	206,936	158,989	47,947	30%
Total liabilities	153,932	67,798	213,668	228,019	367,600	295,817	71,783	24%
Deferred inflows	199,780	-	-	-	199,780	-	199,780	100%
Net position								
Invested in capital assets, net of related debt	1,275,763	1,278,373	83,050	3,446	1,358,813	1,281,819	76,994	6%
Restricted	19,007	25,563	2,164	1,239	21,171	26,802	(5,631)	100%
Unrestricted	717,810	627,218	103,158	158,282	820,968	785,500	35,468	5%
Total net position	\$ 2,012,580	\$ 2,206,972	\$ 188,372	\$ 162,967	\$ 2,200,952	\$ 2,369,939	\$ (168,987)	-7%

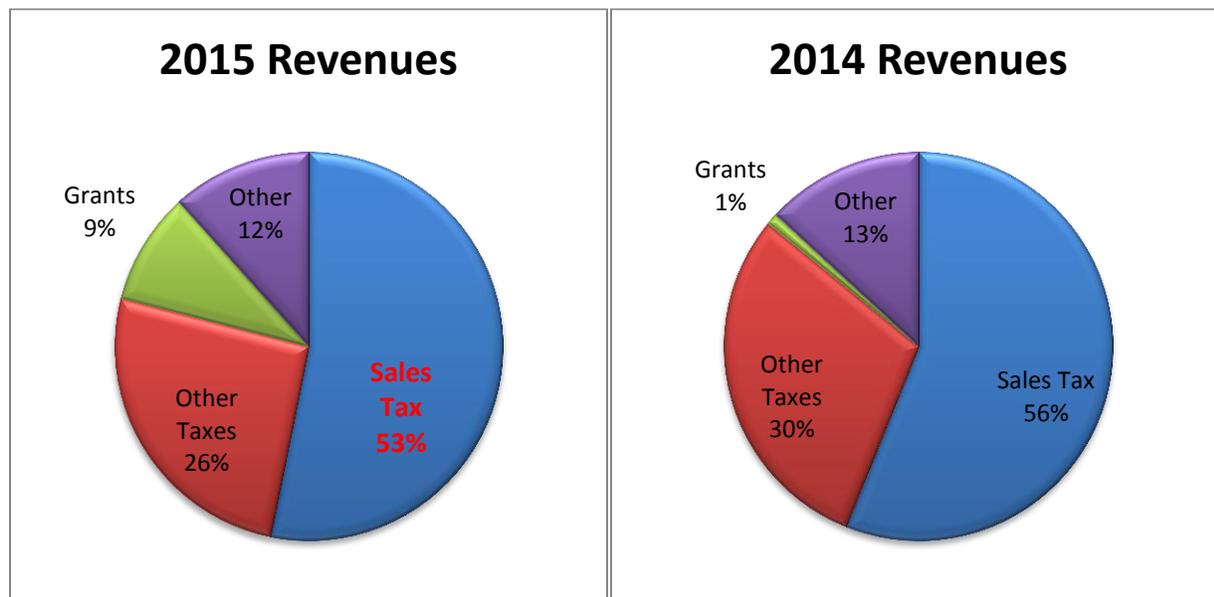
The Town reported positive balances in net position for both governmental and business-type activities. The Town's overall financial position declined 7% during fiscal year 2015. This decrease is a direct result of the net pension obligation recorded in fiscal year 2015. Assets noted a minor increase due to capital asset additions.

	Governmental Activities		Business-type Activities		Totals		Change	
	2015	2014	2015	2014	2015	2014	\$	%
Revenues								
Program revenues	\$ 170,348	\$ 153,461	\$ 674,755	\$ 647,854	\$ 845,103	\$ 801,315	\$ 43,788	5%
Taxes and other general revenues	714,091	672,993	17,832	16,905	731,923	689,898	42,025	6%
Total revenues	884,439	826,454	692,587	664,759	1,577,026	1,491,213	85,813	6%
Expenses								
General government	211,771	270,826	-	-	211,771	270,826	(59,055)	-22%
Public safety and judiciary	216,631	263,003	-	-	216,631	263,003	(46,372)	-18%
Transportation	190,341	196,669	-	-	190,341	196,669	(6,328)	-3%
Recreation	184,270	133,737	-	-	184,270	133,737	50,533	38%
Water	-	-	235,056	231,720	235,056	231,720	3,336	1%
Sewer	-	-	37,848	50,154	37,848	50,154	(12,306)	-25%
Sanitation	-	-	182,953	168,624	182,953	168,624	14,329	8%
Customer service	-	-	211,325	142,836	211,325	142,836	68,489	48%
Total expenses	803,013	864,235	667,182	593,334	1,470,195	1,457,569	12,626	1%
Excess (deficiency) before transfers	81,426	(37,781)	25,405	71,425	106,831	33,644	73,187	218%
Transfers	-	24,169	-	(24,169)	-	-	-	0%
Increase (decrease) in net assets	\$ 81,426	\$ (13,612)	\$ 25,405	\$ 47,256	\$ 106,831	\$ 33,644	\$ 73,187	218%

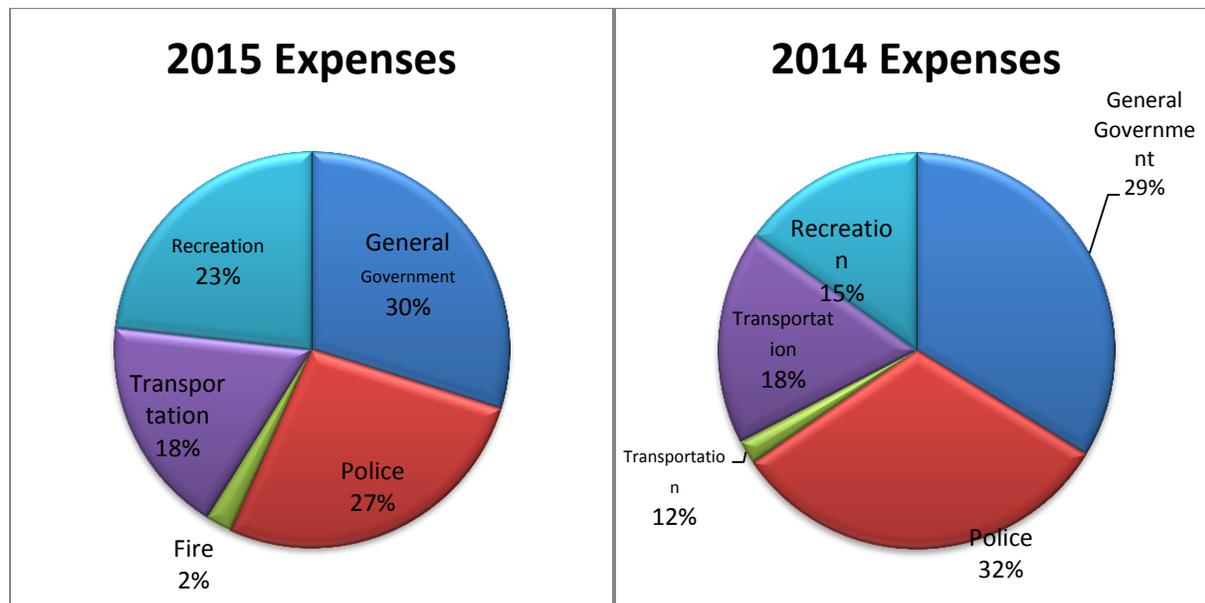
Revenues for the Town remained consistent when compared to fiscal year 2014, noting a 6% increase. This increase is a function of an increase in program revenues for both governmental and business-type activities, as well as increase in general revenues. Program revenues increased due to collections on utility billing and intergovernmental funding.

Expenses for the Town remained consistent year over year, noting a 1% increase in the cost of operating the Town.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2015 and 2014.



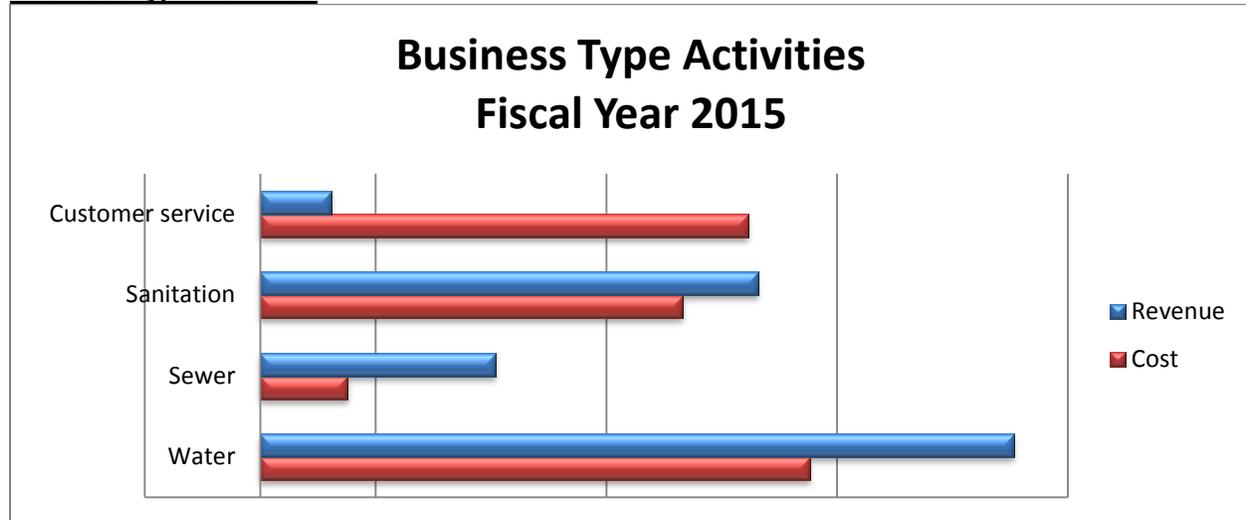
Grant funding provided 9% of the Town's governmental revenues in fiscal year 2015 compared to 1% in fiscal year 2014. This is a direct result of the FAA grant administered during fiscal year 2015 for the airport improvement project. The largest source was sales tax providing 53% of total governmental revenues in fiscal year 2015. All other sources remain consistent between years.



This graph shows the total governmental activities cost of \$701,559 for 2015. Of this amount, general government at \$209,326 was the largest operating service cost, at 30% of total cost of services in 2015,

which is consistent with prior year. These costs, as well as all governmental activities expense, were primarily funded by taxes and utility revenues transferred from the Beaver Public Works Authority. It should be noted that governmental expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer, and water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2015 was \$689,450, as amended during the fiscal year. Total expenses were \$668,110, which was \$21,340 or 3.1% less than budgeted amounts. The General Fund budget complied in all material respects with financial policies approved by the Town.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the Town had \$1,358,813 net investment in capital assets, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Construction in process	\$ 86,348	\$ 5,500	\$ 58,860	\$ 25,500	\$ 145,208	\$ 31,000
Buildings	325,003	348,217	-	-	325,003	348,217
Other improvements	781,508	842,944	78,887	80,291	860,395	923,235
Machinery & equipment	82,904	88,096	58,288	41,484	141,192	129,580
Totals	\$ 1,275,763	\$ 1,284,757	\$ 196,035	\$ 147,275	\$ 1,471,798	\$ 1,432,032

The most significant additions for the Town included:

- Water infrastructure improvements, including a submersible pump and well repairs
- Continued work on street paving and improvements
- Bucket truck
- Street Sweeper
- Airport runway overlay

Long-Term Debt

The Town’s changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Notes payable	-	6,385	\$ 147,218	\$ 180,712	\$ 147,218	\$ 187,097
less current portion	-	(6,385)	(34,234)	(36,883)	(34,234)	(43,268)
Totals	\$ -	\$ -	\$ 112,984	\$ 143,829	\$ 112,984	\$ 143,829

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, “revenue growth from the past year has been erased and indications are the situation is going to get worse before it gets better” stated by State Treasurer, Ken Miller in October 2015. The economic environment of the state sheds light on the local economy of the Town.

Next Year's Budget

The Town of Beaver is focus on weathering the state decline in sales tax and other tax revenues. Conversely, utility billing has remained strong in the local economy. However, the Town has taken steps to budget conservatively in preparation for a decline. The Town has built cash reserves in a sufficient capacity to withstand the downfall of the local economy. The following budget highlights were noted:

- Recurring revenues are budgeted at 90% of fiscal year 2015 collections. If collected at 100%, that will generate an additional \$31,000 of unrestricted sales tax, \$9,308 of Swimming Pool sales tax, and \$6,200 of Dunes sales tax.
- The budget includes 10% rate increases for utility services provided by the City, generating an estimated \$65,000.
- Cost of living increase of 3% has been included for all full time employees. The cost of the increase is \$4,700 in the General Fund and \$6,100 in the Public Works Authority.
- Capital improvements in excess of \$42,000 are budgeted for fiscal year 2016

Management is committed to provide a consistent level of service to citizens while improving the infrastructure and recreation opportunities of the community within the current constraints.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk’s Office the Beaver City Hall.

Town of Beaver, Oklahoma
Statement of Net Position
June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 146,131	\$ 58,252	\$ 204,383
Taxes receivable	47,657	-	47,657
Accounts receivable (net)	497	16,544	17,041
Grant receivable	20,808	-	20,808
Due from other funds	17,910	(17,910)	-
Total current assets	<u>233,003</u>	<u>56,886</u>	<u>289,889</u>
Restricted assets:			
Cash and cash equivalents	263,847	24,120	287,967
Investments, including time deposits	590,000	125,000	715,000
Total restricted assets	<u>853,847</u>	<u>149,120</u>	<u>1,002,967</u>
Noncurrent Assets:			
Other capital assets (net of accumulated depreciation)	1,275,763	196,034	1,471,797
Total noncurrent assets	<u>1,275,763</u>	<u>196,034</u>	<u>1,471,797</u>
Total assets	<u>\$ 2,362,613</u>	<u>\$ 402,040</u>	<u>\$ 2,764,653</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>3,679</u>	<u>-</u>	<u>3,679</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 61,601	\$ 36,417	\$ 98,018
Salary and benefits payable	12,614	15,798	28,412
Current portion of long term debt	-	34,234	34,234
Total current liabilities	<u>74,215</u>	<u>86,449</u>	<u>160,664</u>
Long-term liabilities:			
Pension obligation	79,717	-	79,717
Customer deposits payable	-	14,235	14,235
Long-term debt	-	112,984	112,984
Total long-term liabilities	<u>79,717</u>	<u>127,219</u>	<u>206,936</u>
Total liabilities	<u>153,932</u>	<u>213,668</u>	<u>367,600</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>199,780</u>	<u>-</u>	<u>199,780</u>
NET POSITION			
Net investment in capital assets	1,275,763	83,050	1,358,813
Restricted	19,007	2,164	21,171
Unrestricted	717,810	103,158	820,968
Total net position	<u>\$ 2,012,580</u>	<u>\$ 188,372</u>	<u>\$ 2,200,952</u>

Town of Beaver, Oklahoma
Statement of Activities
Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants & Contributions</u>	
Governmental activities:					
General government:					
General government	\$ 211,771	\$ 8,520	\$ -	\$ 70,193	\$ (133,058)
Public safety	216,631	6,371	-	-	(210,260)
Transportation	190,341	9,845	38,350	-	(142,146)
Recreation	184,270	28,069	-	9,000	(147,201)
Total governmental activities	\$ 803,013	\$ 52,805	\$ 38,350	\$ 79,193	\$ (632,665)
Business-type activities:					
Utility services:					
Water	\$ 235,056	\$ 326,468	\$ -	\$ -	\$ 91,412
Sewer	37,848	101,805	-	-	63,957
Sanitation	182,953	215,622	-	-	32,669
Customer service	211,325	-	30,860	-	(180,465)
Total business-type activities	667,182	643,895	30,860	-	7,573
Total primary government	\$ 1,470,195	\$ 696,700	\$ 69,210	\$ 79,193	\$ (625,092)

Town of Beaver, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2015

Changes in Net Position:	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (632,665)	\$ 7,573	\$ (625,092)
General revenues:			
Taxes:			
Sales tax	459,468	-	459,468
Use tax	43,814	-	43,814
Franchise taxes	52,542	-	52,542
Alcoholic beverage tax	124,063	-	124,063
Cigarette tax	5,501	-	5,501
Investment income	13,050	411	13,461
Penalties	-	10,566	10,566
Gain on sale of assets	-	4,145	4,145
Miscellaneous	15,653	2,710	18,363
Transfers - Internal activity, net	-	-	-
Total general revenues and transfers	714,091	17,832	731,923
 Change in net position	 81,426	 25,405	 106,831
 Net position-beginning, restated	 1,931,154	 162,967	 2,094,121
Net position-ending	\$ 2,012,580	\$ 188,372	\$ 2,200,952

Town of Beaver, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
ASSETS					
Cash	\$ 349,730	\$ 19,007	\$ 7,290	\$ 33,951	\$ 409,978
Investments	590,000	-	-	-	590,000
Taxes receivable	43,346	-	-	4,311	47,657
Accounts receivable	497	-	-	-	497
Grant receivable	20,808	-	-	-	20,808
Due to other funds	17,910	-	-	62,098	80,008
Total assets	<u>\$ 1,022,291</u>	<u>\$ 19,007</u>	<u>\$ 7,290</u>	<u>\$ 100,360</u>	<u>\$ 1,148,948</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred charges on pension obligations	<u>3,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,679</u>
LIABILITIES					
Accounts payable	\$ 57,174	\$ -	\$ -	\$ 4,427	\$ 61,601
Salaries and benefits payable	12,614	-	-	-	12,614
Due from other funds	62,098	-	-	-	62,098
Current portion of long-term debt	-	-	-	-	-
Total liabilities	<u>131,886</u>	<u>-</u>	<u>-</u>	<u>4,427</u>	<u>136,313</u>
DEFERRED INFLOW OF RESOURCES					
Deferred charges on pension obligations	<u>199,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,780</u>
FUND BALANCES					
Restricted	-	19,007	-	-	19,007
Assigned	367,790	-	7,290	95,933	471,013
Unassigned	326,514	-	-	-	326,514
Total fund balances	<u>694,304</u>	<u>19,007</u>	<u>7,290</u>	<u>95,933</u>	<u>816,534</u>
Total liabilities and fund balances	<u>\$ 826,190</u>	<u>\$ 19,007</u>	<u>\$ 7,290</u>	<u>\$ 100,360</u>	<u>\$ 952,847</u>

Total fund balance- total governmental funds 816,534

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

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.

Land and construction in process	\$ 58,095	
Capital assets	2,738,910	
Less: Accumulated depreciation	<u>(1,521,242)</u>	1,275,763

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Net pension obligation		<u>(79,717)</u>
------------------------	--	-----------------

Net position of governmental activities \$ 2,012,580

Town of Beaver, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
REVENUES					
Sales tax	\$ 398,206	\$ -	\$ -	\$ 61,262	\$ 459,468
Use tax	43,814	-	-	-	43,814
Beverage tax	124,063	-	-	-	124,063
Franchise taxes	52,542	-	-	-	52,542
Cigarette tax	5,501	-	-	-	5,501
Motor vehicle tax	11,345	-	-	-	11,345
Licenses and permits	1,016	-	-	-	1,016
Police fines	6,371	-	-	-	6,371
Charges for services	6,000	-	9,845	28,069	43,914
Rents and royalties	1,504	-	-	-	1,504
Intergovernmental	70,193	-	27,005	9,000	106,198
Donations	2,445	-	28	200	2,673
Miscellaneous	12,909	-	71	-	12,980
Investment income	13,037	4	-	9	13,050
Total revenues	<u>748,946</u>	<u>4</u>	<u>36,949</u>	<u>98,540</u>	<u>884,439</u>
EXPENDITURES					
General government	209,326	-	-	-	209,326
Police	188,506	-	-	-	188,506
Fire	15,418	-	-	-	15,418
Transportation	89,585	-	35,725	-	125,310
Recreation	112,315	-	-	50,684	162,999
Total department expenditures	<u>615,150</u>	<u>-</u>	<u>35,725</u>	<u>50,684</u>	<u>701,559</u>
Capital outlay	92,459	-	-	-	92,459
Total expenditures	<u>707,609</u>	<u>-</u>	<u>35,725</u>	<u>50,684</u>	<u>794,018</u>
Excess (deficiency) of revenues over expenditures	<u>41,337</u>	<u>4</u>	<u>1,224</u>	<u>47,856</u>	<u>90,421</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,800	-	4,867	-	11,667
Transfers out	(4,867)	-	-	(6,800)	(11,667)
Total other financing sources and uses	<u>1,933</u>	<u>-</u>	<u>4,867</u>	<u>(6,800)</u>	<u>-</u>
Net change in fund balances	43,270	4	6,091	41,056	90,421
Fund balances - beginning, restated	651,034	19,003	1,199	54,877	726,113
Fund balances - ending	<u>\$ 694,304</u>	<u>\$ 19,007</u>	<u>\$ 7,290</u>	<u>\$ 95,933</u>	<u>\$ 816,534</u>

Town of Beaver, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 90,421

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	92,459
Depreciation expense	<u>(101,454)</u>

Change in Net Assets of Governmental Activities \$ 81,426

Town of Beaver, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2015

		Business-type Activities
		Public Works Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$	58,252
Accounts receivable (net)		16,544
Total current assets		74,796
Restricted assets:		
Cash and cash equivalents		149,120
Total restricted assets		149,120
Noncurrent assets:		
Due from other funds		7,570
Capital assets (net)		196,034
Total noncurrent assets		203,604
Total assets	\$	427,520
LIABILITIES		
Current liabilities:		
Accounts payable	\$	36,417
Payroll liabilities		15,798
Due to other funds		25,480
Current portion of notes payable		34,234
Total current liabilities		111,929
Long-term liabilities:		
Customer deposits payable		14,235
Notes payable		112,984
Total long-term liabilities		127,219
Total liabilities		239,148
NET POSITION		
Net investment in capital assets	\$	83,050
Restricted		2,164
Unrestricted		103,158
Total net position	\$	188,372

Town of Beaver, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities
	Public Works Authority
<u>Operating revenues:</u>	
Charges for services:	
Water charges	\$ 326,468
Sewer charges	101,805
Sanitation charges	215,622
Penalties	10,566
Total charges for services	654,461
Miscellaneous	2,710
Total operating revenues	657,171
 <u>Operating expenses:</u>	
Personal services	311,747
Materials and supplies	70,420
Other services and charges	263,470
Depreciation and amortization	18,156
Total operating expenses	663,793
Net operating income	(6,622)
 <u>Nonoperating revenue (expense):</u>	
Investment income	411
Grant income	30,860
Gain on sale of assets	4,145
Interest expense	(3,389)
Total nonoperating revenue/(expense)	32,027
 Change in net position	 25,405
Net position-beginning of year	162,967
Net position-end of year	\$ 188,372

Town of Beaver, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities
	Public Works Authority
<u>Cash flows from operating activities:</u>	
Receipts from customers/patients	\$ 679,483
Payments to suppliers	(307,223)
Payments to employees	(303,770)
Other operating revenues	2,710
Net cash provided (used) by operating activities	71,200
<u>Cash flows from non-capital financing activities:</u>	
Proceeds for intergovernmental agencies	30,860
Net cash provided (used) by non-capital financing activities	30,860
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(66,916)
Payments made on long term debt financing	(33,494)
Interest paid on long term debt	(3,389)
Net cash provided (used) by capital and related financing activities	(103,799)
<u>Cash flows from investing activities:</u>	
Investment income	411
Net cash provided (used) by investing activities	411
Net increase (decrease) in cash and cash equivalents	(1,328)
Cash and cash equivalents, July 1, 2014	208,700
Cash & cash equivalents, June 30, 2015	\$ 207,372
Cash, including time deposits	\$ 58,252
Restricted cash, including time deposits	149,120
Total cash and cash equivalents, end of year	\$ 207,372
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (6,622)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	18,156
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	25,022
Increase (decrease) in accounts payable	26,667
Increase (decrease) in payroll liabilities	7,977
Total adjustments	77,822
Net cash provided (used) by operating activities	\$ 71,200

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Town of Beaver, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, and sewer), recreation, public improvements, and general administrative services.

The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Beaver. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Beaver.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Beaver Public Works Authority (the "Authority") – was created in December 1984 under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides water, sewer, and trash services to the citizens of Beaver. Accounts of the Authority are recorded in business-type activities.

Fiduciary Component Unit

Beaver Municipal Bond Fund – accounts for the municipal police department bonds reported as an agency fund in the Fiduciary Fund financial statements. This fund was inactive during the fiscal year, as no bonds were held by the Town at June 30, 2015.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities, which consists of the Beaver Municipal Charitable Trust. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB)

pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Alice Spohn Newton Endowment	Accounts for the 2007 endowment of property and cash for the use of the Town
Bus Transit Fund	Accounts for the operations of the public bus service, which is supported through charges for services and reimbursement from the Oklahoma Department of Transportation
Beaver Dunes	Accounts for the operations of the Beaver Dunes as leased from the Pioneer Memorial Park Association and a restricted portion of 1 cent of sales tax to be used for operations

Major Proprietary Funds

FUND	BRIEF DESCRIPTION
<u>Beaver Public Works Authority</u>	Accounts for the activities of the Authority in providing water, sewer, and solid waste services to the public.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Administrator submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Administrator and must be approved by the Board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval.

Budget Basis of Accounting

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the fiscal year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their

estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 25-50 years |
| • Other improvements | 2-50 years |
| • Machinery, furniture & equipment | 5-20 years |
| • Infrastructure | 25-50 years |

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net investment in capital assets

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net positions with constraints placed on their 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.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

F. Revenues, Expenditures and Expenses

Sales Tax

The Town levied a 3% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund. The Town has restricted one cent of the sales tax proceeds, split 60% for recreation improvements and 40% for operations at the Beaver Dunes.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the Town and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over town resources follows:

A. Deficit Fund Net Position/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town reported no deficit fund net position or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2015, the Town did not materially overspend in any department-level category.

C. Revenue Restrictions

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The Town has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax 60% of one cent Sales Tax 40% of one cent Sales Tax	Street and Alley Purposes Recreation (swimming pool) capital improvements Operations of the Beaver Dunes

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Business-type Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 715,000	\$ 715,000	N/A	11.4
Total investments	715,000	715,000		
Total business-type investments	\$ 715,000	\$ 715,000		

RECONCILIATION TO STATEMENT OF NET POSITION

Investments, unrestricted	\$ 590,000
Investments, restricted	125,000
Total business-type investments	\$ 715,000

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2015 follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Construction in process	\$ 5,500	\$ 52,595	\$ -	\$ 58,095
Buildings & structures	1,289,299	-	-	1,289,299
Machinery, furniture, & equipment	454,872	30,679	-	485,551
Improvements other than land	954,875	9,185	-	964,060
Total	2,704,546	92,459	-	2,797,005
Less accumulated depreciation	1,419,788	101,454	-	1,521,242
Fixed assets, net	\$ 1,284,758	\$ (8,995)	\$ -	\$ 1,275,763

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2015 follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Beaver Public Works Authority				
Construction in process	\$ 25,500	\$ 33,360	\$ -	\$ 58,860
Buildings	127,443	-	-	127,443
Machinery, furniture, & equipment	168,578	29,756	-	198,334
Infrastructure improvements	795,267	3,800	-	799,067
Total	1,116,788	66,916	-	1,183,704
Less accumulated depreciation	969,513	18,156	-	987,669
Fixed assets, net	\$ 147,275	\$ 48,760	\$ -	\$ 196,035

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 2,445
Public safety & judiciary	12,707
Transportation	65,031
Cultural, parks & recreation	21,271
Total governmental activities depreciation expense	\$ 101,454

Depreciation expense charges to business-type activities:

Customer service	\$ 1,085
Water	15,003
Sanitation	2,068
Total business-type activities depreciation expense	\$ 18,156

C. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2015:

NOTE PAYABLE

Business-Type Activities:

Loan payable to First State Bank with an original amount of \$208,099 at an interest rate of 2.015%. Loan originated in August 15, 2013, maturing August 2019. Proceeds were used to refinance existing OWRB debt. The original OWRB debt was used for water system improvements.

\$ 147,218

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

Type of Debt	Balance at July 1, 2014	Amount Issued	Amount Retired	Balance at June 30, 2015	Due Within One Year
Governmental activities:					
FSB - Police Vehicle	\$ 6,385	\$ -	\$ 6,385	\$ -	\$ -
Total governmental activities	\$ 6,385	\$ -	\$ 6,385	\$ -	\$ -
Business-type activities:					
FSB Refinance	180,712	-	33,494	147,218	34,234
Total business-type activities	\$ 180,712	\$ -	\$ 33,494	\$ 147,218	\$ 34,234
Total primary government debt	\$ 187,097	\$ -	\$ 39,879	\$ 147,218	\$ 34,234

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015 follow:

Year Ending June 30	Business-Type Notes Payable	
	Principal	Interest
2016	\$ 34,234	\$ 2,649
2017	34,931	1,953
2018	35,641	1,242
2019	36,366	518
2020	6,049	121
Totals	<u>\$ 147,221</u>	<u>\$ 6,483</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2015 were as follows:

Intercompany Receivable/Payable	Due From	Due To
GENERAL FUND:		
Beaver Dunes Fund	\$ -	\$ 62,098
Beaver Public Works Authority	17,910	-
BEAVER DUNES FUND:		
General Fund	62,098	-
ENTERPRISE FUND: Public Works		
General Fund	-	17,910
Grand Total	<u>\$ 80,008</u>	<u>\$ 80,008</u>
Operating Transfers	Transfers In	Transfers Out
GENERAL FUND:		
Beaver Dunes Fund	\$ 6,800	\$ -
Bus Transit Fund	-	4,867
BUS TRANSIT FUND:		
General Fund	4,867	-
BEAVER DUNES FUND:		
General Fund	-	6,800
Grand Total	<u>\$ 11,667</u>	<u>\$ 11,667</u>

(4) RETIREMENT PLANS

The Town participates in two employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Public Employee Retirement System	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement System	Agent Multiple Employer – Defined Benefit Plan

A. Oklahoma Public Employees Retirement Fund

Plan Description

The Town participated in OPERS, as state-wide cost sharing multiple-employer pension system which covers eligible employees of participating organizations that are not covered by other plans. All regular, permanent employees who work 1,000 or more hours in a year are eligible for participation in OPERS. Benefits vest after 8 years of service. Employees who retire at age 62 or after completion of six years of service, if later, are entitled to an annual retirement benefits, payable monthly, equal to 2.0% of final average compensation multiplied by the number of years of credited services. Final average compensation is defined as the average of the three highest years' annual salary out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the benefit is actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment. A participant who becomes totally and permanently disabled after completion of eight year of service is entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

OPERS issues a publically available financial report that can be obtained at www.opers.ok.gov.

For the year ended June 30, 2015, employees were required to contribute 3.5% of annual compensation. The Town contributed 16.5%. Total Town contributions were \$81,172 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPERS

At June 30, 2015, the Town reported a liability of \$53,303 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2015, the Town's proportion was 0.02903757 percent.

Changes to the actuarial valuation between the measurement date of the net pension liability and the Town's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,629. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 17,647
Changes of assumptions	3,050	-
Net difference between projected and actual earnings on pension plan investments	-	178,135
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	-	-
Total	\$ 3,050	\$ 195,782

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$	38,546
2017		38,546
2018		38,546
2019		38,546
Thereafter		38,546

Actuarial assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	5.54 percent, average
Investment rate of return	7.5 percent of net investment expenses per annum, compounded annually

Mortality rates were based on the RP-2000 Combined Active/Retiree Health Mortality Table projected to 2010 using Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the three year period ended June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class as of July 1, 2014 are summarized in the following table:

	Target Allocation	Long Term Expected Rate of Return
US Large Cap Equity	38%	5.30%
US Small Cap Equity	6%	5.60%
US Fixed income	25%	0.70%
International stock	18%	5.60%
Emerging market stock	6%	6.40%
TIPS	4%	0.70%
Rate anticipation	4%	1.50%
	100%	

Discount rate:

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in State statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the employer calculated using the discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability/(asset)	334,935	53,303	(185,208)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

B. Oklahoma Firefighter's Pension and Retirement System

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

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the Town were \$960 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Town reported a liability of \$26,414 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Town's proportion of the net pension liability was based on the Town's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information the Town's proportion was 0.0026%.

For the year ended June 30, 2015, the Town recognized pension expense of \$2,372. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 629	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,998
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
	\$ 629	\$ 3,998
Total		

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 674
2017	674
2018	674
2019	674
2020	674

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town's proportionate share of the net pension liability/(asset)	34,913	26,414	19,882

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

(5) COMMITMENTS AND CONTINGENCIES

A. Litigation

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town.

B. Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. 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. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

(6) RESTATEMENT OF BEGINNING NET POSITION

Effective July 1, 2014, the Town implemented GASB No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plans and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost sharing plans, and recognition and disclosure requirements are addressed for each classification.

Implementation of GASB No. 68 resulted in the restatement of beginning year net position to recognize the net pension obligation of the City. The changes were as follows:

	Governmental Activities
Beginning Net Position	\$ 2,206,972
Net pension obligations	(79,717)
Net deferred outflows/(inflows) on pension charges	(196,101)
Restated Beginning Net Position	\$ 1,931,154

Town of Beaver, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 298,240	\$ 73,460	\$ 371,700	\$ 398,206	\$ 26,506
Use tax	48,561	-	48,561	43,814	(4,747)
Tobacco tax	3,838	-	3,838	5,501	1,663
Alcohol beverage tax	99,045	15,000	114,045	124,063	10,018
Franchise tax	44,646	15,000	59,646	52,542	(7,104)
Intergovernmental	8,447	19,484	27,931	81,538	53,607
Rents and royalties	-	-	-	1,504	1,504
Police fines	8,406	(7,000)	1,406	6,371	4,965
Licenses and permits	-	-	-	1,016	1,016
Miscellaneous	-	-	-	21,354	21,354
Interest	5,819	-	5,819	13,037	7,218
Total revenues before carryover	<u>517,002</u>	<u>115,944</u>	<u>632,946</u>	<u>748,946</u>	<u>116,000</u>
EXPENDITURES					
Current:					
General government					
General government	508,253	(264,003)	244,250	229,222	15,028
Total general government	<u>508,253</u>	<u>(264,003)</u>	<u>244,250</u>	<u>229,222</u>	<u>15,028</u>
Public safety					
Police department	188,576	5,424	194,000	188,506	5,494
Fire department	14,700	2,500	17,200	16,998	202
Total public safety	<u>203,276</u>	<u>7,924</u>	<u>211,200</u>	<u>205,504</u>	<u>5,696</u>
Parks and recreation					
Parks department	47,542	72,458	120,000	119,650	350
Total parks and recreation	<u>47,542</u>	<u>72,458</u>	<u>120,000</u>	<u>119,650</u>	<u>350</u>
Transportation					
Street and alley	89,000	25,000	114,000	113,734	266
Total transportation	<u>89,000</u>	<u>25,000</u>	<u>114,000</u>	<u>113,734</u>	<u>266</u>
Total expenditures	<u>848,071</u>	<u>(158,621)</u>	<u>689,450</u>	<u>668,110</u>	<u>21,340</u>
Revenue over (under) expenditures	(331,069)	274,565	(56,504)	80,836	94,660
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	(15,800)	(15,800)	1,933	17,733
Net other financing sources (uses)	<u>-</u>	<u>(15,800)</u>	<u>(15,800)</u>	<u>1,933</u>	<u>17,733</u>
Revenues and other financing sources over (under) expenditures and other uses	\$ (331,069)	\$ 258,765	\$ (72,304)	\$ 82,769	\$ 112,393
Fund balance at beginning of year, restated (Non-GAAP budgetary basis)			709,909	642,497	(67,412)
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 637,605	\$ 725,266	<u>\$ 44,981</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(14,297)	
Expenditure and transfer accruals				(16,665)	
Fund balance at end of year (GAAP basis)				<u>\$ 694,304</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

Schedules of Required Supplementary Information

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
 Year Ended June 30, 2015

	<u>2015*</u>
Town's portion of the net pension liability (asset)	0.0026%
Town's proportionate share of the net pension liability (asset)	\$ 26,414
Town's covered-employee payroll	\$ 2,128
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1241%
Plan fiduciary net position as a percentage of the total pension liability	79.53%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF TOWN'S CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2015*</u>
Contractually required contribution	\$ 960
Contributions in relation to the contractually required contribution	<u>(960)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,128
Contributions as a percentage of covered-employee payroll	45.11%

Schedules of Required Supplementary Information

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Public Employees Retirement System
 Year Ended June 30, 2015

	<u>2015*</u>
Town's portion of the net pension liability (asset)	0.0029%
Town's proportionate share of the net pension liability (asset)	\$ 53,303
Town's covered-employee payroll	\$ 341,456
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	15.61%
Plan fiduciary net position as a percentage of the total pension liability	93.73%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF TOWN CONTRIBUTIONS
Oklahoma Public Employees Retirement System

	<u>2015*</u>
Actuarially determined contribution	\$ 51,151
Contributions in relation to the actuarially determined contribution	<u>(51,151)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 341,456
Contributions as a percentage of covered-employee payroll	14.98%

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

To the Town Council
Town of Beaver, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Beaver, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Beaver, Oklahoma's basic financial statements, and have issued our report thereon dated February 1, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, Oklahoma
February 1, 2016

TOWN OF BEAVER, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDING JUNE 30, 2015

Finding 2014-1 Overall Accounting System and Integration of Processes and Controls

Finding: As of the end of the fiscal year, the overall accounting system was inadequate to reasonably mitigate the risk that a material error in the system could occur or if it did occur be corrected in a reasonable amount of time. There are many different areas that our procedures found inconsistencies, lack of processes suitable for the organization considering the size and resources of that organization and an organizational failure to find, correct and address those deficiencies in a reasonable amount of time. We consider this finding to be most serious not because of any individual failure of a process, or lack of that process, but because the overall system lacked the design, cohesiveness and execution of a series of processes and controls which together reduce the risk of failure of that system to a reasonable level.

Recommendation: A complete evaluation of the entire accounting and reporting function should be completed and appropriate changes made to the controls and the control environment to raise the operational effectiveness of the overall system to a level that is suitable for an organization with the size and resources of this local government.

Current Status: Significant changes have been made in the overall accounting system and continue to be made as the system is continually monitored and improved to meet a standard deemed acceptable by management. Specialized accounting consultants along with new employees were hired in the prior year to aid in this process. We now feel the Town has improved their processes and controls significantly that has resulted in an adequate accounting system.

Finding 2014-2 Failure to Maintain Sufficient Source Documentation Supporting Expenditures of Town and component units.

Finding: We had multiple instances where that we were not able to find actual source documents to support expenditures of the general government and various funds or where there were inconsistencies with the source documents located and how those transactions are recorded.

Recommendation: Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all records are maintained and accessible upon demand.

Current Status: As indicated in response to previous finding, the accounting system is being modified and improved significantly. We were able to obtain sufficient source documentation during substantive testing of expenditures for both the Town and PWA.

TOWN OF BEAVER, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDING JUNE 30, 2015

Finding 2014-3 Failure to perform timely and accurate reconciliations and utilize those reconciliations for the purposes of budgetary control.

Finding: We were provided with reconciliations including bank reconciliations prepared after year end by Town Staff and the Town's accounting consultants which were accurate and tied to the year end financial statements subject to audit. However, our evaluation of the systems and processes in place indicated that prior to the town hiring a municipal accounting consultant there was not an effective reconciliation process that accomplished two important reporting objectives: completeness and cutoff. Without those procedures in place and being used each month it is unlikely that accurate budgetary control can be consistently achieved anytime that there are significant budgetary shortfalls or where there is not sufficient carryover balances that can be budgeted to cover object classifications. Additionally, because there were no outstanding encumbrances or warrants shown with the reconciliation process that was being used in the past, this method in our opinion was insufficient to meet the municipal statutory guidelines for classifying and recording expenditures in the correct fund year. The Town does use a PO system which did mitigate the effects of the ineffective reconciliations being done during the year which reduced our assessment of the overall risk.

Recommendation: Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all reconciliations are not only done timely but that they account for outstanding and/or uncleared items. We concur with the recommendation by the State Auditor and Inspector that this process is most effective when performed by individuals that are not responsible for other significant accounting functions including collecting receipts of government funds, making deposits or being primarily responsible for the initial entry into the accounting system.

Current Status: At year end an error with the reconciliation was detected. The error was monitored and resolved in less than 30 days. Thus, the internal controls effectively detected and correct the errors in a timely manner to ensure an accurate reconciliation was performed.

Finding 2014-4 Failure to Comply with Town Code Sections (E) and (F) related to use of competitive bids.

Finding: We noted instances consistent with the findings of the State Auditor's Petition Audit where the Town failed to comply with its own ordinances related to items purchased that were supposed to be subject to competitive bid.

Recommendation: We concur with the State Auditor findings in their report dated March 20, 2014. Consistent with the State Auditor findings we did not find instances where there were purchase violations that violated the bid thresholds of Title 60 and Title 61. We recommend that the Town evaluate their competitive bid purchase ordinances and modify them to a less outdated threshold.

Current Status: Management has evaluated and updated ordinances for the Town.