

TOWN OF WEST SILOAM SPRINGS

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

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

TOWN OF WEST SILOAM SPRINGS

TABLE OF CONTENTS

	PAGE
Management Discussion and Analysis.....	1-4
Independent Auditor's Report.....	5-6
FINANCIAL STATEMENTS	
Statement of Net Position - Government-Wide.....	7
Statement of Activities - Government-Wide...>.....	8
Balance Sheet - Governmental Funds.....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	11
Statement of Net Position - Proprietary Funds.....	12
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	13
Statement of Cash Flows - Proprietary Funds.....	14
Notes to Financial Statements.....	15-21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule — Governmental Activities.....	22
Budgetary Comparison Schedule —Business-type Activities.....	23
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.....	25-26
Schedule of Findings and Responses.....	27-30

MANAGEMENT

DISCUSSION

AND ANALYSIS

**Town of West Siloam Springs
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Our discussion and analysis of the Town of West Siloam Springs's (the Town's) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the accountant's compilation report and the Town's financial statements.

FINANCIAL HIGHLIGHTS

Net assets for the Primary Government decreased by \$1,373, 335, primarily through large grant revenues from the Cherokee Nation to fund the construction of a much needed water tower for the Water Fund. The water tower will provide improved pressure and water flow for the residents and businesses of the town. The tower will also aid in pressure and water delivery for fire fighting.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are included in both a summary and detailed form. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into three kinds of activities:

Governmental activities — Most of the Town's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. All of the Town's funds are classified as governmental funds for accounting reporting purposes. The West Siloam

Springs Industrial Authority is also a governmental fund, but the West Siloam Springs Utility Authority is a proprietary fund.

Governmental funds — Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at yearend that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds — When the Water Fund charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

THE TOWN AS A WHOLE

The Town undertook no new debt in the year 2014-2015. The only other liabilities of the Town units are accounts payable and payroll payable, resulting from the monthly operating bills of the Town.

The most important source of general revenue to the Town is sales tax (21% of total revenue) and fine revenue (46% of revenue.) Sales and use tax revenue increased last year by 14% from the previous year, after a period of decline.

For program expenses, the Police department continues to be the most costly, at \$587,475 with General Government second at \$339,104, and the EMS payments to Siloam Springs for ambulance service for the Town at \$224, 881.

Contributions to the Town are negligible.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund balance of \$325,185, which is a decrease of \$83,147, primarily from the Subsidy Pool transferring money for capital expansion in the Water Fund.

Fund Budgetary Highlights

As the comparison of the original budget with actual amounts reveals, the Town exerts fairly poor budgetary oversight.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town did buy two new police cars, and, as discussed previously, the Water Fund invested heavily in a new water tower and water line expansions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town Council has attempted to curb budgeted costs in the General Fund in next year's budget to bring spending more in line with revenue projections.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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, West Siloam Springs, Oklahoma

**TOWN OF WEST SILOAM SPRINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Government Wide	June 30, 2015	June 30, 2014	Increase (Decrease)
Total Assets	5,055,830	3,639,848	1,415,982
Capital Assets, net	4,115,441	2,506,258	1,609,183
Other Assets, Restricted	217,429	106,869	110,560
Other Assets, Unrestricted	587,790	874,026	(286,236)
Total Liabilities	135,169	125,771	9,398
Current Liabilities	135,169	125,771	9,398
Long-Term Liabilities	-	-	-
Change in Net Assets	<u>1,373,335</u>	<u>(260,662)</u>	<u>1,633,997</u>
Governmental Funds	Year Ended June 30, 2015	Year Ended June 30, 2014	Increase (Decrease)
Operating Revenues			
Sales and Use Taxes	252,028	219,377	32,651
Franchise Tax	20,239	12,858	7,381
Alcoholic Beverage Tax	9,767	13,857	(4,090)
Fines	546,362	562,242	(15,880)
Other	350,196	502,177	(151,981)
Total Revenues	<u>1,178,592</u>	<u>1,310,511</u>	<u>(131,919)</u>
Expenditures	<u>1,167,443</u>	<u>1,398,492</u>	<u>(231,049)</u>
Excess (Deficit) of Revenues over Expenditures	11,149	(87,981)	99,130
Other Financing and Transfers	<u>(94,297)</u>	<u>(72,824)</u>	<u>(21,473)</u>
Net Change in Fund Balances	<u>(83,148)</u>	<u>(160,805)</u>	<u>77,657</u>
Business			
Operating Revenues and Sales Tax			
Water	401,315	418,759	(17,444)
Sewer	250,166	247,814	2,352
Sales Tax	76,578	80,545	(3,967)
Other	7,910	1,051	6,859
Total Operating Revenue	<u>735,969</u>	<u>748,169</u>	<u>(12,200)</u>
Operating Expenses	<u>705,842</u>	<u>705,246</u>	<u>596</u>
Operating Income	<u>30,127</u>	<u>42,923</u>	<u>(12,796)</u>

INDEPENDENT

AUDITOR'S

REPORTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of West Siloam Springs
Colcord, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs, State of Oklahoma ("the Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. 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, each major fund, and the aggregate remaining fund information of the Town, 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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2016 on our consideration of the Town'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's internal control over financial reporting and compliance.

Very truly yours,



Robert St. Pierre
February 8, 2016

GOVERNMENT WIDE

FINANCIAL

STATEMENTS

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash, including time deposits	325,187	462,705	787,892
Taxes receivable	57,082	16,166	73,248
Receivable from other funds	5,064	-	5,064
Accounts receivable, net	-	31,111	31,111
Total current assets	387,333	509,982	897,315
Noncurrent assets			
Restricted cash, utility deposits	-	43,074	43,074
Capital assets, net of accumulated depreciation	449,097	3,666,344	4,115,441
Total noncurrent assets	449,097	3,709,418	4,158,515
Total Assets	836,430	4,219,400	5,055,830
Liabilities			
Current liabilities			
Accounts payable	33,046	43,886	76,932
Accrued wages and taxes	12,378	3,046	15,424
Due to other funds	16,724	-	16,724
Total current liabilities	62,148	46,932	109,080
Noncurrent liabilities			
Utility deposits	-	26,089	26,089
Total noncurrent liabilities	-	26,089	26,089
Total Liabilities	62,148	73,021	135,169
Net Assets			
Invested in capital assets, net of related debt	449,097	3,666,344	4,115,441
Restricted	190,505	26,089	216,594
Unrestricted	134,680	453,946	588,626
Total net assets	774,282	4,146,379	4,920,661

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF ACTIVITIES
June 30, 2015

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government							
Administrative, accounting and	342,468	-	-	-	(342,468)		(342,468)
Streets	21,424	-	-	-	(21,424)		(21,424)
Total general government	363,892	-	-	-	(363,892)		(363,892)
Public safety and judiciary							
Police	598,396	-	-	-	(598,396)		(598,396)
EMS	224,881	-	-	-	(224,881)		(224,881)
Drug/Dog	2,755	-	-	-	(2,755)		(2,755)
Total public safety and judiciary	826,032	-	-	-	(826,032)		(826,032)
Culture, parks and recreation							
Parks	898	300	-	-	(598)		(598)
Total culture, parks and recreation	898	300	-	-	(598)		(598)
Total governmental activities	1,190,822	300	-	-	(1,190,522)		(1,190,522)
Business-type activities							
Water & Sewer	705,841	735,970	59,075	1,390,658		1,479,862	1,479,862
Total business-type activities	705,841	735,970	59,075	1,390,658		1,479,862	1,479,862
Total	1,896,663	736,270	59,075	1,390,658	(1,190,522)	1,479,862	289,340
Net (expense)/revenue					(1,190,522)	1,479,862	289,340
General revenues							
Taxes							
Sales and use					252,028	-	252,028
Franchise					20,239	-	20,239
Hotel					-	-	-
Alcohol					9,767	-	9,767
Cigarette					-	-	-
Vehicle					6,386	-	6,386
Gasoline					1,455	-	1,455
Fines and forfeitures					546,362	-	546,362
Licenses and permits					-	-	-
Miscellaneous					342,055	-	342,055
Transfer					(94,297)	-	(94,297)
Gain on sales of assets					-	-	-
Total general revenues and transfers					1,083,995	-	1,083,995
Change in net assets					(106,527)	1,479,862	1,373,335
Net assets, beginning					827,361	2,659,792	3,487,153
Net assets, ending					720,834	4,139,654	4,860,488

FUND

FINANCIAL

STATEMENTS

TOWN OF WEST SILOAM SPRINGS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	EMS Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash, including time deposits	142,875	169,702	12,610	325,187
Taxes receivable	35,055	22,027	-	57,082
Due from other funds	-	5,000	-	5,000
Returned checks	64	-	-	64
Total Assets	177,994	196,729	12,610	387,333
Liabilities and fund balances				
Liabilities				
Accounts payable	14,541	18,834	-	33,375
Due to other funds	16,724	-	-	16,724
Accrued expenses	12,049	-	-	12,049
Total liabilities	43,314	18,834	-	62,148
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	177,895	12,610	190,505
Unassigned	134,680	-	-	134,680
Total fund balances	134,680	177,895	12,610	325,185
Total liabilities and fund balances	177,994	196,729	12,610	387,333

Total fund balance, governmental funds 325,185

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>449,097</u>
Net assets of governmental activities in the Statement of Net Position	<u>774,282</u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	EMS Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Sales and use tax	175,217	76,811	-	252,028
Franchise Fees	20,239	-	-	20,239
Commercial vehicle tax	6,386	-	-	6,386
Alcohol and cigarette tax	9,767	-	-	9,767
Gasoline Tax	1,455	-	-	1,455
Hotel tax	-	-	-	-
Fines and fees	546,362	-	-	546,362
Grants	-	-	-	-
CNE EMS Income	-	144,245	-	144,245
Charges for services	-	-	-	-
Other reimbursements	197,765	-	-	197,765
Capital contributions	-	-	-	-
Licenses and permits	-	-	-	-
Proceeds from the sale of assets	-	-	-	-
Miscellaneous	-	-	345	345
Total revenues	<u>957,191</u>	<u>221,056</u>	<u>345</u>	<u>1,178,592</u>
Expenditures				
Current				
General government				
Administrative and accounting	339,104	-	-	339,104
Public Safety (Police, Fire)	589,439	224,881	-	814,320
Water, sewer, streets	13,714	-	-	13,714
Culture and recreation	-	-	305	305
Capital outlay	-	-	-	-
Total expenditures	<u>942,257</u>	<u>224,881</u>	<u>305</u>	<u>1,167,443</u>
Excess (deficiency) of revenues over expenditures	<u>14,934</u>	<u>(3,825)</u>	<u>40</u>	<u>11,149</u>
Other financing sources (uses)				
Transfers (net)	-	-	(94,297)	(94,297)
Net change in fund balances	14,934	(3,825)	(94,257)	(83,148)
Fund balances-beginning	<u>119,746</u>	<u>181,719</u>	<u>106,868</u>	<u>408,333</u>
Fund balances -ending	<u>134,680</u>	<u>177,894</u>	<u>12,611</u>	<u>325,185</u>

**TOWN OF WEST SILOAM SPRINGS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES JUNE 30, 2015**

Net Change in Fund Balances - Governmental Funds	(83,147)
Amounts Reported for Governmental Activities in the Statement of Activities are different because:	
Governmental fund report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as an expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount that depreciation in the current period exceeds the current capital outlays.	
	68,713
Depreciation Does Not Decrease Net Assets	(92,093)
Less Gain on Sale of Assets	(3,800)
Add Gain on Adjusted Basis of Assets	<u>3,800</u>
	<u><u>(106,527)</u></u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	<u>Public Works Authority</u>
Assets	
Current assets	
Cash and cash equivalents	462,705
Accounts receivable - customers	31,111
Taxes receivable	<u>16,164</u>
Total current assets	<u>509,980</u>
Noncurrent assets	
Restricted cash, utility deposits	43,074
Capital assets, net of accumulated depreciation	3,666,344
Total noncurrent assets	<u>3,709,418</u>
Total assets	<u>4,219,398</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	43,886
Accrued wages	<u>3,046</u>
Total current liabilities	46,932
Noncurrent liabilities	
Customer deposits	<u>26,089</u>
Total liabilities	<u>73,021</u>
Net position	
Invested in capital assets, net of related debt	3,666,344
Unrestricted	<u>480,034</u>
Total net position	<u>4,146,378</u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
June 30, 2015

	Public Works Authority
Operating Revenues	
Charges for services	
Water (net of refunds/adjustments)	401,315
Sewer	250,167
Miscellaneous	7,910
Total operating revenues	659,392
Operating expenses	
Depreciation	94,150
Insurance and bonds	17,154
Legal and professional fees	15,792
Licenses and permits	1,471
Contract Labor	5,200
Material and supplies	28,891
Office Supplies	8,257
Miscellaneous	1,499
Fuel	4,333
Purchased water & Sewer	390,252
Repairs and maintenance	3,864
Salaries and benefits	107,332
Travel and training	4,847
Uniforms	3,651
Utilities	15,313
Water testing	3,835
Total operating expenses	705,841
Net operating income (loss)	(46,449)
Nonoperating revenues (expenses)	
Designated sales tax	76,577
Cherokee Nation grants	1,390,658
Total nonoperating revenues (expenses)	1,467,235
Other financing sources (uses)	
Transfers (net)	883,563
Change in net assets	2,304,349
Net assets, beginning	1,842,029
Net assets, ending	4,146,378

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF CASH FLOWS
JUNE 30, 2015

	<u>Public Works Authority</u>
Cash flows from operating activities	
Receipts from customers	739,014
Payments to Suppliers	(362,888)
Payments to Employees	<u>(106,372)</u>
Net cash provided (used) by operating activities	<u>269,754</u>
Cash flows from capital and related financing activities	
Water Distribution Lines	(197,408)
Equipment and Vehicles	(180,487)
Infrastructure	(316,440)
Water Tower	(1,583,061)
Grants	1,390,658
(Acquisition) disposition of capital assets	178,124
Net cash provided (used) by capital and related financing activities	<u>(708,614)</u>
Cash flows from non capital related financing activities	
Interfund transfers in	<u>371,362</u>
Net increase (decrease) in cash and cash equivalents	<u>(67,498)</u>
Cash and cash equivalents, beginning	<u>573,558</u>
Cash and cash equivalents, ending	<u><u>506,060</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Net operating income (loss)	(46,449)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	94,150
Change in assets and liabilities	
(Increase) decrease in receivables	32,261
Increase (decrease) in accounts payable	(4,838)
Adjustments for Transfers In	<u>194,630</u>
Net cash provided (used) by operating activities)	<u><u>269,754</u></u>

**TOWN OF WEST SILOAM SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 - Summary of significant accounting policies

A. Reporting entity

The Town of West Siloam Springs, Oklahoma ("the Town") was organized under the statutes of the State of Oklahoma. The Town operates under a town form of government and is governed by a five member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services: general government, public safety (fire and police), streets, public works (water, sewer, trash and animal control), judicial, public improvements, and planning and zoning for the geographical area organized as the Town of West Siloam Springs, Oklahoma.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Component units - Component units are organizations that are legally separate from the primary government for which the elected officials are financially accountable. The West Siloam Springs Public Works Authority (PWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town. The PWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to the PWA. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes Board. The PWA is exempt from State and Federal income taxes. The PWA meets the definition of a component unit as defined in GASB No. 14 whose activities have been included with those of the proprietary funds for financial statement reporting.

B. Government-wide financial statements

The statement of net assets and the statement of activities include information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. Governmental activities are generally 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 services.

C. Fund financial statements

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of government and enterprise fund financial statements is on major funds. If applicable, each major fund is presented in a separate column.

Note 1 - Summary of significant accounting policies (continued)

D. Measurement focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spend-able financial resources during a given period. These funds use fund balance as their measure of available spend-able financial resources at the end of the period.
- b) The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

E. Basis of accounting

The Town presents its general fund and non-major fund financial statements on the modified cash basis of accounting. The modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The Town presents its proprietary fund financial statements on the accrual basis of accounting. Under the accrual basis of accounting, transactions are recorded when they occur, irrespective of when actual cash is received or paid.

The Town's general fund includes general government activities, public safety activities, utility activities, and capital outlay.

The Town's non-major general fund includes the Subsidy Pool Fund, the Drug Free Fund, the Dog Pound Fund, the Park Fund, and the EMS Fund.

The Town's proprietary funds, the West Siloam Springs Public Works Authority (PWA) financial statements include water and sewer.

The Town does not have any fiduciary activities or internal service funds.

The financial statements have been prepared in accordance with relevant Governmental Accounting Standards Board (GASB) pronouncements.

Note 1 - Summary of significant accounting policies (continued)

F. Fund Accounting

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

Governmental Funds — Governmental Funds are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

The following are the Town's major funds:

- **General Fund** — The General Fund is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Special Revenue Funds** — Special Revenue Funds account for revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions of the Town.

The reporting entity includes the following Special Revenue Funds:

<u>Fund</u>	<u>Brief Description</u>
EMS Fund	Accounts for sales tax revenue received that are designated for voter approved purposes.

Enterprise Funds (Proprietary Funds) — Enterprise Funds are accounted for using the accrual basis of accounting. Under this method, revenues and expenses are recorded when they result from cash transactions. These funds are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

Note 1 - Summary of significant accounting policies (continued)

F. Fund Accounting

West Siloam Springs Public Works Authority (PWA) — The West Siloam Springs Public Works Authority accounts for the operations of providing water works (water, sewer, trash and animal control) to the Town residents.

G. Capital assets

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.

Prior to July 1, 2003, governmental funds infrastructure assets were not capitalized. All current year infrastructure additions have been recorded at actual cost. The Town is not required to account for infrastructure assets acquired prior to July 1, 2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Other improvements	20 years
Machinery, furniture and equipment	7 years
Utility property and improvements	40 years
Vehicles	5 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.

Note 1 - Summary of significant accounting policies (continued)

H. Assets, liabilities and net assets or equity

Deposits and Investments - Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at their fair market value.

Restricted Cash - Certain funds are restricted for West Siloam Springs Public Works Authority customer deposit refunds.

Fair Value of Financial Instruments - The Town's financial instruments include cash and cash equivalents, and certain liabilities. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

Estimates - The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds." The Town considers receivables collected within 60 days after year end to be available and recognize them as revenues of the current year.

Compensated Absences - It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least one year are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Long-Term Obligations - The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net of current assets) is considered a measure of "available spendable resources."

Note 1 - Summary of significant accounting policies (continued)

H. Assets, liabilities and net assets or equity

Governmental fund operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Equity Classifications

Government- Wide Statements

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt 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.
- b) Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Note 2 — Cash and investments

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Cash and certificates of deposit held by the town are fully covered.

Custodial Credit Risk - All of the Town's deposits at financial institutions were covered by either FDIC insurance or collateralized.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits the Town's investment portfolio to maturities of not more than two years.

Note 3 — Property and equipment

Capital Asset Activity - Governmental Type

Capital asset activity for governmental type activities for the year ended June 30, 2015 was as follows:

	<u>6/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2015</u>
Land	95,665	-		95,665
Buildings	267,082			267,082
Equipment	201,096	5,100		206,196
Vehicles	281,617	99,602	47,300	333,919
Infrastructure	1,105,000			1,105,000
Total Property Plant and Equipment	1,950,460	104,702	47,300	2,007,862
Accumulated Depreciation	(1,474,489)	(95,587)	47,300	(1,617,376)
Net Book Value	<u>475,971</u>	<u>9,115</u>	<u>94,600</u>	<u>390,486</u>

Capital Asset Activity - Business Type

Capital asset activity for business type activities for the year ended June 30, 2015 was as follows:

Capital Asset Activity – Business Type

	<u>6/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2015</u>
Land	1,000			1,000
Equipment	141,566			141,566
Vehicles	93,875	49,981		143,856
Infrastructure	1,638,805	2,493,616		4,132,421
Construction in Progress	866,944		866,944	-
Total Property Plant and Equipment	2,742,190	2,543,597	866,944	4,418,843
Accumulated Depreciation	(658,350)	(94,150)		(752,500)
Net Book Value	<u>2,083,840</u>	<u>2,449,447</u>	<u>866,944</u>	<u>3,666,343</u>

Note 3 — Property and equipment (continued)

The Town's fixed assets are stated at cost. Depreciation is computed using the straight line method over the estimated useful life, which is; forty years for the water system, between seven and forty years for the lift station, and between five and seven years for office furniture and equipment. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized Expenditures for maintenance and repairs are expensed as incurred.

Depreciation charges

Depreciation expense by functional category for the governmental type funds was as follows:

<u>Functional Category</u>	<u>Amount</u>
General Government	16,938
Police	74,535
Street	<u>4,114</u>
Total	<u>95,587</u>

Note 4 — Restricted assets

Utility Deposit — The reserve for utility deposits represents deposits for utilities by customers and is not refunded until the customer is no longer receiving utilities from the Public Works Authority, as required by statute. As of June 30, 2015, this fund had an excess of \$14,349 over the utility deposits outstanding.

Note 5 — Subsequent events

Management has evaluated and disclosed subsequent events up to the date of the audit report.

SUPPLEMENTARY

INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules — Governmental Activities
- Budgetary Comparison Schedules — Business-type Activities

TOWN OF WEST SILOAM SPRINGS
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
GOVERNMENTAL ACTIVITIES				
REVENUES				
Sales and use tax	291,000	291,000	216,619	(74,381)
Franchise fees	10,000	10,000	14,139	4,139
Commercial vehicle tax	6,000	6,000	6,386	386
Alcohol and cigarette tax	13,000	13,000	13,536	536
Gasoline tx	2,000	2,000	1,455	(545)
Hotel tax	29,000	29,000	34,119	5,119
Fines and fees	537,000	537,000	554,682	17,682
Grants	244,000	244,000	60,000	(184,000)
CNE EMS Income	144,000	144,000	144,000	-
Charges for services	-	-	-	-
Other reimbursements	113,000	113,000	102,861	(10,139)
License and permits	6,000	6,000	6,100	100
Proceeds from sale of assets	-	-	3,800	3,800
Miscellaneous	16,760	16,760	21,162	4,402
Total revenues	<u>1,411,760</u>	<u>1,411,760</u>	<u>1,178,859</u>	<u>(232,901)</u>
EXPENDITURES				
Current				
General government				
Administrative and accounting	334,044	334,044	334,004	40
Public safety (Police, Fire)	753,038	753,038	589,440	163,598
EMS	236,000	236,000	224,881	11,119
Water, sewer, streets	15,000	15,000	13,714	1,286
Culture and recreation	1,200	1,200	305	895
Debt Service	-	-	-	-
Capital outlay	-	-	5,100	(5,100)
Total expenditures	<u>1,339,282</u>	<u>1,339,282</u>	<u>1,167,444</u>	<u>171,838</u>
Excess (deficiency) of revenues over expenditures	<u>72,478</u>	<u>72,478</u>	<u>11,415</u>	<u>(404,739)</u>
Other financing sources (uses)				
Transfers (net)	<u>21,090</u>	<u>21,090</u>	<u>94,297</u>	<u>139,676</u>
Net change in fund balances				
Ending Budgetary Fund Balance	<u>93,568</u>	<u>93,568</u>	<u>105,712</u>	<u>(265,063)</u>

**TOWN OF WEST SILOAM SPRINGS
BUDGETARY COMPARISON SCHEDULE - BUSINESS TYPE ACTIVITES
JUNE 30, 2015**

	Actual	Final Budget	Variance
Ordinary Income/Expense			
Income			
3000 · WATER SALES	401,315	406,416	(5,101)
3003 · SEWER SALES	250,167	232,199	17,968
3002 · Restricted Sales Tax Water/Sewer	76,578	102,000	(25,422)
3005 · LATE CHARGE FEES	5,920	6,000	(80)
3085 · MISC. INCOME	5,085	5,000	85
3010 · RECONNECT FEES	2,750	2,700	50
3099 · Unclaimed Deposits	1,404	200	1,204
3015 · WATER TAP FEES	-	700	(700)
3500 · Returned Checks R	(282)	-	(282)
3001 · REFUNDS/ADJUSTMENTS	(6,967)	(1,200)	(5,767)
Total Income	735,970	754,015	(18,045)
Cost of Goods Sold			
4000 · WATER AND SEWER SERVICES PURCH	390,252	382,262	7,990
Total COGS	390,252	382,262	7,990
Gross Profit	345,718	371,753	(26,035)
Expense			
4071 · Other Services and Charges			
5000 · DEPRECIATION	94,150	53,882	40,268
4040 · INSURANCE & BONDING	17,154	17,000	154
4015 · LEGAL & PROFESSIONAL SERVICES	13,681	13,000	681
4089 · UTILITIES	10,170	5,000	5,170
4013 · CONTRACT LABOR -CLEANING	5,200	6,000	(800)
4030 · TELEPHONE	5,143	6,000	(857)
4065 · VEHICLE REPAIR & MAINT.	4,339	3,000	1,339
4021 · REPAIRS & MAINTANCE	3,864	7,000	(3,136)
4080 · WATER TESTING	3,835	2,000	1,835
4055 · UNIFORM ALLOWANCES	3,651	2,100	1,551
4025 · ADS/PUBLICATIONS	2,111	200	1,911
4045 · LICENSES, DUES, SUBSCRIB.	1,471	2,000	(529)
4012 · CARD CARD TERMINALS	868	700	168
4011 · DRUG & ALCOHOL SCREENING	631	700	(69)
4085 · TRAVEL/TRAINING	508	1,000	(493)
5011 · MISC.	-	-	-
4100 · SEWER EXPENSES	-	-	-
Total 4071 · Other Services and Charges	166,776	119,582	47,194
4001 · PAYROLL & RELATED EXPENSES			
4001 · PAYROLL & RELATED EXPENSES - Other	94,987	128,359	(33,372)
4002 · Employee Health Insurance	12,252	-	12,252
4003 · Retirement Expense	93	-	93
Total 4001 · PAYROLL & RELATED EXPENSES	107,332	128,359	(21,027)
4004 · Materials and Supplies			
4010 · WATER AND SEWER SUPPLIES	28,891	18,000	10,891
4020 · OFFICE SUPPLIES	8,257	8,000	257
4070 · FUEL	4,333	11,000	(6,667)
Total 4004 · Materials and Supplies	41,481	37,000	4,481
Total Expense	315,589	284,941	30,648
Net Ordinary Income	30,128	86,812	(56,684)
Other Income/Expense			
Other Income			
7000 · Cherokee Nation Tower Grant	1,228,890	-	1,228,890
7020 · TRANSFERS IN FROM SEWER	789,356	240,472	548,884
3020 · CN WATER LINE CONST GRANT	111,769	-	111,769
7030 · Transfers In/Paid Subsidy Pool	94,207	-	94,207
3095 · GRANT INCOME	50,000	-	50,000
Total Other Income	2,274,222	240,472	2,033,750
Net Other Income	2,274,222	240,472	2,033,750
Net Income	2,304,350	327,284	1,977,066

ROBERT ST. PIERRE, C.P.A., P.C.

Certified Public Accountant

1113 N. Second Street
Stilwell, Oklahoma 74960
Phone: (918) 696-4983
Fax: (918) 696-4867

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*

Honorable Mayor and Town Council
Town of West Siloam Springs
Colcord, 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, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs, State of Oklahoma ("the Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 8, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be reportable conditions. 2015-

1

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town'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 purposes.

Very truly yours,



Robert St. Pierre CPA, PC.
Certified Public Accountant
February 8, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2015-1

The inherent limitation resulting from a small number of employees performing functions that would normally be divided among several employees were a larger number available presents a proper segregation of accounting functions deficiency. A much larger staff would be necessary in order to assure adequate internal accounting controls. This deficiency requires the board to remain actively involved in the day to day activities of the Organization.

Management Response

Management's response to the lack of segregation of duties is to stay actively involved to help ensure that financial statements are free or material errors or fraud. Management also remains committed to staying actively involved in the financial matters of the organization and consulting with their auditor's or other local CPA firms whenever needed.