

**TOWN OF BEAVER
BEAVER, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2016**

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 Bobeck – Trustee
Bob Downing – Trustee
Blane Smylie – Trustee

TOWN ADMINISTRATOR

Marc Davis

TOWN TREASURER

Lori A. Downing

TOWN CLERK

Shannon Mitchell

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, 2016, 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, 2016, 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 net pension schedules on pages 4–9, 32 and 33–34 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 December 28, 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
December 28, 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, 2016. 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 \$2,659,008 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,200,952.
- Total liabilities of the Town were \$353,192 of which \$180,491 represents long term debt outstanding. The decrease in liabilities is mainly due to the scheduled payments on outstanding debt obligations. Prior year liabilities were \$367,600.
- Total net position is comprised of the following:
 - 1) Net investment in capital assets, of \$1,593,714 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 \$760,040 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
 - 3) Reserve for restricted purposes of \$305,254 is restricted for debt payment, sales tax restricted for capital improvements, and other obligations.
- The Town's governmental funds reported total ending fund balance of \$1,098,420 at June 30, 2016, which is an increase over prior year's fund balance of \$1,012,635, restated for deferred outflows and inflows. Refer to the footnotes for additional information.

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-types 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 \$2,659,008. The following table provides a summary of the Town's net position at June 30:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2016	2015	2016	2015	2016	2015	\$	%
Current assets	\$ 275,882	\$ 233,003	\$ 28,254	\$ 56,886	\$ 304,136	\$ 289,889	\$ 14,247	5%
Restricted assets	928,524	853,847	147,332	149,120	1,075,856	1,002,967	72,889	7%
Capital assets, net	1,272,842	1,275,763	398,925	196,034	1,671,767	1,471,797	199,970	14%
Total assets	\$ 2,477,248	\$ 2,362,613	\$ 574,511	\$ 402,040	\$ 3,051,759	\$ 2,764,653	\$ 287,106	10%
Deferred outflows	55,765	3,679	-	-	55,765	3,679	52,086	1416%
Current liabilities	\$ 105,986	\$ 74,215	\$ 66,715	\$ 86,449	\$ 172,701	\$ 160,664	\$ 12,037	7%
Non-current liabilities	91,738	79,717	88,753	127,219	180,491	206,936	(26,445)	-13%
Total liabilities	197,724	153,932	155,468	213,668	353,192	367,600	(14,408)	-4%
Deferred inflows	95,324	199,780	-	-	95,324	199,780	(104,456)	-52%
Net position								
Net investment in capital assets	1,272,842	1,275,763	320,872	83,050	1,593,714	1,358,813	234,901	17%
Restricted	293,622	19,007	11,632	2,164	305,254	21,171	284,083	100%
Unrestricted	673,501	717,810	86,539	103,158	760,040	820,968	(60,928)	-7%
Total net position	\$ 2,239,965	\$ 2,012,580	\$ 419,043	\$ 188,372	\$ 2,659,008	\$ 2,200,952	\$ 458,056	21%

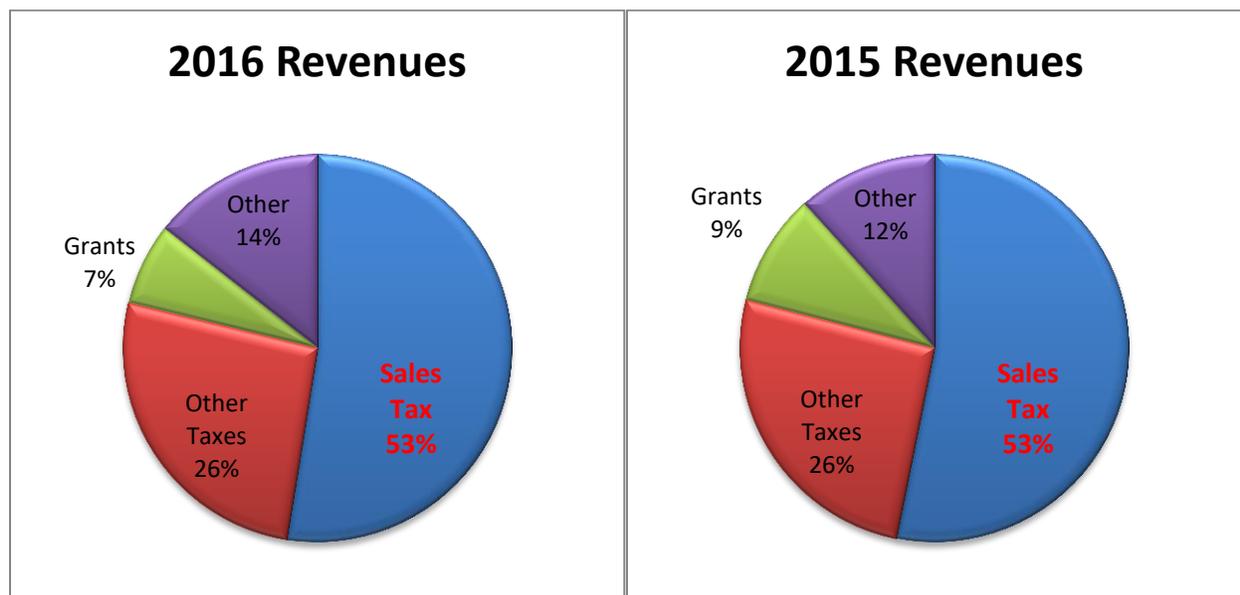
The Town reported positive balances in net position for both governmental and business-type activities. The Town's overall financial position increased 21% during fiscal year 2016. Total assets noted a 10% increase, driven by an increase in the addition of capital assets. The purchase and construction of these assets were mainly funded through grant revenues received in the current fiscal year. Deferred outflows related to the Town's pension plans noted a significant increase. The outflows are determined by an actuarial study provided by the respective pension plan. Refer to additional information on the pension plan in the footnotes to the financial statements. Total liabilities decreased when compared to prior year due to payments made on long-term debt and a decrease in pension liabilities. Overall, the Town's net position increased year over year.

	Governmental Activities		Business-type Activities		Totals		Change	
	2016	2015	2016	2015	2016	2015	\$	%
Revenues								
Program revenues	\$ 142,534	\$ 170,348	\$ 882,279	\$ 674,755	\$ 1,024,813	\$ 845,103	\$ 179,710	21%
Taxes and other general revenues	867,161	714,091	27,796	17,832	894,957	731,923	163,034	22%
Total revenues	1,009,695	884,439	910,075	692,587	1,919,770	1,577,026	342,744	22%
Expenses								
General government	165,115	211,771	-	-	165,115	211,771	(46,656)	-22%
Public safety and judiciary	175,556	216,631	-	-	175,556	216,631	(41,075)	-19%
Transportation	221,510	190,341	-	-	221,510	190,341	31,169	16%
Recreation	220,129	184,270	-	-	220,129	184,270	35,859	19%
Water	-	-	272,236	235,056	272,236	235,056	37,180	16%
Sewer	-	-	34,691	37,848	34,691	37,848	(3,157)	-8%
Sanitation	-	-	179,849	182,953	179,849	182,953	(3,104)	-2%
Customer service	-	-	192,628	211,325	192,628	211,325	(18,697)	-9%
Total expenses	782,310	803,013	679,404	667,182	1,461,714	1,470,195	(8,481)	-1%
Excess (deficiency) before transfers	227,385	81,426	230,671	25,405	458,056	106,831	351,225	329%
Transfers	-	-	-	-	-	-	-	0%
Increase (decrease) in net assets	\$ 227,385	\$ 81,426	\$ 230,671	\$ 25,405	\$ 458,056	\$ 106,831	\$ 351,225	329%

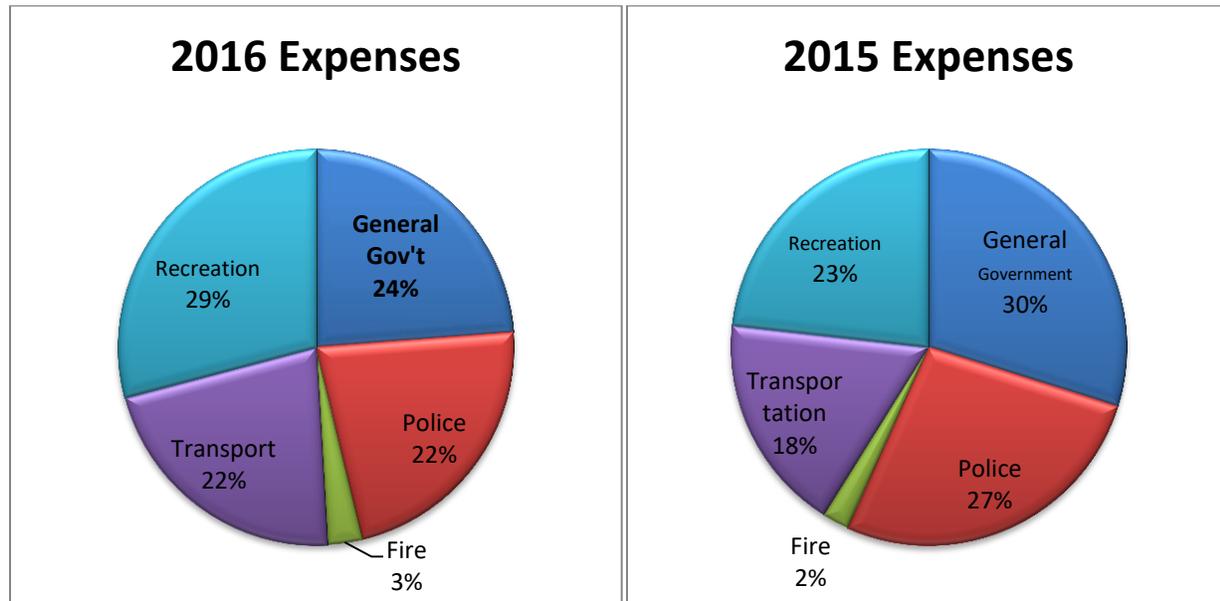
Revenues for the Town increased when compared to prior year over 22%. Program revenues increased due to grant funding received for water and wastewater improvements. General revenues increased due to the recording of the change in pension obligation of \$144,521. Sales tax remained consistent between fiscal periods.

Expenses for the Town remained consistent year over year, noting a 1% decrease 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 2016 and 2015.

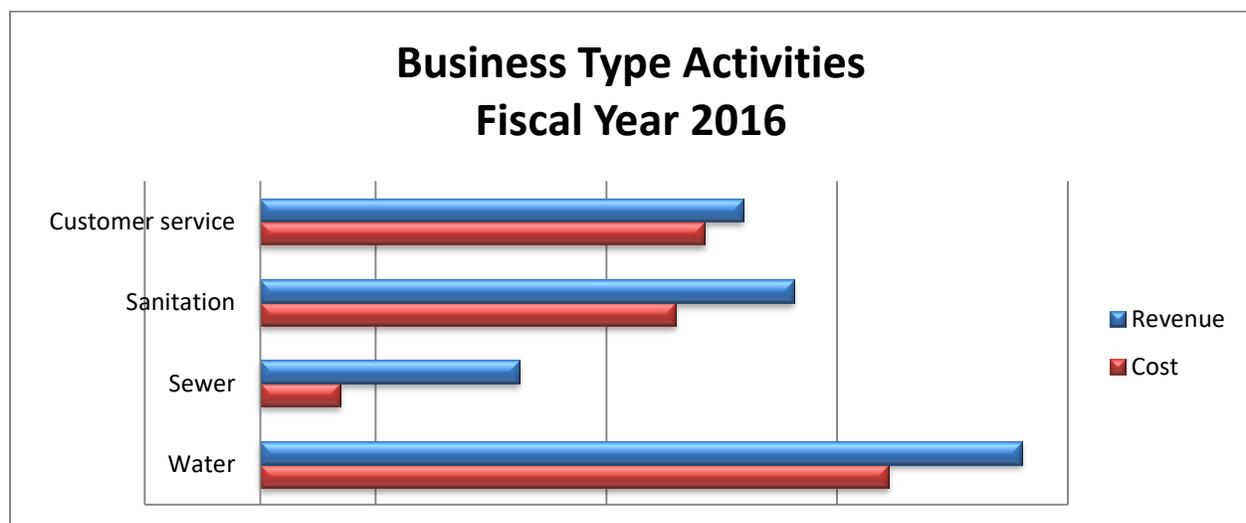


Sales tax provided 53% of the governmental revenues during fiscal year 2016, which is consistent with prior year. Other tax also remained consistent at 26% of revenue sources. Grant funding provided 7% of the Town's governmental revenues in fiscal year 2016 compared to 9% in fiscal year 2015. This is a direct result of the FAA grant administered during fiscal year 2016 for the airport improvement project.



This graph shows the total governmental activities cost of \$674,282 for 2016 compared to \$701,559 in FY15. Of this amount, general government at \$160,429 was the largest operating service cost, at 24% of total cost of services in 2016, 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 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 2016 was \$622,950, as amended during the fiscal year. This compares to prior year's amended budget of \$689,450. Total actual expenses were \$608,624, which was \$34,089 or 5.3% 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, 2016, the Town had \$1,593,714 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		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Construction in process	\$ 5,500	\$ 86,348	\$ 58,860	\$ 58,860	\$ 64,360	\$ 145,208
Buildings	319,162	325,003	-	-	319,162	325,003
Other improvements	876,560	781,508	279,763	78,887	1,156,323	860,395
Machinery & equipment	71,620	82,904	60,302	58,288	131,922	141,192
Totals	\$ 1,272,842	\$ 1,275,763	\$ 398,925	\$ 196,035	\$ 1,671,767	\$ 1,471,798

The most significant additions for the Town included:

- New water well funded with grant proceeds
- New water meters, well motor, and pump
- Street improvements funded with grant proceeds
- City Hall roof

Long-Term Debt

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

Primary Government Long-Term

	Business-type	
	Activities	
	2016	2015
Notes payable	\$ 112,984	\$ 147,218
less current portion	(34,931)	(34,234)
Totals	\$ 78,053	\$ 112,984

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Tulsa World newspaper, "gross revenue for the state of Oklahoma continued a downward spiral for the 18th consecutive month in August, as unemployment figures show the state's jobless numbers exceeded the national rate for the first time in almost 26 years." "We keep scouring through the data to find signs of an impending turnaround, but it's just not there," Miller said. "Some aspects of the August report aren't as negative as in prior months. A few revenue streams have ticked

back up, but we can't yet point to a positive trend." The economic environment of the state sheds light on the local economy of the City.

Next Year's Budget

The Town of Beaver is focused on weathering the state decline in sales tax and other tax revenues. The Town has taken steps to budget conservatively in light of the current economic environment. 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 2016 collections. If collected at 100%, that will generate an additional \$28,600 of unrestricted sales tax, \$8,500 of Swimming Pool sales tax, and \$5,700 of Dunes sales tax.
- The budget includes 8.5% rate increases for utility services provided by the City, generating an estimated \$55,820.
- The cost of providing health insurance to town employees is set to increase in FY17. The plan premium increase will increase approximately 4% for employees and 7% for dependents and spouses.
- Capital improvements in excess of \$17,000 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, 2016

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 188,736	\$ 36,849	\$ 225,585
Taxes receivable	62,060	-	62,060
Accounts receivable (net)	1,962	14,529	16,491
Due from other funds	23,124	(23,124)	-
Total current assets	<u>275,882</u>	<u>28,254</u>	<u>304,136</u>
Restricted assets:			
Cash and cash equivalents	338,524	22,332	360,856
Investments, including time deposits	590,000	125,000	715,000
Total restricted assets	<u>928,524</u>	<u>147,332</u>	<u>1,075,856</u>
Noncurrent Assets:			
Other capital assets (net of accumulated depreciation)	1,272,842	398,925	1,671,767
Total noncurrent assets	<u>1,272,842</u>	<u>398,925</u>	<u>1,671,767</u>
Total assets	<u>\$ 2,477,248</u>	<u>\$ 574,511</u>	<u>\$ 3,051,759</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>55,765</u>	<u>-</u>	<u>55,765</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 96,190	\$ 18,064	\$ 114,254
Salary and benefits payable	9,796	13,720	23,516
Current portion of long term debt	-	34,931	34,931
Total current liabilities	<u>105,986</u>	<u>66,715</u>	<u>172,701</u>
Long-term liabilities:			
Pension obligation	91,738	-	91,738
Customer deposits payable	-	10,700	10,700
Long-term debt	-	78,053	78,053
Total long-term liabilities	<u>91,738</u>	<u>88,753</u>	<u>180,491</u>
Total liabilities	<u>197,724</u>	<u>155,468</u>	<u>353,192</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>95,324</u>	<u>-</u>	<u>95,324</u>
NET POSITION			
Net investment in capital assets	1,272,842	320,872	1,593,714
Restricted	293,622	11,632	305,254
Unrestricted	673,501	86,539	760,040
Total net position	<u>\$ 2,239,965</u>	<u>\$ 419,043</u>	<u>\$ 2,659,008</u>

Town of Beaver, Oklahoma
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 165,115	\$ 8,841	\$ -	\$ 49,494	\$ (106,780)
Public safety	175,556	5,316	-	-	(170,240)
Transportation	221,510	9,570	37,527	-	(174,413)
Recreation	220,129	24,255	-	7,531	(188,343)
Total governmental activities	\$ 782,310	\$ 47,982	\$ 37,527	\$ 57,025	\$ (639,776)
Business-type activities:					
Utility services:					
Water	\$ 272,236	\$ 329,906	\$ -	\$ -	\$ 57,670
Sewer	34,691	112,132	-	-	77,441
Sanitation	179,849	231,070	-	-	51,221
Customer service	192,628	-	209,171	-	16,543
Total business-type activities	679,404	673,108	209,171	-	202,875
Total primary government	\$ 1,461,714	\$ 721,090	\$ 246,698	\$ 57,025	\$ (436,901)

Town of Beaver, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2016

Changes in Net Position:	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (639,776)	\$ 202,875	\$ (436,901)
General revenues:			
Taxes:			
Sales tax	439,523	-	439,523
Use tax	70,992	-	70,992
Franchise taxes	49,099	-	49,099
Alcoholic beverage tax	122,495	-	122,495
Cigarette tax	5,048	-	5,048
Investment income	4,366	434	4,800
Penalties	-	11,610	11,610
Change in pension obligation	144,521	-	144,521
Miscellaneous	31,117	15,752	46,869
Transfers - Internal activity, net	-	-	-
Total general revenues and transfers	867,161	27,796	894,957
 Change in net position	 227,385	 230,671	 458,056
 Net position-beginning	 2,012,580	 188,372	 2,200,952
Net position-ending	\$ 2,239,965	\$ 419,043	\$ 2,659,008

**Town of Beaver, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
ASSETS					
Cash	\$ 480,895	\$ 19,010	\$ 4,591	\$ 22,764	\$ 527,260
Investments	590,000	-	-	-	590,000
Taxes receivable	55,680	-	-	6,380	62,060
Accounts receivable	1,962	-	-	-	1,962
Grant receivable	-	-	-	-	-
Due from other funds	106,925	-	-	48,753	155,678
Total assets	<u>\$ 1,235,462</u>	<u>\$ 19,010</u>	<u>\$ 4,591</u>	<u>\$ 77,897</u>	<u>\$ 1,336,960</u>
LIABILITIES					
Accounts payable	\$ 92,747	\$ -	\$ -	\$ 3,443	\$ 96,190
Salaries and benefits payable	9,796	-	-	-	9,796
Due to other funds	132,554	-	-	-	132,554
Current portion of long-term debt	-	-	-	-	-
Total liabilities	<u>235,097</u>	<u>-</u>	<u>-</u>	<u>3,443</u>	<u>238,540</u>
FUND BALANCES					
Restricted	274,612	19,010	-	-	293,622
Assigned	17,547	-	4,591	74,454	96,592
Unassigned	708,206	-	-	-	708,206
Total fund balances	<u>1,000,365</u>	<u>19,010</u>	<u>4,591</u>	<u>74,454</u>	<u>1,098,420</u>
Total liabilities and fund balances	<u>\$ 1,235,462</u>	<u>\$ 19,010</u>	<u>\$ 4,591</u>	<u>\$ 77,897</u>	<u>\$ 1,336,960</u>

Total fund balance- total governmental funds 1,098,420

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	\$ 5,500	
Capital assets	2,896,612	
Less: Accumulated depreciation	<u>(1,629,270)</u>	1,272,842

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

Deferred charges on pension obligations	(39,559)
Net pension obligation	<u>(91,738)</u>

Net position of governmental activities \$ 2,239,965

Town of Beaver, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2016

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
REVENUES					
Sales tax	\$ 380,920	\$ -	\$ -	\$ 58,603	\$ 439,523
Use tax	70,992	-	-	-	70,992
Beverage tax	122,495	-	-	-	122,495
Franchise taxes	49,099	-	-	-	49,099
Cigarette tax	5,048	-	-	-	5,048
Motor vehicle tax	13,554	-	-	-	13,554
Licenses and permits	778	-	-	-	778
Fines and forfeitures	5,316	-	-	-	5,316
Charges for services	-	-	9,570	24,255	33,825
Rents and royalties	8,063	-	-	-	8,063
Intergovernmental	49,494	-	23,973	7,531	80,998
Donations	850	-	320	2,910	4,080
Miscellaneous	14,050	-	743	12,244	27,037
Investment income	4,359	3	-	4	4,366
Total revenues	<u>725,018</u>	<u>3</u>	<u>34,606</u>	<u>105,547</u>	<u>865,174</u>
EXPENDITURES					
General government	160,429	-	-	-	160,429
Police	151,637	-	-	-	151,637
Fire	18,881	-	-	-	18,881
Transportation	103,303	-	43,749	-	147,052
Recreation	81,501	-	-	114,782	196,283
Total department expenditures	<u>515,751</u>	<u>-</u>	<u>43,749</u>	<u>114,782</u>	<u>674,282</u>
Capital outlay	92,863	-	-	12,244	105,107
Total expenditures	<u>608,614</u>	<u>-</u>	<u>43,749</u>	<u>127,026</u>	<u>779,389</u>
Excess (deficiency) of revenues over expenditures	<u>116,404</u>	<u>3</u>	<u>(9,143)</u>	<u>(21,479)</u>	<u>85,785</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	6,444	-	6,444
Transfers out	(6,444)	-	-	-	(6,444)
Total other financing sources and uses	<u>(6,444)</u>	<u>-</u>	<u>6,444</u>	<u>-</u>	<u>-</u>
Net change in fund balances	109,960	3	(2,699)	(21,479)	85,785
Fund balances - beginning, restated	890,405	19,007	7,290	95,933	1,012,635
Fund balances - ending	<u>\$ 1,000,365</u>	<u>\$ 19,010</u>	<u>\$ 4,591</u>	<u>\$ 74,454</u>	<u>\$ 1,098,420</u>

Town of Beaver, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2016

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	\$	85,785
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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		105,107
Depreciation expense		(108,028)

In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as a component of pension expense. The
fund financial statements report pension contributions as expenditures.

		<u>144,521</u>
--	--	----------------

		<u><u>\$ 227,385</u></u>
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Town of Beaver, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities
	Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 36,849
Accounts receivable (net)	14,529
Total current assets	51,378
Restricted assets:	
Cash and cash equivalents	147,332
Total restricted assets	147,332
Noncurrent assets:	
Due from other funds	312
Capital assets (net)	398,925
Total noncurrent assets	399,237
Total assets	\$ 597,947
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 18,064
Payroll liabilities	13,720
Due to other funds	23,436
Current portion of notes payable	34,931
Total current liabilities	90,151
Long-term liabilities:	
Customer deposits payable	10,700
Notes payable	78,053
Total long-term liabilities	88,753
Total liabilities	178,904
NET POSITION	
Net investment in capital assets	\$ 320,872
Restricted	11,632
Unrestricted	86,539
Total net position	\$ 419,043

Town of Beaver, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities
	Public Works Authority
<u>Operating revenues:</u>	
Charges for services:	
Water charges	\$ 329,906
Sewer charges	112,132
Sanitation charges	231,070
Penalties	11,610
Total charges for services	684,718
Miscellaneous	15,751
Total operating revenues	700,469
 <u>Operating expenses:</u>	
Personal services	341,656
Materials and supplies	89,588
Other services and charges	214,077
Depreciation and amortization	31,433
Total operating expenses	676,754
Net operating income	23,715
 <u>Nonoperating revenue (expense):</u>	
Investment income	434
Grant income	209,171
Interest expense	(2,649)
Total nonoperating revenue/(expense)	206,956
 Change in net position	 230,671
Net position-beginning of year	188,372
Net position-end of year	\$ 419,043

Town of Beaver, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities
	Public Works Authority
<u>Cash flows from operating activities:</u>	
Receipts from customers/patients	\$ 686,733
Payments to suppliers	(322,018)
Payments to employees	(343,734)
Other operating revenues	15,751
Net cash provided (used) by operating activities	36,732
<u>Cash flows from non-capital financing activities:</u>	
Proceeds for intergovernmental agencies	209,171
Net cash provided (used) by non-capital financing activities	209,171
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(234,324)
Payments made on long term debt financing	(34,234)
Interest paid on long term debt	(970)
Net cash provided (used) by capital and related financing activities	(269,528)
<u>Cash flows from investing activities:</u>	
Investment income	434
Net cash provided (used) by investing activities	434
Net increase (decrease) in cash and cash equivalents	(23,191)
Cash and cash equivalents, July 1, 2015	207,372
Cash & cash equivalents, June 30, 2016	\$ 184,181
Cash, including time deposits	\$ 36,849
Restricted cash, including time deposits	147,332
Total cash and cash equivalents, end of year	\$ 184,181
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 23,715
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	31,433
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,015
Increase (decrease) in accounts payable	(18,353)
Increase (decrease) in payroll liabilities	(2,078)
Total adjustments	13,017
Net cash provided (used) by operating activities	\$ 36,732

(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, 2016.

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, 2016, the Town did not materially overspend in any department-level category.

C. Revenue Restrictions

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	Street and Alley Purposes
60% of one cent Sales Tax	Recreation (swimming pool) capital improvements
40% of one cent Sales Tax	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	16.5
Total investments	<u>715,000</u>	<u>715,000</u>		
Total business-type investments	<u>\$ 715,000</u>	<u>\$ 715,000</u>		
<u>RECONCILIATION TO STATEMENT OF NET POSITION</u>				
Investments, unrestricted	\$ -			
Investments, restricted	<u>715,000</u>			
Total business-type investments	<u>\$ 715,000</u>			

(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.

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2016 follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Construction in process	\$ 58,095	\$ -	\$ -	\$ 58,095
Buildings & structures	1,289,299	19,615	-	1,308,914
Machinery, furniture, & equipment	485,551	20,675	-	506,226
Improvements other than land	<u>964,060</u>	<u>64,816</u>	-	<u>1,028,876</u>
Total	2,797,005	105,106	-	2,902,111
Less accumulated depreciation	<u>1,521,242</u>	<u>108,027</u>	-	<u>1,629,269</u>
Fixed assets, net	<u>\$ 1,275,763</u>	<u>\$ (2,921)</u>	<u>\$ -</u>	<u>\$ 1,272,842</u>

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2016 follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Beaver Public Works Authority				
Construction in process	\$ 58,860	\$ -	\$ -	\$ 58,860
Buildings	127,443	-	-	127,443
Machinery, furniture, & equipment	198,334	17,268	-	215,602
Infrastructure improvements	<u>799,067</u>	<u>217,055</u>	<u>-</u>	<u>1,016,122</u>
 Total	 1,183,704	 234,323	 -	 1,418,027
Less accumulated depreciation	<u>987,669</u>	<u>31,433</u>	<u>-</u>	<u>1,019,102</u>
 Fixed assets, net	 <u>\$ 196,035</u>	 <u>\$ 202,890</u>	 <u>\$ -</u>	 <u>\$ 398,925</u>

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.

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

Depreciation expense charges to governmental activities:

General government	\$ 4,686
Public safety & judiciary	5,037
Transportation	74,458
Cultural, parks & recreation	23,846
Total governmental activities depreciation expense	<u>\$ 108,027</u>

Depreciation expense charges to business-type activities:

Customer service	\$ 1,085
Water	28,049
Sewer	232
Sanitation	2,068
Total business-type activities depreciation expense	<u>\$ 31,434</u>

C. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2016:

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.

\$ 112,984

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

<u>Type of Debt</u>	<u>Balance at July 1, 2015</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Business-type activities:					
FSB Refinance	147,218	-	34,234	112,984	34,931
Total business-type activities	<u>\$ 147,218</u>	<u>\$ -</u>	<u>\$ 34,234</u>	<u>\$ 112,984</u>	<u>\$ 34,931</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016 follow:

Year Ending June 30	<u>Business-Type Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 34,931	\$ 1,953
2018	35,641	1,242
2019	36,366	518
2020	6,046	121
Totals	<u>\$ 112,984</u>	<u>\$ 3,834</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2016 were as follows:

<u>Intercompany Receivable/Payable</u>	<u>Due From</u>	<u>Due To</u>
GENERAL FUND:		
Beaver Dunes Fund	\$ -	\$ 48,753
Beaver Public Works Authority	106,926	83,745
BEAVER DUNES FUND:		
General Fund	48,753	-
ENTERPRISE FUND: Public Works		
General Fund	83,745	106,926
Grand Total	<u>\$ 239,424</u>	<u>\$ 239,424</u>
<u>Operating Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND:		
Beaver Dunes Fund	\$ 6,444	\$ -
BEAVER DUNES FUND:		
General Fund	-	6,444
Grand Total	<u>\$ 6,444</u>	<u>\$ 6,444</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, 2016, employees were required to contribute 5% of annual compensation. The Town contributed 15%. Total Town contributions were \$74,410 for the year ended June 30, 2016.

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

At June 30, 2016, the Town reported a liability of \$63,435 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 2015, 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, 2016, the Town's proportion was 0.0176 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, 2016, the Town recognized pension expense of \$285. At June 30, 2016, 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	\$ -	\$ 7,041
Changes of assumptions	53,247	-
Net difference between projected and actual earnings on pension plan investments	-	80,975
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	-	4,195
Total	<u>\$ 53,247</u>	<u>\$ 92,211</u>

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Year ended June 30:

2017	\$	7,793
2018		7,792
2019		7,792
2020		7,792
2021		7,792

Actuarial assumptions: The total pension liability in the June 30, 2016 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, 2016 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, 2015 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)	235,888	63,435	(83,419)

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 \$1,020 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Town reported a liability of \$28,303 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information the Town's proportion was 0.0027%.

For the year ended June 30, 2016, the Town recognized pension expense of \$2,929. At June 30, 2016, 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	\$ 559	\$ -
Changes of assumptions	1,003	-
Net difference between projected and actual earnings on pension plan investments	-	3,113
Changes in proportion and differences between City contributions and proportionate share of contributions	956	-
City contributions subsequent to the measurement date	-	-
Total	\$ 2,518	\$ 3,113

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:	
2017	\$ (637)
2018	(637)
2019	(637)
2020	375
2021	49

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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, 2015, 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, 2015, 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)	36,755	28,303	21,223

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 FUND BALANCE

The City's General fund's beginning fund balance was restated by \$196,101 for the net deferred inflows and outflows of the City's pension obligation.

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, 2016

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 363,028	\$ 5,200	\$ 368,228	\$ 380,920	\$ 12,692
Use tax	41,372	30,000	71,372	70,992	(380)
Tobacco tax	4,961	-	4,961	5,048	87
Alcohol beverage tax	111,896	5,000	116,896	122,495	5,599
Franchise tax	52,340	-	52,340	49,099	(3,241)
Intergovernmental	39,125	63,213	102,338	63,048	(39,290)
Rents and royalties	1,700	-	1,700	8,063	6,363
Police fines	6,500	(1,700)	4,800	5,316	516
Licenses and permits	-	-	-	778	778
Miscellaneous	1,500	(950)	550	14,900	14,350
Interest	-	-	-	4,359	4,359
Total revenues before carryover	<u>622,422</u>	<u>100,763</u>	<u>723,185</u>	<u>725,018</u>	<u>1,833</u>
EXPENDITURES					
General government					
General government	213,500	(25,500)	188,000	180,044	7,956
Police	189,500	(31,500)	158,000	157,919	81
Fire	23,450	6,700	30,150	18,881	11,269
Transportation	134,000	51,063	185,063	170,279	14,784
Recreation	62,500	19,000	81,500	81,501	(1)
Total expenditures	<u>622,950</u>	<u>19,763</u>	<u>642,713</u>	<u>608,624</u>	<u>34,089</u>
Revenue over (under) expenditures	(528)	81,000	80,472	116,394	(32,256)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(79,276)	(10,700)	(89,976)	(6,444)	83,532
Net other financing sources (uses)	<u>(79,276)</u>	<u>(10,700)</u>	<u>(89,976)</u>	<u>(6,444)</u>	<u>83,532</u>
Revenues and other financing sources over (under) expenditures and other uses	\$ (79,804)	\$ 70,300	\$ (9,504)	\$ 109,950	\$ 51,276
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>709,909</u>	<u>725,266</u>	<u>15,357</u>
Fund balance at end of year (Non-GAAP budgetary basis)			\$ 700,405	\$ 835,216	<u>\$ 66,633</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				165,149	
Fund balance at end of year (GAAP basis)				<u>\$ 1,000,365</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, 2016

	<u>2015*</u>	<u>2016*</u>
Town's portion of the net pension liability (asset)	0.0026%	0.0027%
Town's proportionate share of the net pension liability (asset)	\$ 26,414	\$ 28,303
Town's covered-employee payroll	\$ 2,128	\$ 2,929
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1241%	966%
Plan fiduciary net position as a percentage of the total pension liability	79.53%	78.06%

* 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>	<u>2016*</u>
Contractually required contribution	\$ 960	\$ 1,020
Contributions in relation to the contractually required contribution	<u>(960)</u>	<u>(1,020)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,128	\$ 2,929
Contributions as a percentage of covered-employee payroll	45.11%	34.82%

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, 2016**

	<u>2015*</u>	<u>2016*</u>
Town's portion of the net pension liability (asset)	0.0029%	0.0176%
Town's proportionate share of the net pension liability (asset)	\$ 53,303	\$ 63,435
Town's covered-employee payroll	\$ 341,456	\$ 372,899
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	15.61%	17.01%
Plan fiduciary net position as a percentage of the total pension liability	93.73%	92.54%

* 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>	<u>2016*</u>
Actuarially determined contribution	\$ 51,151	\$ 55,808
Contributions in relation to the actuarially determined contribution	<u>(51,151)</u>	<u>(51,613)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 4,195</u>
Town's covered-employee payroll	\$ 341,456	\$ 372,899
Contributions as a percentage of covered-employee payroll	14.98%	14.97%



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, 2016, 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 December 28, 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
December 28, 2016