

**TOWN OF WEBBERS FALLS, OKLAHOMA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**



**TOWN OF WEBBERS FALLS, OKLAHOMA**  
**JUNE 30, 2011**

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PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

## Independent Auditors' Report

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To the Honorable Mayor and Town Council  
Town of Webbers Falls, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the **Town of Webbers Falls, Oklahoma**, as of and for the year ended **June 30, 2011**, 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 Webbers Falls, Oklahoma's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the **Town of Webbers Falls, Oklahoma**, as of **June 30, 2011**, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated **September 20, 2011**, on our consideration of **Town of Webbers Falls, Oklahoma's** internal control over financial reporting and 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 accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**September 20, 2011**

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**TOWN OF WEBBERS FALLS, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The discussion and analysis of the Town of Webbers Falls, Oklahoma's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The Town of Webbers Falls exceeded its liabilities at the close of the fiscal year ending June 30, 2011 by \$1,389,389 (net assets). Of this amount, \$219,718 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town of Webbers Falls's total net assets increased by \$97,164 for the year ended June 30, 2011.
- The Town expended \$21,604 in capital assets during the year.
- The Town received \$12,540 in grant revenues. This included grants from the Eastern Oklahoma Development District and East Central Oklahoma Gas Authority.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the Town of Webbers Falls's financial statements. The Town's financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Webbers Falls's finances, in a manner similar to a private-sector business. The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The Statement of Activities focuses gross and net costs of town programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

**TOWN OF WEBBERS FALLS, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Fund financial statements.** Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town's major governmental funds are presented in their own columns and the remaining funds are combined into a column titled "Other Nonmajor Funds." A budgetary comparison is presented for the general fund only. Statements for the East Central Oklahoma Water Authority follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.

**Notes to the financial statements.** The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

**CONDENSED FINANCIAL INFORMATION**

Condensed financial information from the statement of net assets as of June 30, 2011 and the statement of activities for the year then ended are as follows:

**Statement of Net Assets**

	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current assets	\$ 112,059	\$ 198,252	\$ 310,311
Capital assets, net	70,776	1,490,241	1,561,017
Total assets	<u>182,835</u>	<u>1,688,493</u>	<u>1,871,328</u>
Current liabilities	20,819	55,677	76,496
Long-term debt	25,646	379,797	405,443
Total liabilities	<u>46,465</u>	<u>435,474</u>	<u>481,939</u>
Net assets:			
Invested in capital assets	33,966	1,100,538	1,134,504
Restricted	0	35,167	35,167
Unrestricted	102,404	117,314	219,718
Total net assets	<u>\$ 136,370</u>	<u>\$ 1,253,019</u>	<u>\$ 1,389,389</u>

**TOWN OF WEBBERS FALLS, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**CONDENSED FINANCIAL INFORMATION (CONTINUED)**

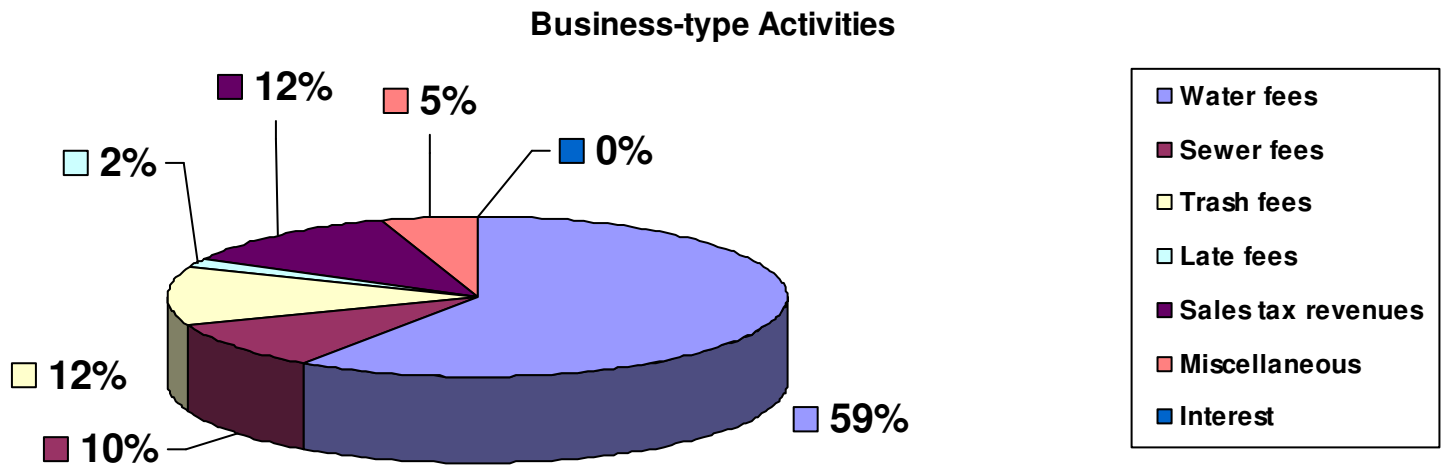
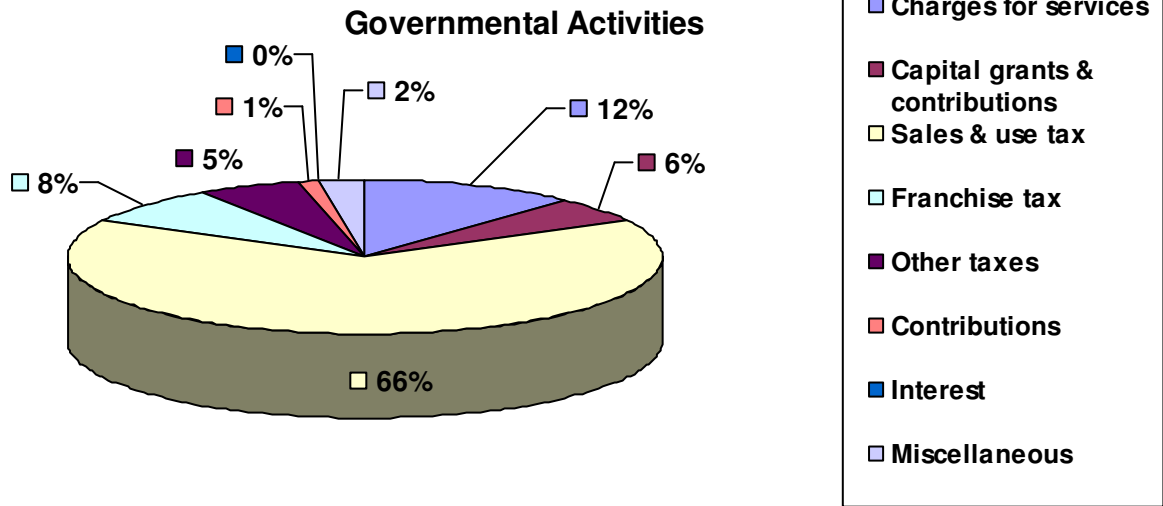
**Statement of Activities**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Revenues			
Program revenues			
Charges for services	\$ 25,730	\$ 378,261	\$ 403,991
Capital grants and contributions	12,540	0	12,540
General revenues			
Taxes	174,195	55,981	230,176
Contributions	2,444	0	2,444
Interest	222	57	279
Miscellaneous	5,511	22,376	27,887
Total revenues	220,642	456,675	677,317
Expenses			
General government	129,050	0	129,050
Personal services	65,403	0	65,403
Street & alley	72	0	72
Interest on capital leases	2,302	0	2,302
Water	0	383,326	383,326
Total expenses	196,827	383,326	580,153
Transfers	0	0	0
Change in net assets	23,815	73,349	97,164
Beginning net assets	112,555	1,179,670	1,292,225
Ending net assets	\$ 136,370	\$ 1,253,019	\$ 1,389,389



**TOWN OF WEBBERS FALLS, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

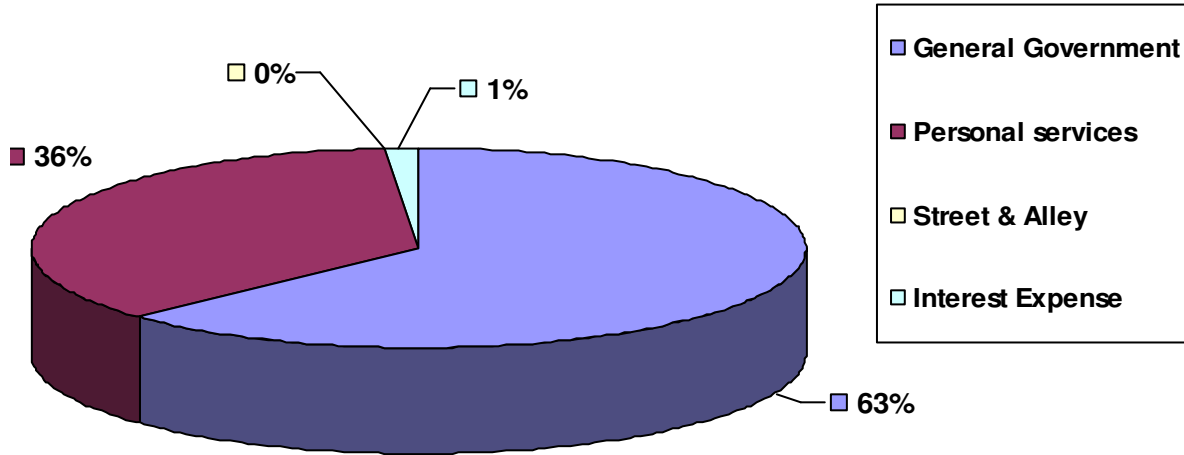
**Government-wide program and general revenues presented in a graph format**



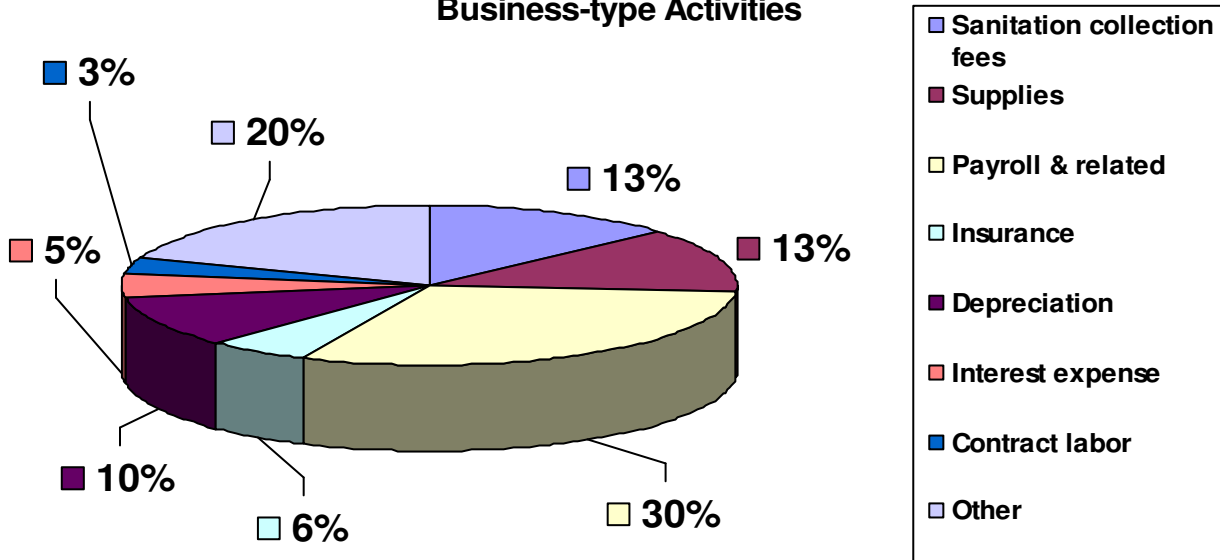
**TOWN OF WEBBERS FALLS, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Government-wide functions, programs & expenses presented in graph format**

**Governmental Activities**



**Business-type Activities**



**TOWN OF WEBBERS FALLS, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSETS**

The Town spent \$21,604 in capital assets. This consisted of equipment for the utility system, air-conditioning replacement, and engineering expenses.

**CAPITAL LEASES AND LONG-TERM DEBT**

At the end of the current fiscal year, the Town had a capital lease obligation of \$36,810. This capital lease obligation is financing the Town's fire pumper truck.

East Central Oklahoma Water Authority had total long-term obligations to Rural Development totaling \$389,703.

Additional information on the Town's debt can be found in Notes 5 & 7 on pages 23, 24 & 25.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the Town's citizens, customers, and other interested parties with an overview of the Town's financial operations and financial condition. Should the reader have questions regarding the information included in this report or need additional financial information, please contact the Town's mayor at P.O. Box 216, Webbers Falls, Oklahoma 74470.

***FINANCIAL STATEMENTS***

# TOWN OF WEBBERS FALLS, OKLAHOMA

## STATEMENT OF NET ASSETS

AS OF JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 77,957	\$ 99,949	\$ 177,906
Certificates of deposit	11,980	-	11,980
Taxes receivable	18,521	-	18,521
Trade accounts	-	32,228	32,228
Notes receivable	-	30,000	30,000
Prepaid insurance	3,601	908	4,509
Restricted checking account	-	35,167	35,167
<b>Total Current Assets</b>	<b>112,059</b>	<b>198,252</b>	<b>310,311</b>
<b>Noncurrent Assets</b>			
Capital Assets			
Land	-	3,000	3,000
Water plant and improvements	-	2,300,930	2,300,930
Automobiles	100,411	18,626	119,037
Equipment	114,344	16,900	131,244
Infrastructure	50,532	-	50,532
Building	7,937	5,853	13,790
Construction in process	-	3,600	3,600
Less accumulated depreciation	(202,448)	(858,668)	(1,061,116)
Net capital assets	70,776	1,490,241	1,561,017
<b>Total Noncurrent Assets</b>	<b>70,776</b>	<b>1,490,241</b>	<b>1,561,017</b>
<b>Total Assets</b>	<b>182,835</b>	<b>1,688,493</b>	<b>1,871,328</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	6,358	6,597	12,955
Payroll withholdings	3,297	2,090	5,387
Accrued interest	-	480	480
Current maturity of long-term debt	11,164	9,906	21,070
Customer meter deposits	-	36,604	36,604
<b>Total Current Liabilities</b>	<b>20,819</b>	<b>55,677</b>	<b>76,496</b>
<b>Long-Term Debt</b>	<b>25,646</b>	<b>379,797</b>	<b>405,443</b>
<b>Total Liabilities</b>	<b>46,465</b>	<b>435,474</b>	<b>481,939</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	33,966	1,100,538	1,134,504
Restricted	-	35,167	35,167
Unrestricted	102,404	117,314	219,718
<b>Total Net Assets</b>	<b>\$ 136,370</b>	<b>\$ 1,253,019</b>	<b>\$ 1,389,389</b>

See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue And Change In Net Assets		Total
	Expenses	Charges for Services	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	
<b>Governmental Activities</b>						
General government	\$ 129,050	\$ 25,730	\$ 12,540	\$ (90,780)	-	\$ (90,780)
Personal services	65,403	-	-	(65,403)	-	(65,403)
Street & Alley	72	-	-	(72)	-	(72)
Interest on capital leases	2,302	-	-	(2,302)	-	(2,302)
<b>Total Governmental Activities</b>	196,827	25,730	12,540	(158,557)	-	(158,557)
<b>Business-Type Activities</b>						
Water	383,326	378,261	-	-	(5,065)	(5,065)
<b>Total Business-Type Activities</b>	383,326	378,261	-	-	(5,065)	(5,065)
<b>Total</b>	\$ 580,153	\$ 403,991	\$ 12,540			
<b>General Revenues</b>						
Sales and use tax				144,672	55,981	200,653
Franchise tax				17,648	-	17,648
Other taxes				11,875	-	11,875
Contributions not restricted to specific programs				2,444	-	2,444
Investment earnings				222	57	279
Miscellaneous				5,511	22,376	27,887
<b>Transfers</b>				-	-	-
<b>Total General Revenues and Transfers</b>				182,372	78,414	260,786
<b>Change in Net Assets</b>				23,815	73,349	97,164
<b>Net Assets Beginning of Year</b>				112,555	1,179,670	1,292,225
<b>Net Assets End of Year</b>				\$ 136,370	\$ 1,253,019	\$ 1,389,389

See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## BALANCE SHEET - GOVERNMENTAL FUNDS

<b>AS OF JUNE 30, 2011</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 73,454	\$ 4,503	\$ 77,957
Certificates of deposit	11,980	-	11,980
Taxes receivable	18,521	-	18,521
Prepaid insurance	3,601	-	3,601
<b>Total Assets</b>	<b>107,556</b>	<b>4,503</b>	<b>112,059</b>
<b>Liabilities &amp; Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	6,358	-	6,358
Payroll withholdings	3,297	-	3,297
<b>Total Liabilities</b>	<b>9,655</b>	<b>-</b>	<b>9,655</b>
<b>Fund Balances</b>			
Nonspendable			
Prepays	3,601	-	3,601
Assigned			
Capital lease	19,174	-	19,174
Police	13,855	-	13,855
Fire	16,596	-	16,596
Unassigned	44,675	4,503	49,178
<b>Total Fund Balances</b>	<b>97,901</b>	<b>4,503</b>	<b>102,404</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 107,556</b>	<b>\$ 4,503</b>	<b>\$ 112,059</b>

See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

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AS OF JUNE 30, 2011

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**Total Fund Balances - Governmental Funds** \$ 102,404

**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 as assets in governmental funds. The cost of assets is \$273,223 and the accumulated depreciation is \$202,448. 70,776

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. (36,810)  
Long-term liabilities at year end consist of \$36,810.

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**Total Net Assets - Governmental Activities** \$ 136,370

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See accompanying notes and independent auditor's report.



# TOWN OF WEBBERS FALLS, OKLAHOMA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNEMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	General	Special Revenue	Total Governmental Funds
<b>Revenues</b>			
Sales tax	\$ 137,375	\$ -	\$ 137,375
Use tax	7,297	-	7,297
Franchise tax	17,648	-	17,648
Other taxes	10,556	1,319	11,875
Grants	12,540	-	12,540
Park revenue	9,981	-	9,981
Fines	15,549	-	15,549
Donations	2,444	-	2,444
Miscellaneous	5,511	-	5,511
Lease income	200	-	200
Interest	218	4	222
<b>Total Revenues</b>	<b>219,319</b>	<b>1,323</b>	<b>220,642</b>
<b>Expenditures</b>			
General government	112,465	-	112,465
Personal services	65,403	-	65,403
Street	-	72	72
Capital outlays	6,344	-	6,344
Lease services:			
Principal	11,164	-	11,164
Interest	2,302	-	2,302
<b>Total Expenditures</b>	<b>197,678</b>	<b>72</b>	<b>197,750</b>
<b>Excess of Revenues Over Expenditures</b>	<b>21,641</b>	<b>1,251</b>	<b>22,892</b>
<b>Net Change in Fund Balance</b>	<b>21,641</b>	<b>1,251</b>	<b>22,892</b>
<b>Fund Balance at Beginning of Year</b>	<b>76,260</b>	<b>3,252</b>	<b>79,512</b>
<b>Fund Balance at End of Year</b>	<b>\$ 97,901</b>	<b>\$ 4,503</b>	<b>\$ 102,404</b>

See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

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FOR THE YEAR ENDED JUNE 30, 2011

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**Total Net Change in Fund Balances - Governmental Funds** \$ 22,892

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense for the period \$16,585 exceeds capital outlays of \$6,344 for the period. (10,241)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which long-term liabilities were reduced. 11,164

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**Change in Net Assets of Governmental Activities** \$ 23,815

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See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

<b>AS OF JUNE 30, 2011</b>	
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 99,949
Trade accounts receivable	32,228
Notes receivable	30,000
Prepaid insurance	908
Restricted checking accounts	35,167
<b>Total Current Assets</b>	<b>198,252</b>
<b>Noncurrent Assets</b>	
Capital assets	
Land	3,000
Water plant and improvements	2,300,930
Automobiles	18,626
Equipment	16,900
Office building	5,853
Construction in process	3,600
Total	2,348,909
Less: accumulated depreciation	858,668
<b>Net Noncurrent Assets - Capital Assets</b>	<b>1,490,241</b>
<b>Total Assets</b>	<b>1,688,493</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	6,597
Payroll withholdings	2,090
Accrued interest	480
Current maturity of long-term debt	9,906
<b>Total Current Liabilities</b>	<b>19,073</b>
<b>Long-Term Debt</b>	<b>379,797</b>
<b>Current Liabilities Payable From Restricted Assets</b>	
Customer meter deposits	36,604
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>36,604</b>
<b>Total Liabilities</b>	<b>435,474</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,100,538
Restricted	35,167
Unrestricted	117,314
<b>Total Net Assets</b>	<b>\$ 1,253,019</b>

See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

**FOR THE YEAR ENDED JUNE 30, 2011**

### **Operating Revenues**

Charges for services, net of bad debt	\$	378,261
Sales tax revenue		55,981
Miscellaneous		22,376
<b>Total Operating Revenues</b>		<b>456,618</b>

### **Operating Expenses**

Sanitation Collection Fees		51,567
Supplies		48,247
Testing fees		1,414
Licenses		11,683
Fuel		7,807
Office expense		5,423
Salaries and wages		104,537
Contract labor		12,627
Insurance		21,178
Professional fees		5,000
Utilities and telephone		32,401
Repairs and maintenance		2,003
Payroll taxes		8,356
Employee benefits		4,929
Bank charges		591
Miscellaneous expense		8,460
Depreciation		38,957
<b>Total Operating Expenses</b>		<b>365,180</b>

<b>Net Income From Operations</b>		<b>91,438</b>
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### **Nonoperating Revenue (Expenses)**

Interest income		57
Interest expense		(18,146)
<b>Total Nonoperating Revenue (Expenses)</b>		<b>(18,089)</b>

<b>Change in Net Assets</b>		<b>73,349</b>
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<b>Beginning of Year Net Assets</b>		<b>1,179,670</b>
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<b>End of Year Net Assets</b>	\$	<b>1,253,019</b>
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See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

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### FOR THE YEAR ENDED JUNE 30, 2011

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**Cash Flows from Operating Activities**

Cash received from customers and other sources	\$	398,380
Cash received from sales tax		55,981
Cash payments to suppliers		(221,577)
Cash payments to employees		(104,537)
<b>Net Cash Provided By Operating Activities</b>		<b>128,247</b>

**Cash Flows from Capital and Related Financing Activities**

Acquisition of capital assets		(15,260)
Interest paid on long-term debt		(18,014)
Principal paid on long-term debt		(9,225)
<b>Net Cash Used For Capital and Related Financing Activities</b>		<b>(42,499)</b>

**Cash Flows from Investing Activities**

Net activity of restricted accounts		(4,605)
Interest income		57
<b>Net Cash Used By Investing Activities</b>		<b>(4,548)</b>

**Net Increase in Cash and Cash Equivalents**

		81,200
Cash and Cash Equivalents - beginning of year		18,749
<b>Cash and Cash Equivalents - end of year</b>	\$	<b>99,949</b>

**Reconciliation of Operating Income to Net Cash Provided By Operating Activities**

Operating loss	\$	91,438
Adjustments:		
Depreciation		38,957
Net change in assets and liabilities:		
Trade accounts receivable		(578)
Prepaid insurance		(908)
Accounts payable		(1,805)
Payroll withholdings		(512)
Customer meter deposits		1,655
<b>Net Cash Provided by Operating Activities</b>	\$	<b>128,247</b>

See accompanying notes and independent auditor's report.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. Summary of Significant Accounting Policies

#### a. Reporting Entity

The Town of Webbers Falls, Oklahoma, is a municipality with a five-member Town Council comprised of the Mayor and four at large members. In evaluating the Town as a reporting entity, management has addressed all potential components units (traditionally separate reporting entities) which may or may not fall within the Town's oversight and control and, as such, be included within the Town's financial statements. Generally, component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

The financial statements of the Town have been prepared in accordance with Generally Accepted Accounting Principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The accompanying financial statements present the Town and its component unit (East Central Oklahoma Water Authority), an entity for which the governments is considered financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the government's operations and so data from this unit is included as part of the reporting entity. The Town's board members appoints the board of directors, sets the budget, and approves all significant management issues. Separate financial statements of the Authority are not issued.

#### b. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the Town has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements.

#### c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Town considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Franchise taxes, sales taxes, other taxes, charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditures. Special revenue funds consist of the street and alley fund and the sewer fund.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

The Town reports the following major proprietary fund:

The East Central Oklahoma Water Authority is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Council has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The East Central Oklahoma Water Authority for the Town of Webbers Falls, Oklahoma, consists of one fund - the water department.

#### d. Assets, Liabilities, and Net Assets or Equity

##### **Cash and Cash Equivalents**

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

##### **Notes Receivable**

The East Central Oklahoma Water Authority loaned Webbers Falls Industrial Trust and Redevelopment Authority \$30,000 on January 31, 1996. There is not a written loan agreement. The repayment terms have not been established. It is anticipated the loan will be repaid when the Industrial Trust has sufficient funds. As of June 30, 2011, the full loan amount is still receivable.

##### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.



# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. Summary of Significant Accounting Policies (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	<u>YEARS</u>
Building and grounds	20
Water plant and improvements	7-66
Automobiles	5
Equipment	10

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

#### **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **Compensated Absences**

Employee's vacation and holiday leave does not vest or accumulate and sick leave is not normally paid without an illness related absence; therefore, no accruals for compensated absences have been reflected in the accompanying financial statements.

### 2. Bank Deposits

The Town has cash deposits in one area bank, all of which were FDIC insured at June 30, 2011.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 3. Restricted Assets - Cash

Restricted cash represents amounts maintained in a separate bank accounts for the purpose of segregating funds received in payment of customer meter deposits.

### 4. Changes in Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets, being depreciated				
Automobiles	\$ 100,410	\$ -	\$ -	\$ 100,410
Infrastructure	58,469	-	-	58,469
Equipment	108,000	6,344	-	114,344
Total capital assets, being depreciated	266,879	6,344	-	273,223
Less accumulated depreciation:				
Automobiles	100,410	-	-	100,410
Infrastructure	6,252	1,209	-	7,461
Equipment	79,200	15,376	-	94,576
Total accumulated depreciation	185,862	16,585	-	202,447
Governmental activities, capital assets, net	\$ 81,017	\$ (10,241)	\$ -	\$ 70,776

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 16,585
Total depreciation for governmental activities	\$ 16,585

Capital asset activity for business-type activities for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets, not being depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Construction in Process	-	3,600	-	3,600
Total capital assets not being depreciated	3,000	3,600	-	6,600

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 4. Changes in Capital Assets (continued)

<u>Capital assets, being depreciated</u>				
Water plant and improvements	2,291,333	9,597	-	2,300,930
Automobiles	18,626	-	-	18,626
Equipment	16,900	-	-	16,900
Building	3,790	2,063	-	5,853
Total capital assets, being depreciated	2,330,649	11,660	-	2,342,309
Less accumulated depreciation:				
Water plant and improvements	786,770	37,124	-	823,894
Automobiles	18,626	-	-	18,626
Building	3,790	1,083	-	4,873
Equipment	10,525	750	-	11,275
Total accumulated depreciation	819,711	38,957	-	858,668
Total capital assets, being depreciated, net	1,510,938	(27,297)	-	1,483,641
Business-type activities, capital assets, net	\$ 1,513,938	\$ (23,697)	-	\$ 1,490,241

Depreciation expense for business-type activities totaled \$38,957 and was entirely charged to the East Central Oklahoma Water Authority.

### 5. Long Term Debt

Long-term debt of the East Central Oklahoma Water Authority at June 30, 2011, consists of:

Rural Development loan number 91-05, dated September 28, 1994, original loan amount of \$500,000, interest rate of 4.5%, term of 40 years, monthly installment of \$2,270 until September 2034	\$	389,703
Total debt		389,703
Less current maturity		9,906
Long term debt	\$	379,797

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 5. Long Term Debt (continued)

Debt is scheduled to be mature as follows:

June 30,	Principal	Interest	Total
2012	\$ 9,906	\$ 17,334	\$ 27,240
2013	10,361	16,879	27,240
2014	10,837	16,403	27,240
2015	11,335	15,905	27,240
2016	11,856	1,584	13,440
2017-2021	67,966	68,234	136,200
2022-2026	85,080	51,120	136,200
2027-2031	106,502	29,698	136,200
2032-2036	75,860	5,345	81,205
<b>Total</b>	<b>\$ 389,703</b>	<b>\$ 222,502</b>	<b>\$ 612,205</b>

Activity of the long-term debt consists of the following:

As Of	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Rural Development	\$ 398,928	\$ -	\$ 9,225	\$ 389,703
<b>Total</b>	<b>\$ 398,928</b>	<b>\$ -</b>	<b>\$ 9,225</b>	<b>\$ 389,703</b>

### 6. Restricted Funds and Required Accounts

Debt reserve account established per the loan agreement with Rural Development. Monthly deposits in the amount of \$227 per month are required to be made into the reserve account. The reserve account balance at June 30, 2011, was \$13,346.

### 7. Lease Obligations

The town has entered into a lease purchase agreement for the purpose of acquiring automobiles and equipment. The leases are made payable through the Town's general fund. The Leases contain a cancellation provision and are subject to annual appropriations by the Town Board of Trustees. The present value of the capital leases are as follows:

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 7. Lease Obligations (continued)

June 30,	Equipment
2012	\$ 13,466
2013	13,466
2014	13,466
Total	40,398
Less amount representing interest	3,589
Present value of future minimum lease payments	\$ 36,809

### 8. Grants

The Town received grants from the following sources:

East Central Oklahoma Gas Authority	\$ 12,000
Eastern Oklahoma Development District (REAP)	540
Total	\$ 12,540

### 9. Concentrations of Credit Risk

Financial instruments that potentially subject the Town and East Central Oklahoma Water Authority to credit risk consist primarily of the accounts receivable of East Central Oklahoma Water Authority. East Central Oklahoma Water Authority sells primarily to members in and around Webbers Falls, Oklahoma.

### 10. Risk Management

The Town is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance along with policies through Oklahoma Municipal Assurance Group for risk of loss.

There has been no significant reduction in the Town's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Town's coverage in any of the prior three fiscal years.

# TOWN OF WEBBERS FALLS, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 11. Fund Balance Reporting

The Town has adopted GASB 54 as part of its 2010-2011 fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has prepaid items that are considered nonspendable. The Town does not have any nonspendable funds related to endowments.

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Town. The council is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - all other spendable amounts.

	General	Special Revenue	Total Governmental Funds
<b>Fund Balances</b>			
Nonspendable			
Prepays	\$ 3,601	\$ -	\$ 3,601
Assigned			
Capital lease	19,174	-	19,174
Police	13,855	-	13,855
Fire	16,596	-	16,596
Unassigned	44,675	4,503	49,178
<b>Total Fund Balances</b>	<b>\$ 97,901</b>	<b>\$ 4,503</b>	<b>\$ 102,404</b>

# **TOWN OF WEBBERS FALLS, OKLAHOMA**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

### **12. Subsequent Events**

The Town has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2011 through September 20, 2011, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

***REQUIRED SUPPLEMENTARY INFORMATION***



# TOWN OF WEBBERS FALLS, OKLAHOMA

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

<b>Revenues</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Sales tax	\$ 200,000	\$ 137,375	\$ (62,625)
Use tax	7,500	7,297	(203)
Franchise tax	16,050	17,648	1,598
Other taxes	10,650	10,556	(94)
Park	8,800	9,981	1,181
Donations	3,900	2,444	(1,456)
Fines and Forfeitures	4,035	15,549	11,514
Interest	20	218	198
Grants	15,000	12,540	(2,460)
Rents	150	200	50
Miscellaneous	26,500	5,511	(20,989)
<b>Total Revenues</b>	<b>292,605</b>	<b>219,319</b>	<b>(73,286)</b>
<b>Expenditures</b>			
Personal services	27,000	65,403	(38,403)
General government	173,089	112,465	60,624
Debt service	-	13,466	(13,466)
<b>Total Expenditures</b>	<b>200,089</b>	<b>197,678</b>	<b>2,411</b>
<b>Excess of Revenues Over Expenditures</b>	<b>92,516</b>	<b>21,641</b>	<b>(70,875)</b>
<b>Total Other Financing Uses</b>	<b>(25,000)</b>	<b>-</b>	<b>25,000</b>
<b>Net Change in Fund Balance</b>	<b>67,516</b>	<b>21,641</b>	<b>(45,875)</b>
<b>Fund Balance at Beginning of Year</b>	<b>37,079</b>	<b>76,260</b>	<b>39,181</b>
<b>Fund Balance at End of Year</b>	<b>\$ 104,595</b>	<b>\$ 97,901</b>	<b>\$ (6,694)</b>

See accompanying notes and independent auditor's report.

***ADDITIONAL REQUIRED REPORT***



# PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

## **Report of 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***

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To the Honorable Mayor and Town Council  
Town of Webbers Falls, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and remaining fund information of the **Town of Webbers Falls, Oklahoma** as of and for the year ended **June 30, 2011**, which collectively comprise the Town's basic financial statements and have issued our report thereon dated **September 20, 2011**. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

*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 misstatements on a timely basis. A *material weakness* is a deficiency, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the Mayor and Town Council, management, and the State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**September 20, 2011**