TOWN OF WILLOW

Report on the Audit of the
Financial Statements
As of and for the twelve months ended
June 30, 2013

Town of Willow
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June 30, 2013

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Independent Auditor's Report

To the Board of Trustees
Town of Willow
Willow, Oklahoma

I 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 Willow as of and for the twelve months ended June 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Willow's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States and "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Town of Willow prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Also, as discussed in Note 1 to the financial statements, management has not recorded general property and equipment acquired before July 1, 2003, in governmental or business-type activities and, accordingly, has not recorded depreciation expenses on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets, buildings and equipment be capitalized and depreciated, which would increase the assets, net assets, and expenses of the government activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In my opinion, because of the adverse effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Willow, as of June 30, 2013, and the changes in financial position for the twelve months then ended nor the financial position of the business-type activities of the Town of Willow as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the twelve months then ended in

accordance with accounting principles generally accepted in the United States of America.

Further, in my opinion, the financial statements referred to above present fairly the financial position of the governmental funds of the Town of Willow as of June 30, 2013, and the changes in fund balances for the twelve months then ended in conformity with the basis of accounting described above.

In accordance with Governmental Auditing Standards, I have also issued my report dated February 9, 2015, on my consideration of the Town of Willow's internal control over financial reporting on my tests of compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards' and should be considered in assessing the results of my audit.

Management has elected not to include required supplementary information, management's discussion and analysis and budgetary information, as indicated in Governmental Accounting Standards Board Statement 34.

Britton, Kuykendall & Miller

Certified Public Accountant
February 9, 2015

BRITTON, KUYKENDALL, & MILLER
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with "Government Auditing Standards"

To the Board of Trustees
Town of Willow
Willow, Oklahoma

I 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 Willow as of and for the twelve months ended June 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements were prepared on the modified cash basis of accounting. Further, the Town of Willow has not maintained an historical record of property and equipment prior to July 1, 2003 resulting in an adverse opinion being issued on the financial statements of the governmental and business type activities and the proprietary funds. The opinion on the governmental fund statements was unqualified. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Willow's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Willow's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Willow's internal control over financial reporting.

A deficiency in internal control exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Town of Willow's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do no express such an opinion. The results of my tests disclose no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

This report is intended solely for the information and use of the granted agencies and/or governments and is not intended to be and should not be used by anyone other than these specified parties.

Britton, Kuykendall & Miller

Certified Public Accountant
February 9, 2015

Exhibit A

Town of Willow, Oklahoma
Statement of Net Position - Modified Cash Basis
For the Year Ended June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 65,831.48	$ 3,288.58	$ 69,120.06
Certificates of Deposit	10,650.11	0.00	10,650.11
Due from Other Governments	3,471.00	0.00	3,471.00
Restricted Cash and Cash Equivalents	0.00	15,517.00	15,517.00
Capital Assets:			
Land and Construction in Progress	0.00	0.00	0.00
Other Capital Assets, Net of Depreciation	153,063.90	325,048.92	478,112.82
Total Assets	$ 233,016.49	$ 343,854.50	$ 576,870.99
LIABILITIES			
Deposits Payable	$ 0.00	$ 15,517.00	$ 15,517.00
Total Liabilities	0.00	15,517.00	15,517.00
NET POSITION			
Invested in Capital Assets, Net of Related Debt	153,063.90	325,048.92	478,112.82
Restricted for:			
Community Development Fund	8,820.66	0.00	8,820.66
Debt Services	0.00	0.00	0.00
Unrestricted	71,131.93	3,288.58	74,420.51
Total Net Position	233,016.49	328,337.50	561,353.99
Total Liabilities and Net Position	$ 233,016.49	$ 343,854.50	$ 576,870.99

The accompanying notes to financial statements are an integral part of this statement.

Exhibit B

Town of Willow, Oklahoma
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Governmental Activities:							
General Government	$ 25,897.90	$ -	$ -	$ 78,507.95	$ 52,610.05	$ -	$ 52,610.05
Business-Type Activities:							
Utilities	74,007.32	66,437.63	-	-	-	(7,569.69)	(7,569.69)
General Revenues:							
Taxes:							
Sales Tax					8,890.71	-	8,890.71
Adjustments					-	-	-
Other Taxes					2,378.14	-	2,378.14
Interest income					397.31	8.98	406.29
Sale of assets					-	-	-
Rents					2,380.00	-	2,380.00
Refunds, reimbursements					-	-	-
Miscellaneous					7,367.09	-	7,367.09
Transfers In (Out)					(97,711.10)	(6,602.24)	(104,313.34)
Total General Revenues and Transfers					(76,297.85)	(6,593.26)	(82,891.11)
Change in Net Position					(23,687.80)	(14,162.95)	(37,850.75)
Net Position - Beginning of Year					256,704.29	342,500.45	599,204.74
Net Position - End of Year					$ 233,016.49	$ 328,337.50	$ 561,353.99

The accompanying notes to financial statements are an integral part of this statement.

Exhibit C

Town of Willow, Oklahoma
Combined Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 56,891.02	$ 8,940.46	$ 65,831.48
Certificates of Deposit	10,650.11	0.00	10,650.11
Due from other Governments	3,471.00	0.00	3,471.00
Total Assets	$ 71,012.13	8,940.46	$ 79,952.59
LIABILITIES			
Accounts Payable	$ 0.00	0.00	$ 0.00
Total Liabilities	0.00	0.00	0.00
NET POSITION			
Assigned:			
Grant Fund	0.00	119.80	119.80
Cemetery	0.00	0.00	0.00
Community Development Fund	0.00	8,820.66	8,820.66
Unassigned:			
Unassigned	71,012.13	0.00	71,012.13
Total Net Position	71,012.13	8,940.46	79,952.59
Total Liabilities and Net Position	$ 71,012.13	$ 8,940.46	$ 79,952.59

Total fund balance - total governmental funds	$ 79,952.59
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of $255,927.87, net of accumulated depreciation of $(102,863.97), are not financial resources and therefore are not reported in the funds.	153,063.90
Net Position of governmental activities	$ 233,016.49

The accompanying notes to financial statements are an integral part of this statement.

Exhibit D

Town of Willow, Oklahoma
Statement of Revenues, Expenditures, and
Changes in Net Position - Modified Cash Basis
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales Tax	$ 8,890.71	$ 0.00	8,890.71
Alcoholic Beverage Tax	2,378.14	0.00	2,378.14
Cigar Tax	0.00	0.00	0.00
Fuel Tax	0.00	0.00	0.00
CENA Grant Revenue	0.00	2,250.00	2,250.00
CDBG Grant Revenue	0.00	36,050.00	36,050.00
REAP Grant Revenue	0.00	36,050.00	36,050.00
Civil Emergency Management Grant Revenue	4,157.95	0.00	4,157.95
Donations	0.00	6,840.00	6,840.00
Cemetery Revenue	0.00	0.00	0.00
Sales of Assets	0.00	0.00	0.00
Refunds and Reimbursements	0.00	0.00	0.00
Rentals	0.00	2,380.00	2,380.00
Interest Income	99.05	298.26	397.31
Miscellaneous Sales and Service	527.09	0.00	527.09
Total Revenues	16,052.94	83,868.26	99,921.20
Expenditures:			
Personal Service	2,410.00	0.00	2,410.00
Maintenance and Operations	3,176.14	5,290.47	8,466.61
Grant Expenditures	0.00	78,050.00	78,050.00
Capital Outlay	0.00	0.00	0.00
Total Expenditures	5,586.14	83,340.47	88,926.61
Excess of Revenues Over (Under) Expenditures	10,466.80	527.79	10,994.59
Other Financing Sources (Uses)			
Operating Transfers In (Out)	7,512.09	(105,223.19)	(97,711.10)
Prior period adjustments	0.00	0.00	0.00
Net Change in Net Position	17,978.89	(104,695.40)	(86,716.51)
Net Position, Beginning of Year	53,033.24	113,635.86	166,669.10
Net Position, End of Year	$ 71,012.13	$ 8,940.46	$ 79,952.59

The accompanying notes to financial statements are an integral part of this statement.

Exhibit E

Town of Willow, Oklahoma
Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2013

	Utility Authority
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 3,288.58
Restricted Cash and Cash Equivalents	15,517.00
Total Current Assets	18,805.58
Property and equipment:	
Property and equipment-net of accumulated depreciation	325,048.92
Total property and equipment	325,048.92
Total Assets	$ 343,854.50
LIABILITIES	
Noncurrent Liabilities:	
Deposits Payable	15,517.00
Total Noncurrent Liabilities	15,517.00
Noncurrent Liabilities:	
Long-Term Debt (Net of Current Portion)	0.00
Total Noncurrent Liabilities	0.00
Total Liabilities	15,517.00
NET POSITION	
Invested in Capital Assets, Net of Related Debt	325,048.92
Restricted for Debt Service	0.00
Unrestricted	3,288.58
Total Net Position	328,337.50
Total Liabilities and Net Position	$ 343,854.50

The accompanying notes to financial statements are an integral part of this statement.

Exhibit F

Town of Willow, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Utility Authority
Operating Revenues:	
Utility services	$ 102,843.45
Cost of utility services	36,405.82
Gross revenue from utility services	66,437.63
Other Income	0.00
Total Operating Revenues	66,437.63
Operating Expenses:	
Personal Services	9,231.51
Supplies and Repairs	3,965.47
Insurance Expense	7,453.58
Utilities	9,389.00
Contracted Services	17,754.00
Other	16,780.18
Depreciation	9,433.58
Total Operating Expenses	74,007.32
Operating Income (Loss)	(7,569.69)
Non-Operating Revenues (Expenses):	
Interest Income	8.98
Total Non-Operating Revenues (Expenses)	8.98
Income (Loss) before Operating Transfers	(7,560.71)
Transfer in/(out)	(6,602.24)
Prior period adjustments	-
Change in Net Position	(14,162.95)
Net Position - Beginning of Year	342,500.45
Net Position - End of Year	$ 328,337.50

The accompanying notes to financial statements are an integral part of this statement.

Exhibit G

Town of Willow, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Utility Authority
Cash Flows From Operating Activities:	
Cash received from customers	$ 102,843.45
Cash paid to vendors for operations	(91,748.05)
Cash paid to employees	(9,231.51)
Customer's utility security deposits	1,200.00
Net cash provided from operations	3,063.89
Cash Flows From Non-Capital Investing Activities:	
Operating Transfer In (Out)	(6,602.24)
Prior period adjustment	0.00
Net cash flows-investing activities	(6,602.24)
Cash Flows From Capital and Related Financing Activities:	
Acquisition of property and equipment	0.00
Net cash flows-financing activities	0.00
Cash Flows from Investing Activities	
Interest Income	8.98
Net cash flows provided by (used in) Investing activities	8.98
Net Increase (Decrease) in Cash	(3,529.37)
Cash at Beginning of Year	22,334.95
Cash at End of Year	$ 18,805.58

The accompanying notes to financial statements are an integral part of this statement.

Exhibit G (cont'd)

Town of Willow, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Utility Authority
Reconciliation of Net Income to Net Cash Provided from Operations:	
Operating Income	$ (7,569.69)
Adjustments:	
Depreciation	9,433.58
(Increase) Decrease in:	
Accounts Receivable	0.00
Increase (Decrease) in:	
Deposits	1,200.00
Net Cash Provided From Operations	$ 3,063.89

The accompanying notes to financial statements are an integral part of this statement.

Town of Willow
Notes to the Basic Financial Statements
June 30, 2013

Note 1-Significant Accounting Policies

A. Summary of Significant Accounting Policies.
As discussed further in Note 1.D., these financial statements are presented on a modified cash basis of accounting. This modified cash basis differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the proprietary funds, Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

B. Financial Reporting Entity.
The town's financial reporting entity is composed of the following:
Primary government: Town of Willow
Blended component unit: Willow Municipal Authority

In determining the financial reporting entity, the Town of Willow complies with the provisions of Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity".

Blended Component Unit.

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the governing body of the primary government. The component unit's finds are blended into those of the Town of Willow by appropriate fund type to constitute the primary government presentation. The blended component unit is the Willow Municipal Authority. The fund is included in the Willow Municipal Authority Enterprise Fund.

The component unit does not issue separately audited component unit financial statements.

C. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include 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

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town of Willow presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding tital for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures or specified purposes or designated to finance particular functions or activities of the Town.
The reporting entity includes the following special revenue funds.

1. Cemetery Fund. This fund accounts for revenues and expenditures dedicated to maintenance of the cemetery. On December 28, 2012, the Town transferred all assets of the cemetery fund to the "Willow Cemetery Association". The transfer is included on Exhibits B and D.

Proprietary Funds

Enterprise fund.

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Willow Municipal Authority to account for activities of the public trust in providing water, wastewater, sanitation and natural gas distribution services to the public.

D. Measurement Focus and Basis of Accounting.

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

Measurement focus

In 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, within the limitations of the modified cash basis of accounting as defined below.

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:

1. All governmental funds use 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 spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

2. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets

Basis of accounting

The government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit statements. 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 revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting.

E. Assets, Liabilities, and Equity

Cash and cash equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less . Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Capital assets

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions will be recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation will be provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of $500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Management has not recorded general infrastructure assets, buildings and equipment acquired before July 1, 2003, in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets, buildings and equipment be capitalized and depreciated, which would increase the assets, net assets, and expenses of the government activities.

Fund Financial Statements

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds would be reported as other financing sources and payment of principal and interest reported as expenditures. The account for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Equity Classification

Government-Wide Statements

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

1. 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 improvements of those assets.

2. Restricted net assets-Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets-All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" .

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

Fund Financial Statements

Government fund equity is classified as fund balance. Proprietary fund equity is classified the same as in government-w ide statements.

F. Revenues, Expenditures, and Expenses

Program revenues

In the Statement of Activities, modified cash basis revenues are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General government	Rents

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating revenue and expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component units (if applicable) result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities .

G. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the financial statements have been eliminated or reclassified.

Fund financial statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans-Amounts provided with a requirement for repayment are reported as interfund receivables and payables.

2. Interfund services-Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3. Interfund reimbursements-Repayments from funds responsible for certain expenditures /expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

4. Interfund transfers-Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-wide financial statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows :

1. Internal balances-Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

2. Internal activities-Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

3. Primary government and component unit activity and balances-Resource flows between the primary government (the Town and Municipal Authority) and the discretely-presented component unit, if any, are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

H. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2-Stewardship, Compliance, and Accountability

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations.

Note 3-Detail Notes-Transaction Classes/Accounts

A. Cash and investments

Custodial credit risk-deposits

The table presented below is designed to disclose the level of custodial risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2013. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

Category 1	Insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name
Category 2	Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
Category 3	Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agency but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

		Category 1		Category 2	Category 3	Bank Balance
Primary Government		95,287		0	0	95,287
Total deposits		95,287		0	0	95,287

Investments and custodial credit risk

Investments are limited by state law to the following:

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 of Oklahoma is pledged.

b. Certificates of deposit 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 limitations, 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 Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

B. Restricted assets

The amounts reported as restricted assets are composed of amounts held by the Willow Municipal Authority for utility deposits (refunded upon termination of service or applied to the final bill) of $15,517.

C. Capital assets

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2013, was as follows:

Description	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Governmental activities:				
Buildings, Equipment	124,978	75,950		200,925
Vehicles	55,000			55,000
Total governmental property and equipment	177,375	75,950		255,928
Less accumulated depreciation	89,943	12,921		102,864
Net governmental property and equipment	90,035	63,029		153,064
Business-type activities:				
Construction work in progress	0			0
Water system/improvements	350,097			350,097
Machinery/equipment	4,999			4,999
Total business-type property and equipment	355,096			355,096
Less accumulated depreciation	20,614	9,434		30,047
Net business-type property and equipment	334,482	9,434		325,049
Total government-wide property and equipment	424,517	53,595		478,113

During the twelve months ended June 30, 2013, the sum of $12,921 was charged against net assets in the governmental activities and $9,434 against net assets in the business-type activities.

D. Long-term liabilities

The reporting entity's long-term liabilities arising from cash transactions is to be repaid from business-type activities.

As of June 30, 2013, the long-term liabilities, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Refundable deposits:

Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility deposits-refundable	15,517

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount due within one year
Business type activities:					
Refundable deposits	14,317	1,200		15,517	-
Total business type activities	14,317	1,200	-	15,517	-

Note 4-Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss by purchasing commercial insurance. In so doing, each incidence may have a nominal deductible amount that is uninsured, but no material risk of loss is retained.

Note 5-Deposits with third party administrator.

Funds held by the Oklahoma Municipal Assurance Group consist of:

Escrow funds-Typically past refunds or interest earnings left on deposit with the administrator to be disbursed upon instruction by the governing body.

Rate stabilization reserve-Reserves developed under the premium modification guidelines to be applied against future premium increases.

Loss fund-That portion of premium to pay claims.

Note 5-Deposits with third party administrator (continued).

The Oklahoma Municipal Assurance Group Workers' Compensation Plan became effective October 1, 1984. The purpose of the plan is to provide workers ' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins on July 1 in any year and ends on June 30 of the following calendar year. The plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owned for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the plan to participate in the coverages and services that the plan offers as outlined above. Upon acceptance into the plan, a participant has the responsibility to pay fees set by the plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the plan is responsible for complying with all requirements of the Oklahoma Workers ' Compensation Act. Participants have a right to the return of any loss funds set aside for claims, which have not been paid out as benefits.

The amount shown in the financial statements reflect the funds being held by the group for the Town of Willow. These funds represent both current and past plan year participation with the loss fund balances in respect to the Town of Willow's workers ' compensation retention. CompSource Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of CompSource Oklahoma to honor its obligation could result in losses to the plan. However, Oklahoma Municipal Assurance Group's evaluation of the financial condition of CompSource Oklahoma indicates that CompSource Oklahoma is presently financially sound and will be able to meets its contractual obligations.