

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

FINANCIAL STATEMENTS

As of June 30, 2016

With Independent Auditors Report Thereon



America Counts on CPAs[®]

Dwight Bomer

Certified Public Accountant

TOWN OF WAPANUCKA
Wapanucka, Oklahoma

FINANCIAL STATEMENTS
As of June 30, 2016
With Independent Auditor's Report Thereon

Audited By

Dwight Bomer
Certified Public Accountant
McAlester, Oklahoma

**TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA**

June 30, 2016

TABLE OF CONTENTS

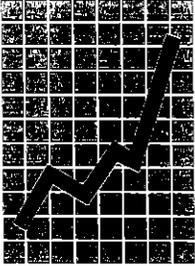
	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-3
<u>Reports Required by Government Auditing Standards</u>		4-5
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		
Schedule of Findings and Questioned Costs		6-8
Management's Discussion and Analysis		9-20
Basic Financial Statements		
Statement of Net Assets	A	21-22
Statement of Activities	B	23-24
Balance Sheet-Government Funds	C	25-26
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds	D	27-28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	29
Statement of Net Assets-Proprietary Funds	F	30-31
Statement of Revenues, Expenses and Changes In Fund Net Assets- Proprietary Funds	G	32-33
Statement of Cash Flows- Proprietary Funds	H	34-35
Notes to Financial Statements		36-45
Required Supplemental Information		
Combining Balance Sheet- Other Governmental Funds	I	46-47
Supplemental Information		
Budgetary Comparison Schedule- General Fund	J	48-49
Schedule of Expenditures- CDBG Grant	K	50

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Independent Auditor's Report

June 30, 2016



DWIGHT BOMER
Certified Public Accountant

1331 E. Carl Albert Pkwy. • McAlester, Oklahoma 74501 • (918) 429-0164 • FAX (918) 423-5723
dwightbomercpa@yahoo.com

Independent Auditor's Report

November 8, 2016

Honorable Mayor and City Council
Town of Wapanucka
Wapanucka, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Wapanucka, Oklahoma, as of and for the fiscal year ended June 30, 2016, 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 the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgement, 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 Town'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 Town'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 qualified opinion.

Basis for Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in United States generally accepted accounting principles such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position and expenses of the Governmental Activities is not readily determinable.

Qualified Opinion

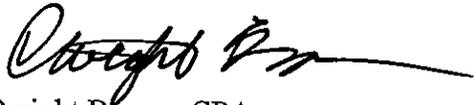
In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Wapanucka, Oklahoma, as of June 30, 2016, and the respective changes in modified cash basis financial positions and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2016, on our consideration of the Town of Wapanucka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with Government Auditing Standards in considering the Town of Wapanucka's internal control over financial reporting and compliance.

Basis of Accounting

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

A handwritten signature in black ink, appearing to read "Dwight Bommer", with a long horizontal flourish extending to the right.

Dwight Bommer, CPA

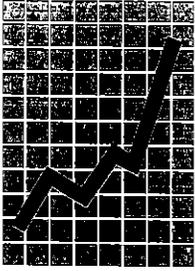
November 8, 2016

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Reports Required By
Government Auditing Standards

June 30, 2016



DWIGHT BOMER

Certified Public Accountant

1331 E. Carl Albert Pkwy. • McAlester, Oklahoma 74501 • (918) 429-0164 • FAX (918) 423-5723
dwightbomercpa@yahoo.com

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

November 8, 2016

To the Town Council
Town of Wapanucka, 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, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wapanucka, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Wapanucka, Oklahoma's basic financial statements, and have issued our report thereon dated November 8, 2016, which was qualified for the improper capital asset recordkeeping for the governmental activities and was an adverse opinion because of the water receipt discrepancy for the business type activities.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Wapanucka'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wapanucka's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Wapanucka'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 therefor, 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 that we consider to be significant deficiencies that deficiency is listed as Item 15-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wapanucka's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 that are required to be reported under Government Auditing Standards. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

Town of Wapanucka's Response to Findings

Town of Wapanucka's response to the findings identified in our audit is described in the accompanying schedule of findings. Town of Wapanucka's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion of it.

Purpose of this Report

This report is intended 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 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 compliance with Government Auditing Standard in considering the entity's internal control and compliance. According, this communication is not suitable for any other purpose.



Dwight Bomer, CPA
November 8, 2016

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Schedule of Findings and Questioned Cost

Current Year

June 30, 2016

TOWN OF WAPANUCKA
Schedule of Findings and Questioned Costs- Current Year
For the Year Ending June 30, 2016

INTERNAL CONTROL FINDINGS:

Item 15-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Due to this lack of division of responsibility, internal control is determined to be weak, and in some instances, nonexistent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board has implemented new policy and procedures to eliminate this internal control risk in future years.

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Schedule of Findings and Questioned Cost
Prior Year

June 30, 2016

TOWN OF WAPANUCKA
Schedule of Findings and Questioned Costs- Prior Year
For the Year Ending June 30, 2014

INTERNAL CONTROL FINDINGS:

INTERNAL CONTROL FINDINGS:

Item 15-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Due to this lack of division of responsibility, internal control is determined to be weak, and in some instances, nonexistent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the Town.

TOWN OF WAPANUCKA
Management Discussion and Analysis
June 30, 2016

TOWN OF WAPANUCKA

WAPANUCKA, OKLAHOMA

June 30, 2016

Management's Discussion and Analysis

This section of the Town of Wapanucka's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended June 30, 2016. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

The Town's total net assets increased, by \$110,829 over the course of this year's operations. The net assets of our business-type activities increased by \$7,771, and an increase of \$103,058 in net assets of our governmental activities occurred.

- During the year, the Town's expenses were \$86,005 less than the \$166,286 generated in taxes and other revenues for governmental programs. This is more than the previous year which had a \$7,982 deficiency due to the reduction of payroll taxes owed, as well as the FEMA grant received by the Town.
- Revenues of the Town's business-type activities increased by eight percent to \$118,046 and expenses increased by over thirty-nine percent to \$205,341.
- The General Fund reported a loss this year of \$8,843 compared to an excess of \$3,675 last year.
- The resources available for appropriation were \$112,727 more than budgeted for the General fund.

Overview of Financial Statements

This annual report consists of three parts- Management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements

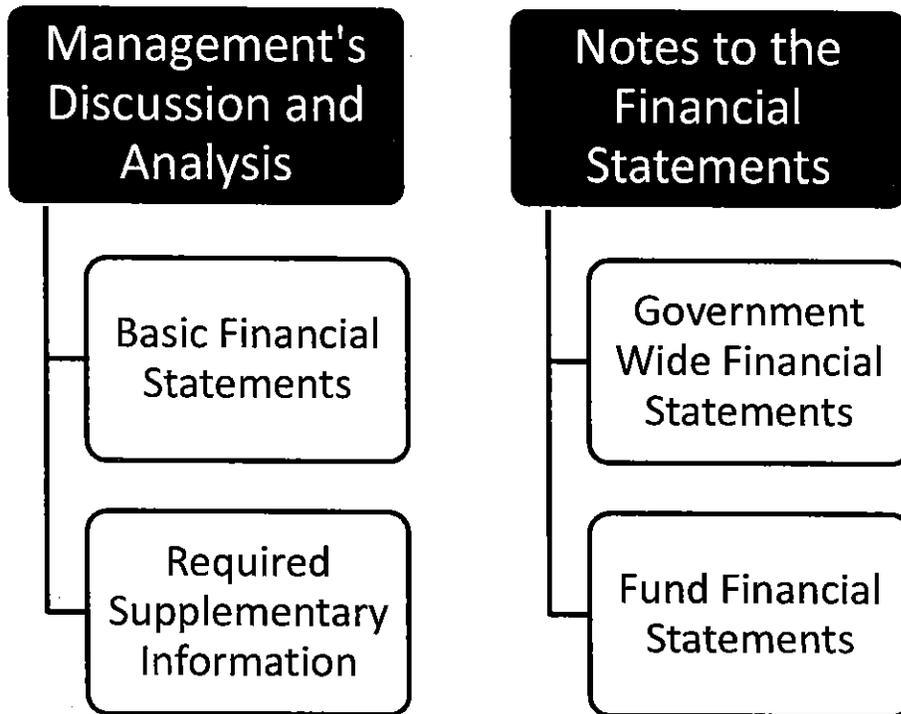
The governmental fund financial statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. Proprietary fund financial statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Public Works Authority.

See Independent Auditor's Report

TOWN OF WAPANUCKA

WAPANUCKA, OKLAHOMA

June 30, 2016



The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that further explains and supports the information within the financial statements. The figure above shows how the required parts of the annual report are arranged and relate to one another.

See Independent Auditor's Report

TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA
 June 30, 2016

Fund Statements

	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Town (except fiduciary funds) and the Towns Compartmental Units	The activities of the Town that are not Proprietary or fiduciary, such as education and public safety	Activities of the Town operating as similar to Private Business; The Water and Sewer System, Garbage Service and Parking Facilities
Required Financial Statements	Statement of Net Assets; Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that are due within the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital as well as short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and other liabilities when due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

The figure above summarizes the major features of the Town's financial statements, including the portion of the Town they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

See Independent Auditor's Report

TOWN OF WAPANUCKA

WAPANUCKA, OKLAHOMA

June 30, 2016

Government-Wide Statements

The government-wide financial statements report information about the Town as a whole, using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the government's assets and liabilities. All of the current years' revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Town's assets and how they changed. Net assets, the difference between the Town's assets and Liabilities, is one way to measure the Town's financial health, or position.

Over time, increases or decreases in the Town's net assets are an indicator of whether the financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Town are divided into two categories:

- **Governmental Activities-** Most of the Town's basic services are reported here, such as police, fire, and general administration. Sales taxes as well as fees and fines finance most of these activities.
- **Business-Type Activities-** The Wapanucka Public Works Authority provides the water and garbage services for the Town of Wapanucka. The Board of Trustees serves as the Authority's board and controls the extent of its operations. The operations of the Wapanucka Public Works Authority are reported as an enterprise fund and are included in the financial statements of the Town of Wapanucka. Fees are charged to customers to help cover the cost of the service.

Fund Financial Statements

The fund financial statements provide detailed information about the Town's most significant funds, not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by the state law.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants such as funds for street repair.

The Town has two kinds of funds:

- **Government Funds-** Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can flow in and out and (2) the balances left at year-end and are available for spending. Consequently, the governmental funds provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, or on a subsequent page that explains the relationship (or differences) between them.

See Independent Auditor's Report

TOWN OF WAPANUCKA

WAPANUCKA, OKLAHOMA

June 30, 2016

- **Proprietary Funds**- Services for which the Wapanucka Public Works Authority charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide, provide both long-term and short-term financial information.

In fact, the Town's enterprise funds (one-type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

See Independent Auditor's Report

TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA
 June 30, 2016

Financial Analysis of the Town as a Whole

Net Assets. The Town's combined net assets increased by \$110,819 between the fiscal year 2015 and 2016. (See Table A-1)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 151,594	\$ 48,536	\$ 28,052	\$ 18,924	\$ 179,646	\$ 67,460
Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets	\$ 151,594	\$ 48,536	\$ 28,052	\$ 18,924	\$ 179,646	\$ 67,460
Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities	\$ -	\$ -	\$ 8,525	\$ 7,168	\$ 8,525	\$ 7,168
Total Liabilities	\$ -	\$ -	\$ 8,525	\$ 7,168	\$ 8,525	\$ 7,168
Net Assets						
Invested in capital Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 136,191	\$ 38,993	\$ 7,814	\$ 7,168	\$ 144,005	\$ 46,161
Unrestricted	\$ 15,403	\$ 9,543	\$ 11,713	\$ 4,588	\$ 27,116	\$ 14,131
Total Net Assets	\$ 151,594	\$ 48,536	\$ 19,527	\$ 11,756	\$ 171,121	\$ 60,292

See Independent Auditor's Report

TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA
 June 30, 2016
Changes in Town of Wapanucka's Net Assets
Table A-2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Revenues						
General Program Revenues:						
Sales Tax	\$ 28,377	\$ 28,610	\$ -	\$ -	\$ 28,377	\$ 28,610
Cigar Tax	\$ 327	\$ 345	\$ -	\$ -	\$ 327	\$ 345
Use Tax	\$ 3,961	\$ 1,681	\$ -	\$ -	\$ 3,961	\$ 1,681
Excise Tax	\$ 491	\$ -	\$ -	\$ -	\$ 491	\$ -
Charges for Services	\$ 2,725	\$ -	\$ 117,459	\$ 108,324	\$ 120,184	\$ 108,324
Franchise Taxes	\$ 5,270	\$ 6,106	\$ -	\$ -	\$ 5,270	\$ 6,106
Investment Income	\$ 2	\$ 3	\$ -	\$ 1	\$ 2	\$ 4
Contributions	\$ 10,997	\$ -	\$ -	\$ -	\$ 10,997	\$ -
Intergovernmental	\$ 11,237	\$ 9,581	\$ -	\$ -	\$ 11,237	\$ 9,581
Grants	\$ 94,048	\$ 26,885	\$ 89,598	\$ 24,553	\$ 183,646	\$ 51,438
Rental Income	\$ 4,461	\$ 4,350	\$ -	\$ -	\$ 4,461	\$ 4,350
Others	\$ 4,390	\$ 545	\$ 587	\$ 896	\$ 4,977	\$ 1,441
Total Revenues	\$ 166,286	\$ 78,106	\$ 207,644	\$ 133,774	\$ 373,930	\$ 211,880
Expenses:						
General Government	\$ 59,108	\$ 63,581	\$ -	\$ -	\$ 59,108	\$ 63,581
Unallocated Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	\$ 6,852	\$ 10,849	\$ -	\$ -	\$ 6,852	\$ 10,849
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community Services	\$ 8,853	\$ -	\$ -	\$ -	\$ 8,853	\$ -
Utilities	\$ -	\$ -	\$ 205,341	\$ 147,735	\$ 205,341	\$ 147,735
Total Expenses	\$ 74,813	\$ 74,431	\$ 205,341	\$ 147,735	\$ 280,154	\$ 222,166
Excess (Deficiency)						
Before Transfers	\$ 91,473	\$ 3,675	\$ 2,303	\$ (13,961)	\$ 93,776	\$ (10,286)
Transfers	\$ (5,468)	\$ (12,128)	\$ 5,468	\$ 12,128	\$ -	\$ -

Increase (Decrease)

See Independent Auditor's Report

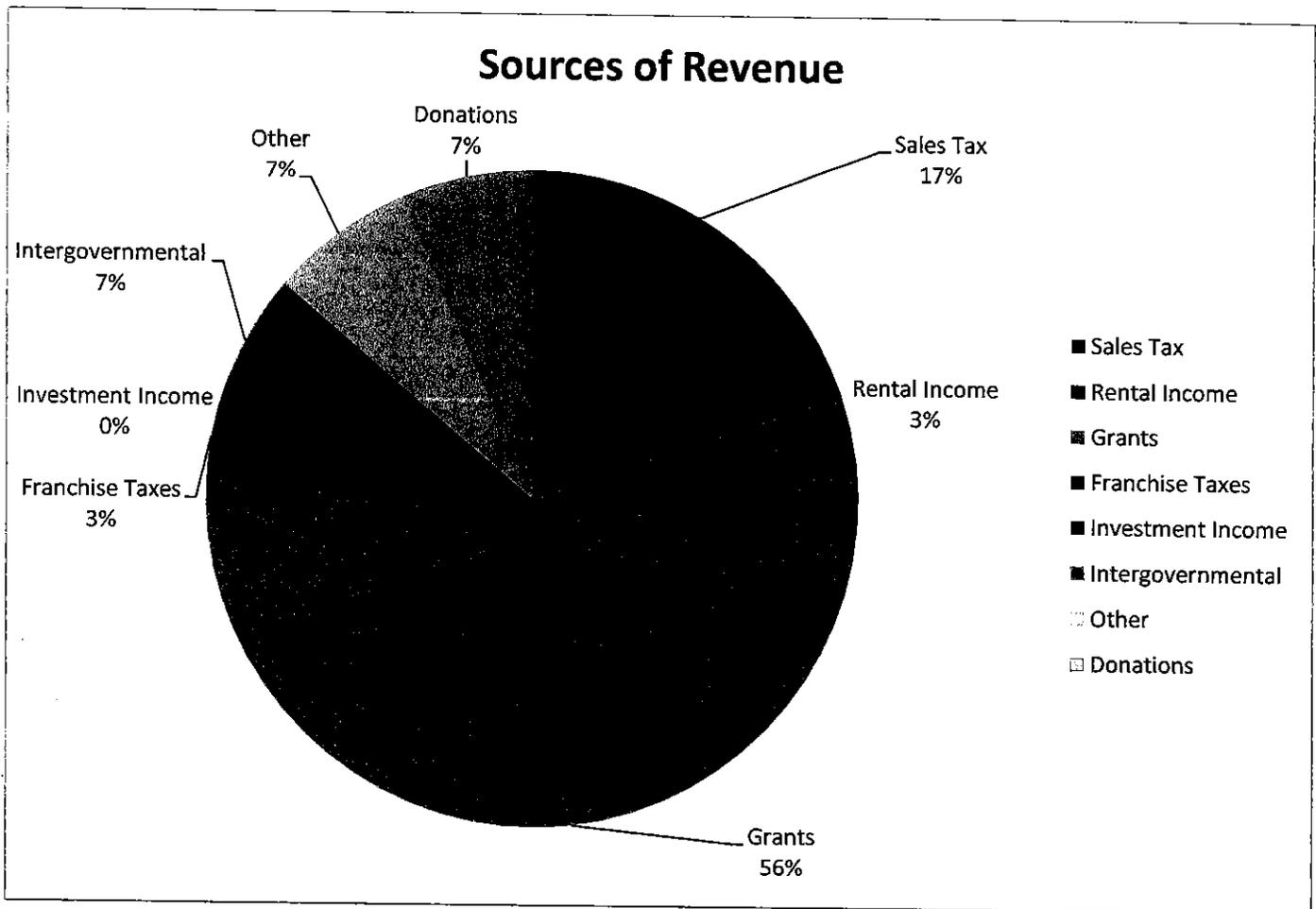
TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA
 June 30, 2016

In Net Assets	\$ 86,005	\$ (8,453)	\$ 7,771	\$ (1,833)	\$ 93,776	\$ (10,286)
----------------------	-----------	------------	----------	------------	-----------	-------------

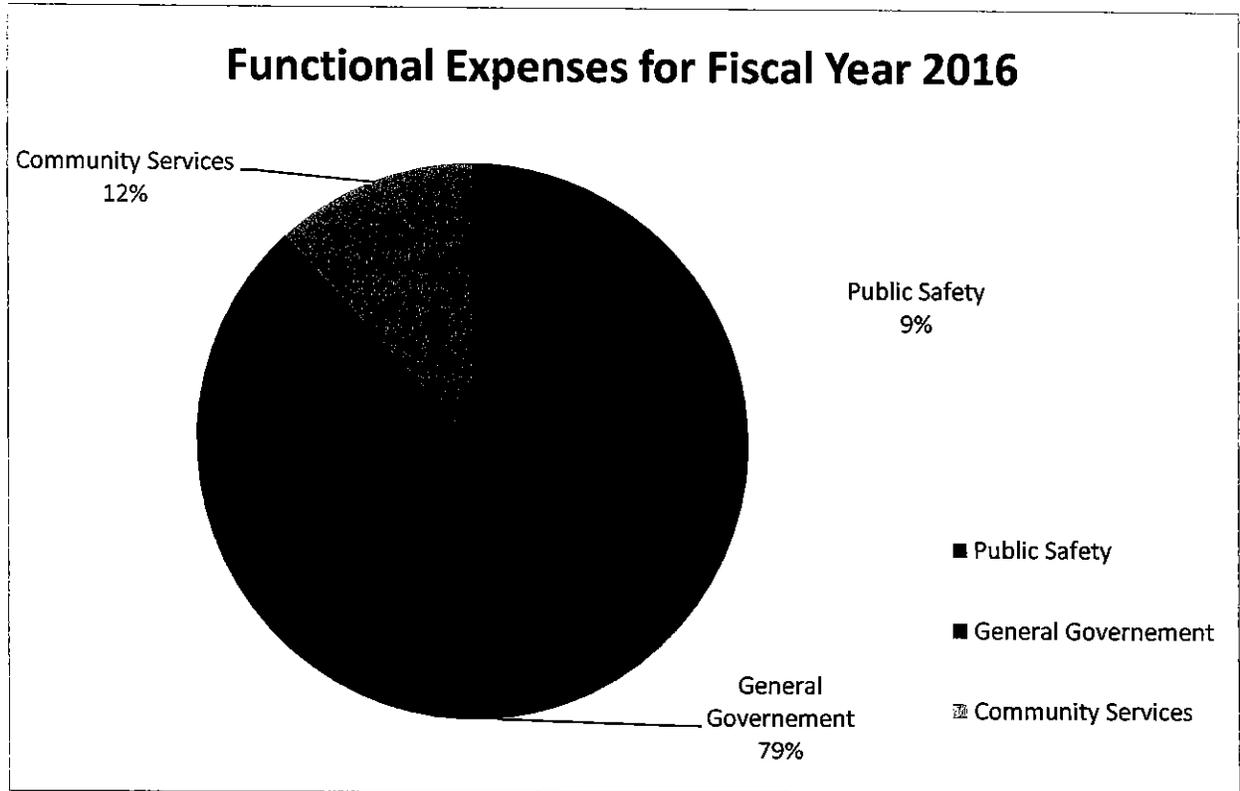
Changes in Net Assets

The Town's total revenues increased by more than seventy-six percent to \$373,930 (see Table A-2). Seventeen percent of the Town's revenue comes from sales tax, another three percent comes from franchise taxes (see figure below).

The total cost of all program services increased by \$382 to \$74,813. The Town's expenses cover a range of services, with about nine percent related to public safety.



TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA
June 30, 2016



TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA
June 30, 2016

Business-Type Activities

Revenues of the Town's business-type activities increased by more than fifty-five percent to \$207,644 and expenses increased by more than thirty-nine percent to \$205,341.

Financial Analysis of the Town's Funds

At the close of the Town's fiscal year, its governmental funds reported a combined fund balance of \$151,594 compared to the prior year balance of \$48,536. This is an increase of \$103,058.

General Fund Budgetary Highlights

During the course of the year, the budget was not revised by the Board of Trustees.

The resources available for appropriation were \$112,727 more than the final budget amounts.

See Independent Auditor's Report

TOWN OF WAPANUCKA
WAPANUCKA, OKLAHOMA
June 30, 2016

Contacting the Town's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or you are in need of additional financial information for the town, contact the Town of Wapanucka's Treasurer's Office at 120 West 8th Street, Wapanucka, Oklahoma 74880.

TOWN OF WAPANUCKA
Statement of Net Position- Modified Cash Basis
June 30, 2016

Schedule A

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 15,403	\$ 11,713	\$ 27,116
Investments	\$ -	\$ -	\$ -
Restricted Assets:			
Cash and Cash Equivalents	\$ 136,191	\$ 16,339	\$ 152,530
Accounts Receivable, net	\$ -	\$ -	\$ -
Capital Assets:			\$ -
Other Capital Assets, Net of Depreciation	\$ -	\$ -	\$ -
Total Assets	\$ 151,594	\$ 28,052	\$ 179,646
Liabilities			
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -
Deferred Revenues	\$ -	\$ -	\$ -
Customer Deposits	\$ -	\$ 8,525	\$ 8,525
Payroll Taxes Payable	\$ -	\$ -	\$ -
Long-Term liabilities:			
Due within one year	\$ -	\$ -	\$ -
Due within more than one year	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ 8,525	\$ 8,525
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ -	\$ -	\$ -
Restricted for:			
Cemetery Fund	\$ 6,361	\$ -	\$ 6,361
Park Committee Fund	\$ 591	\$ -	\$ 591
Fire Department	\$ 35,339	\$ -	\$ 35,339

TOWN OF WAPANUCKA
Statement of Net Position- Modified Cash Basis
June 30, 2016

			Schedule A
CDBG Grant Fund	\$ -	\$ 4,993	\$ 4,993
Other Restricted Funds	\$ 93,900	\$ 2,821	\$ 96,721
Unrestricted	\$ 15,403	\$ 11,713	\$ 27,116
Total Net Assets	<u>\$ 151,594</u>	<u>\$ 19,527</u>	<u>\$ 171,121</u>

TOWN OF WAPANUCKA
Statement of Activities- Modified Cash Basis
For Fiscal Year Ended June 30, 2016

Exhibit B

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants	Governmental Activities	
Primary Government					
Governmental Activities:					
Administration	\$ 59,108	\$ -	\$ 94,048	\$ 34,940	\$ 34,940
Public Safety	\$ 6,852	\$ -	\$ -	\$ (6,852)	\$ (6,852)
Community Services	\$ 8,853	\$ 2,725	\$ -	\$ (6,128)	\$ (6,128)
Depreciation Expense	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	\$ 74,813	\$ 2,725	\$ 94,048	\$ 21,960	\$ 21,960
Business-Type Activities					
Utilities	\$ 205,341	\$ 118,046	\$ 89,598	\$ -	\$ 2,303
Total Business-Type Activities	\$ 205,341	\$ 118,046	\$ 89,598	\$ -	\$ 2,303
Total Primary Government	\$ 280,154	\$ 120,771	\$ 183,646	\$ 21,960	\$ 24,263
General Revenues:					
Taxes:					
Sales Tax and Use Tax				\$ 33,156	\$ 33,156
Franchise Taxes				\$ 5,270	\$ 5,270
Intergovernmental Revenue				\$ 11,237	\$ 11,237
Investment Income				\$ 2	\$ 2
Miscellaneous				\$ 15,387	\$ 15,387

TOWN OF WAPANUCKA
Statement of Activities - Modified Cash Basis
For Fiscal Year Ended June 30, 2016

Exhibit B

Rental Income	\$ 4,461	\$ -	\$ 4,461
Transfers	\$ (5,468)	\$ 5,468	\$ -
Total General Revenues	\$ 64,045	\$ 5,468	\$ 69,513
Change in Net Assets	\$ 86,005	\$ 7,771	\$ 93,776
Net Assets-Beginning, as previously stated	\$ 48,476	\$ 11,756	\$ 60,232
Prior Year Adjustment	\$ 17,113	\$ -	\$ 17,113
Net Assets-Beginning restated	\$ 65,589	\$ 11,756	\$ 77,345
Net Assets Ending	\$ 151,594	\$ 19,527	\$ 171,121

TOWN OF WAPANUCKA
Balance Sheet- Modified Cash Basis-Governmental Funds
For Fiscal Year Ended June 30, 2016

Exhibit C

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 15,403	\$ 136,191	\$ 151,594
Investments	\$ -	\$ -	\$ -
Receivables:			
Accounts Receivable	\$ -	\$ -	\$ -
Total Assets	\$ 15,403	\$ 136,191	\$ 151,594
 Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -
Payroll Taxes Payable	\$ -	\$ -	\$ -
Deferred Revenues	\$ -	\$ -	\$ -
Customers Deposits	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -
 Fund Balances			
Reserved For:			
Cemetery Fund	\$ -	\$ 6,361	\$ 6,361
Park Committee Fund	\$ -	\$ 591	\$ 591
Fire Department	\$ -	\$ 35,339	\$ 35,339
CDBG Grant Fund	\$ -	\$ -	\$ -
Other Restricted Funds	\$ -	\$ 93,900	\$ 93,900
Unrestricted	\$ 15,403	\$ -	\$ 15,403
Total Fund Balances	\$ 15,403	\$ 136,191	\$ 151,594

(See Independent Auditor's Report)

TOWN OF WAPANUCKA
Balance Sheet- Modified Cash Basis-Governmental Funds
For Fiscal Year Ended June 30, 2016

Exhibit C

Total Liabilities and Fund Balances	<u>\$ 15,403</u>	<u>\$ 136,191</u>
--	------------------	-------------------

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, net of accumulated depreciation

Net Assets of Governmental Activities	<u>\$ 151,594</u>
--	-------------------

(See Independent Auditor's Report)

TOWN OF WAPANUCKA

**Statement of Revenues, Expenditures, and Changes in Fund Balance—Modified Cash Basis-
Governmental Fund
For Fiscal Year Ended June 30, 2016**

Exhibit D

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes:			
Sales Tax	\$ 28,377	\$ -	\$ 28,377
Cigar Tax	\$ 327	\$ -	\$ 327
Use Tax	\$ 3,961	\$ -	\$ 3,961
Intergovernmental			
Alcoholic Beverage and Motor Vehicle Tax	\$ 11,237	\$ -	\$ 11,237
Gasoline Excise Tax	\$ 491	\$ -	\$ 491
Franchise Fees	\$ 5,270	\$ -	\$ 5,270
Investment Income	\$ 2	\$ -	\$ 2
Rental Income	\$ 4,461	\$ -	\$ 4,461
Miscellaneous	\$ 4,390	\$ 2,725	\$ 7,115
Grants	\$ -	\$ 94,048	\$ 94,048
Donations	\$ -	\$ 10,997	\$ 10,997
Total Revenues	<u>\$ 58,516</u>	<u>\$ 107,770</u>	<u>\$ 166,286</u>
Expenditures:			
Administration	\$ 58,960	\$ 148	\$ 59,108
Public Safety	\$ -	\$ 6,852	\$ 6,852
Community Services	\$ -	\$ 8,853	\$ 8,853
Capital Outlay	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -
Principal Retirement	\$ -	\$ -	\$ -
Interest and Fiscal Charges	\$ -	\$ -	\$ -
Total Expenditures	<u>\$ 58,960</u>	<u>\$ 15,853</u>	<u>\$ 74,813</u>
Excess of Revenues Over (Under)	<u>\$ (444)</u>	<u>\$ 91,917</u>	<u>\$ 91,473</u>
Other Financing Sources (Uses)			

(See Independent Auditor's Report)

TOWN OF WAPANUCKA

**Statement of Revenues, Expenditures, and Changes in Fund Balance—Modified Cash Basis-
Governmental Fund
For Fiscal Year Ended June 30, 2016**

Exhibit D

Transfers In	\$ -	\$ -	\$ -
Transfers Out	\$ (8,399)	\$ 2,931	\$ (5,468)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ (8,399)	\$ 2,931	\$ (42,817)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ (8,843)	\$ 94,848	\$ 86,005
Net Assets-Beginning, as previously stated	\$ 9,543	\$ 38,933	\$ 48,476
Prior Year Adjustment	\$ 14,703	\$ 2,410	\$ 17,113
	<hr/>	<hr/>	<hr/>
Net Assets-Beginning restated	\$ 24,246	\$ 41,343	\$ 65,589
Fund Balances, Ending	\$ 15,403	\$ 136,191	\$ 151,594
	<hr/>	<hr/>	<hr/>

(See Independent Auditor's Report)

TOWN OF WAPANUCKA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance-
Modified Cash Basis- Governmental Funds
For Fiscal Year Ended June 30, 2016

Exhibit E

Net Change in Fund Balance-Total Governmental Funds **\$ 86,005**

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

Governmental funds reported capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Depreciation Expense	\$ -
	\$ -

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

	\$ -
Change in Net Assets of Governmental Activities	\$ 86,005

(See Independent Auditor's Report)

TOWN OF WAPANUCKA
Statement of Net Position- Modified Cash Basis- Proprietary Fund
For Fiscal Year Ended June 30, 2016

Exhibit F

ASSETS

Wapanucka Public
Works Authority

Current Assets:

Cash and Cash Equivalents

\$ 11,713

Accounts Receivable, Net

\$ -

Total Current Assets

\$ 11,713

Non-Current Assets:

Restricted Cash and Cash Equivalents

\$ 16,339

Investments

\$ -

Capital Assets, Net of Depreciation

\$ -

Total Non-Current Assets

\$ 16,339

Total Assets

\$ 28,052

LIABILITIES:

Current Liabilities:

Accounts Payable and Accrued Liabilities

\$ -

Deferred Revenues

\$ -

Customer Deposits

\$ 8,525

Notes Payable

\$ -

Total Current Liabilities

\$ 8,525

Noncurrent Liabilities

Notes Payable

\$ -

Total Noncurrent Liabilities

\$ -

Total Liabilities

\$ 8,525

Investment in Capital Assets, Net of Related Debt

\$ -

TOWN OF WAPANUCKA
Statement of Net Position- Modified Cash Basis- Proprietary Fund
For Fiscal Year Ended June 30, 2016

Exhibit F

Restricted	\$	7,814
Unrestricted	\$	11,713
		<hr/>
Total Net Assets	\$	19,527
		<hr/> <hr/>

TOWN OF WAPANUCKA
Statement of Revenues, Expenses and Changes in Fund Net Position- Modified Cash Basis-
Proprietary Fund
For Fiscal Year Ended June 30, 2016

Exhibit G

	Wapanucka Public Works Authority
Operating Revenues:	
Water	\$ 88,059
Sewer	\$ 29,400
Other Operating Income	\$ 587
Total Operating Revenues	\$ 118,046
 Operating Expenses:	
Advertising	\$ 23
Payroll Expenses	\$ 75,573
Bank Service Fees	\$ 565
Contract Sanitation Services	\$ -
Insurance	\$ 4,283
Repairs and Maintenance	\$ 81,816
Chemicals, Testing and Supplies	\$ 8,207
Office Supplies and Postage	\$ 16,393
Professional Fees	\$ 5,880
Vehicle Expense	\$ 5,564
Utilities	\$ 7,037
Bad Debt Expense	\$ -
Depreciation	\$ -
Total Operating Expenses	\$ 205,341
Net Operating Income (Loss)	\$ (87,295)
 Non-Operating Revenues (Expenses)	
Investment Income	\$ -
Grant Revenues	\$ 89,598
Interest Expense	\$ -
Total Non-Operating Revenue (Expense)	\$ 89,598
Income (Loss) Before Transfers	\$ 2,303

TOWN OF WAPANUCKA
Statement of Revenues, Expenses and Changes in Fund Net Position- Modified Cash Basis-
Proprietary Fund
For Fiscal Year Ended June 30, 2016

Exhibit G

Transfers In (Out)	\$ 5,468
Change in Net Assets	\$ 7,771
Total Net Assets- Beginning	<u>\$ 11,756</u>
Total Net Assets- Ending	<u><u>\$ 19,527</u></u>

TOWN OF WAPANUCKA
Statement of Cash Flows—Proprietary Fund
For Fiscal Year Ended June 30, 2016

	Wapanucka Public Works Authority
Cash Flows from Operating Activities	
Receipts From Customers	\$ 118,046
Payments to Suppliers	\$ (129,768)
Payments to Employees	\$ (75,573)
	\$ (87,295)
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	\$ -
Principal Paid on Capital Debt	\$ -
Grant Revenues	\$ 89,598
Interest Paid on Capital Debt	\$ -
Transfer to Other Funds	\$ -
Transfer in from Other Funds	\$ 5,468
	\$ 95,066
Cash Flows from Investing Activities	
Interest Income	\$ -
	\$ -
Net Cash Provided by Investing Activities	\$ -
Net Increase in Cash and Cash Equivalents	\$ 7,771
Cash and Cash Equivalents, Beginning of Year	\$ 11,756
Cash and Cash Equivalents, End of Year	\$ 19,527
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (87,295)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	\$ -
Bad Debt Expense	\$ -
Change In Assets and Liabilities:	
Receivables, Net	\$ -

TOWN OF WAPANUCKA
Statement of Cash Flows—Proprietary Fund
For Fiscal Year Ended June 30, 2016

Accrued Liabilities and Accounts Payable

Total Adjustments

\$ -

Net Cash Provided (used) by Operating Activities

\$ (87,295)

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Notes to Financial Statements

June 30, 2016

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Accounting Policies

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. The Reporting Entity

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Wapanucka
Blended Component Units:	Wapanucka Public Works Authority (WPWA)

PRIMARY GOVERNMENT

The Town of Wapanucka, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, sanitation, water, public improvements, and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2016, the Town had only one component unit, the Wapanucka Public Works Authority.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the City Council, and there is a financial benefit or burden relationship with the City, or City management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the City; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the City. The blended component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. Based on the foregoing criteria, the financial statements of the following

(See Independent Auditor's Report)

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Accounting Policies (Continued)

component units are blended into the accompanying financial statements: Wapanucka Public Works Authority. The City board of trustees and the PWA board of directors are the same.

B. Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Town's funds are grouped into two governmental funds types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2016, the Town had governmental funds of general fund and cemetery care. The proprietary funds consisted of the Wapanucka Public Works Authority.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town.

Proprietary Fund Types

The Public Works Authority Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, on a continuing basis, are financed through user charges, paid by the general public. The Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when received and expenses are recorded when paid. All proprietary fund fixed assets have been expensed and are not capitalized.

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Accounting Policies (Continued)

- C. Measurement Focus and Basis of Accounting Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b). In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events. This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value. If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Accounting Policies (Continued)

fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Budget and Budgetary Procedures

The Town's annual operating budget represents appropriations as authorized by the Town Council and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department.

E. Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Restricted cash consists of monies held in conjunction with the Wapanucka Public Works Authority customer deposits.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2016.

G. Accounts Receivable

As a result of the use of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not required.

H. Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined statement of assets, liabilities and fund balances.

I. Property & Equipment

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Accounting Policies (Continued)

Public domain (infrastructure) general capital assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost. The Town of Wapanucka does not maintain detailed asset records. The town has not established a capitalization threshold because it does not maintain capital asset records.

J. Equity Classification

Net Position is classified and displayed in three components:

1. Net investment in capital assets — 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 improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted — Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 1- Summary of Accounting Policies (Continued)

- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Cemetery Fund	Donations

K. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2016, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types – By Character: Current (further classified by activity) Capital Outlay
Proprietary Fund Types – By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

L. Risk Management

Significant losses are covered by commercial insurance for all Town operations.

M. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 2 – Stewardship, Compliance and Accountability

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The annual budget was has not been prepared or filed with the State Auditor and Inspector's office.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are fund balance and retained earnings deficits for the Town for this fiscal year. This is due in part to the fact that the Town does not report Capital Assets in its financial statements. The Long-term Debt related to these assets is included in the financial statements and therefore creates negative fund balances.

Note 3- Cash and Cash Investments

Custodial Credit Risk

At June 30, 2016, the Town held deposits of approximately \$61,687 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name. The Town of Wapanucka is considered a separate entity from the Wapanucka Public Works Authority for FDIC deposit insurance.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 3- Cash and Cash Investments (Continued)

- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Note 4- Restricted Assets

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

Customer Deposits	\$ 8,525.00
REAP Grant Account	<u>\$ -</u>
Total Restricted Cash	<u><u>\$ 8,525.00</u></u>

Note 5- Capital Assets

The Town does not maintain capital assets records.

Note 6 – Long-Term Debt

The Town no longer has any long-term debt. Changes in Long-Term Debt

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

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2016
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Services Requirements to Maturity

There are no debt service requirements because both loans were paid in full during previous years.

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Note 7- Fund Equity

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted the Town's restricted net position are described in Note 4 above.

Governmental Fund Balances

	General Fund	Restricted Funds	Total Governmental Funds
FUND BALANCES			
Restricted for:			
Cemetery Fund	\$ -	\$ 6,361	\$ 6,361
Park Committee Fund	\$ -	\$ 591	\$ 591
Fire Department	\$ -	\$ 35,339	\$ 35,339
FEMA	\$ -	\$ 93,900	\$ 93,900
Unassigned	\$ 15,403	\$ -	\$ 15,403
Total	\$ 15,403	\$ 136,191	\$ 151,594

Note 8- Commitments & Contingencies

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. The attorney advised of the following litigation for the Town of Wapanucka:

1. Civil case seeking monetary damages in *Canyon Welding v. Town of Wapanucka*, Johnston County Case No. CS-2014-72. An agreement was made October 30, 2015, in which Town of Wapanucka agreed to pay \$200 a month for 12 months and then the balance of \$3,600.
2. Civil case seeking monetary damages in *Southwestern Bell Telephone v. City of Wapanucka*, Johnston County Case No. CS-2015-51, filed August 4, 2015. This case is still pending with the possibility that the Town may have an adverse outcome.

As for Wapanucka Public Works Authority, there are no new claims or threatened litigation.

Note 8- Commitments & Contingencies (Continued)

TOWN OF WAPANUCKA
Notes to the Financial Statements
June 30, 2016

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/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 of reimbursement that 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.

Compensated Absences

Compensated absences have not been determined because the Town prepares its financial statements on the modified cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

Note 9 – Operating Transfers

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

<u>From</u>	<u>To</u>		
General Fund	Public Works Authority	Working Capital	\$5,468
			\$5,468
			\$5,468

Note 10- Prior Period Adjustment

During the year ended June 30, 2016, the Town discovered an error in the prior year financial statements. A portion of the restricted assets was omitted from the financial statements due to misclassification of revenue received and expenditures. A prior period adjustment to reclassify this amount to ending net assets has been recorded accordingly.

Note 11- Subsequent Events

The Town did not have any subsequent events through November 8, 2016, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2016.

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Required Supplementary Financial Information

June 30, 2016

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Supplementary Financial Information

June 30, 2016

TOWN OF WAPANUCKA
Combining Balance Sheet
For Fiscal Year Ended June 30, 2016

Exhibit I

	Park Fund	CDBG Grant	Fire Department Fund	Cemetery Fund	Meter Fund	FEMA Grant Fund	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 591	\$ 4,993	\$ 35,339	\$ 6,361	\$ 8,525	\$ 93,900	\$ 149,709
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables							
Due From Other Governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due From Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ 591</u>	<u>\$ 4,993</u>	<u>\$ 35,339</u>	<u>\$ 6,361</u>	<u>\$ 8,525</u>	<u>\$ 93,900</u>	<u>\$ 149,709</u>
Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ 8,525	\$ -	\$ 8,525
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,525</u>	<u>\$ -</u>	<u>\$ 8,525</u>

Fund Balances
Reserved For:

TOWN OF WAPANUCKA

Wapanucka, Oklahoma

Budgetary Comparison Schedule—General Fund

June 30, 2016

TOWN OF WAPANUCKA
Budgetary Comparison Schedule
General Fund
June 30, 2016

Exhibit J

Resources(Inflows)	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Sales Tax	\$ 24,705	\$ 24,705	\$ 28,377	\$ 3,672
Cigar Tax	\$ 298	\$ 298	\$ 327	\$ 29
Use Tax	\$ 1,447	\$ 1,447	\$ 3,961	\$ 2,514
Intergovernmental				
Alcoholic Beverage and Motor Vehicle Tax	\$ 9,800	\$ 9,800	\$ 491	\$ (9,800)
Gasoline Excise Tax	\$ 1,184	\$ 1,184	\$ 5,270	\$ (693)
Franchise Fees	\$ 6,550	\$ 6,550	\$ 2	\$ (1,280)
Investment Income	\$ 4	\$ 4	\$ 4,461	\$ (2)
Rental Income	\$ 4,016	\$ 4,016	\$ 18,352	\$ 445
Miscellaneous	\$ 210	\$ 210	\$ 94,048	\$ 18,142
Grants	\$ -	\$ -	\$ 10,997	\$ 94,048
Donations	\$ 5,345	\$ 5,345		\$ 5,652
Amounts Available for Appropriation	\$ 53,559	\$ 53,559	\$ 166,286	\$ 112,727

Charges to Appropriation (Outflows)

Exhibit J

General Government	\$ 36,302	\$ 36,302	\$ 59,108	\$ (22,806)
Public Safety	\$ 6,033	\$ 6,033	\$ 6,852	\$ (819)
Community Service	\$ 9,852	\$ 9,852	\$ 8,853	\$ 999
<hr/>				
Total Charges to Appropriations	\$ 52,187	\$ 52,187	\$ 74,813	\$ (22,626)

Budgetary Fund Balance, June 30, 2015

	<u>\$ 1,372</u>	<u>\$ 1,372</u>	<u>\$ 91,473</u>	<u>\$ 90,101</u>
--	-----------------	-----------------	------------------	------------------

(See Independent Auditor's Report)

TOWN OF WAPANUCKA
Schedule of Expenditures Grant Awards- Cash Basis
CDBG Grant
June 30, 2016

Exhibit K

Grant Revenues		
	CDBG	
Total Revenues		\$ 89,597.88
Grant Expenditures		\$ 89,597.88
	Administrative	\$ 8,414.25
	Construction	\$ 75,503.63
	Engineering	\$ 5,680.00
Total Expenditures		\$ 89,597.88

(See Independent Auditor's Report)