

TOWN OF WEBBERS FALLS, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2015



TOWN OF WEBBERS FALLS, OKLAHOMA

JUNE 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Webbers Falls, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Webbers Falls, Oklahoma, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2014 financial statements of the Town of Webbers Falls and our report dated September 23, 2014, expressed on unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the required supplemental information as listed in the table of contents on pages 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Webbers Falls, Oklahoma's internal control over financial reporting and compliance.

Przybysz & Associates

**Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
December 23, 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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, 2015 by \$1,895,966 (net position). Of this amount, \$220,938 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town of Webbers Falls' total net position increased by \$201,571 for the year ended June 30, 2015.
- The Town expended \$140,433 in capital assets during the year.

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 Position 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.

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.

**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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, 2015 and the statement of activities for the year then ended are as follows:

Statement of Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Current assets	\$ 161,942	\$ 235,941	\$ 397,883
Capital assets, net	345,607	1,530,553	1,876,160
Total assets	<u>507,549</u>	<u>1,766,494</u>	<u>2,274,043</u>
 Deferred Outflows	 <u>6,872</u>	 <u>6,836</u>	 <u>13,708</u>
 Current liabilities	 34,700	 92,316	 127,016
Noncurrent liabilities	3,507	257,317	260,824
Total liabilities	<u>38,207</u>	<u>349,633</u>	<u>387,840</u>
 Deferred Inflows	 <u>1,977</u>	 <u>1,968</u>	 <u>3,945</u>
 Net assets:			
Invested in capital assets	345,607	1,249,206	1,594,813
Restricted	8,865	71,350	80,215
Unrestricted	119,765	101,173	220,938
Total net assets	<u>\$ 474,237</u>	<u>\$ 1,421,729</u>	<u>\$ 1,895,966</u>

**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

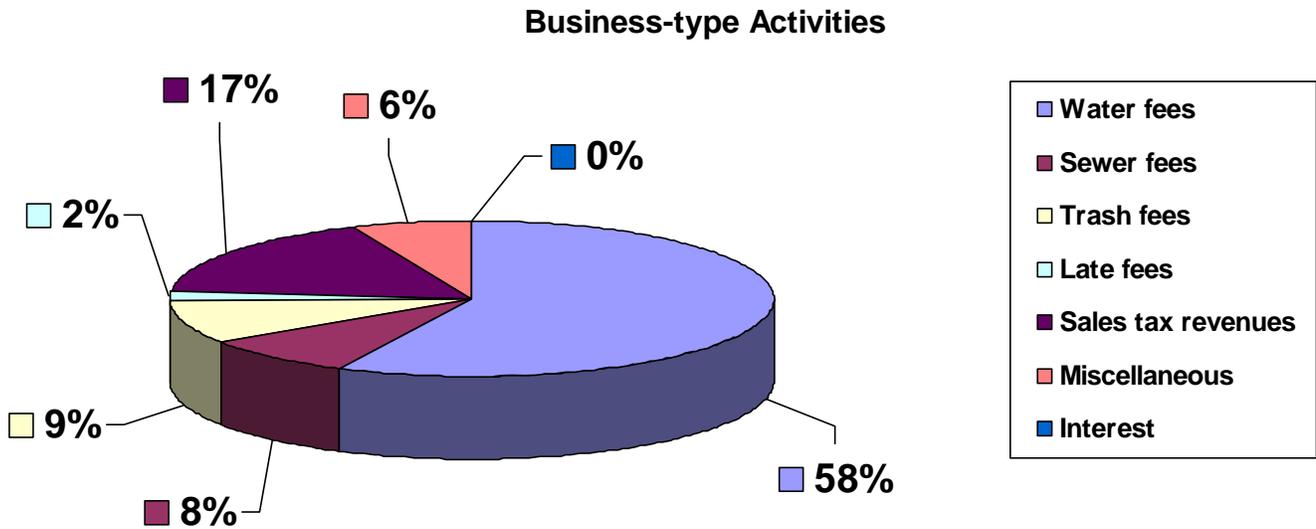
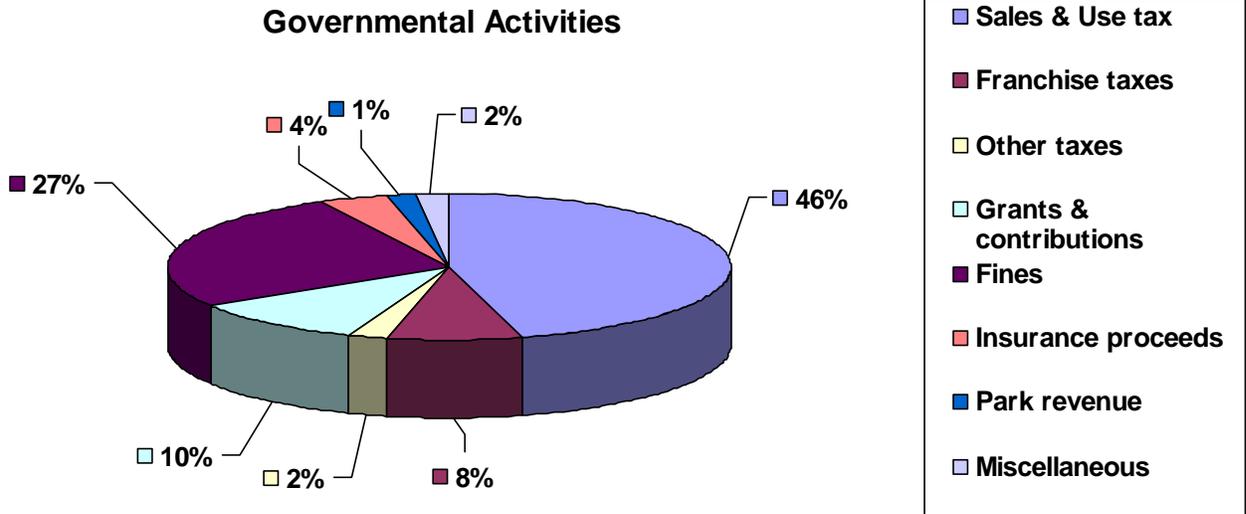
CONDENSED FINANCIAL INFORMATION (CONTINUED)

Statement of Activities

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ 153,860	\$ 398,982	\$ 552,842
Capital grants and contributions	44,477	0	44,477
General revenues			
Taxes	306,619	89,478	396,097
Contributions	11,860	0	11,860
Interest	163	50	213
Loss on sale of property	(5,434)	0	(5,434)
Insurance proceeds	22,214	0	22,214
Miscellaneous	11,045	33,513	44,558
Total revenues	<u>544,804</u>	<u>522,023</u>	<u>1,066,827</u>
Expenses			
General government	240,941	0	240,941
Personal services	199,135	0	199,135
Street & alley	72	0	72
Water	0	425,108	425,108
Total expenses	<u>440,148</u>	<u>425,108</u>	<u>865,256</u>
Transfers	<u>(14,727)</u>	<u>14,727</u>	<u>0</u>
Change in net position	89,929	111,642	201,571
Beginning net position, as previously stated	389,229	1,314,984	1,704,213
Prior period adjustment	<u>(4,921)</u>	<u>(4,897)</u>	<u>(9,818)</u>
Net position, restated	<u>384,308</u>	<u>1,310,087</u>	<u>1,694,395</u>
Ending net assets	<u>\$ 474,237</u>	<u>\$ 1,421,729</u>	<u>\$ 1,905,784</u>

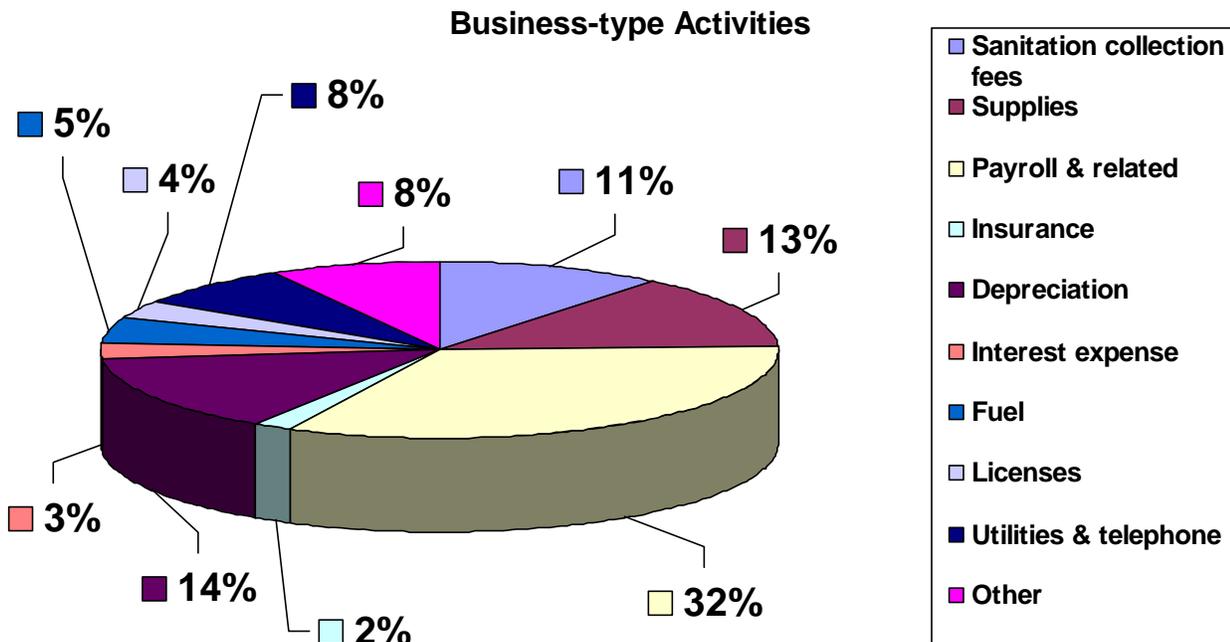
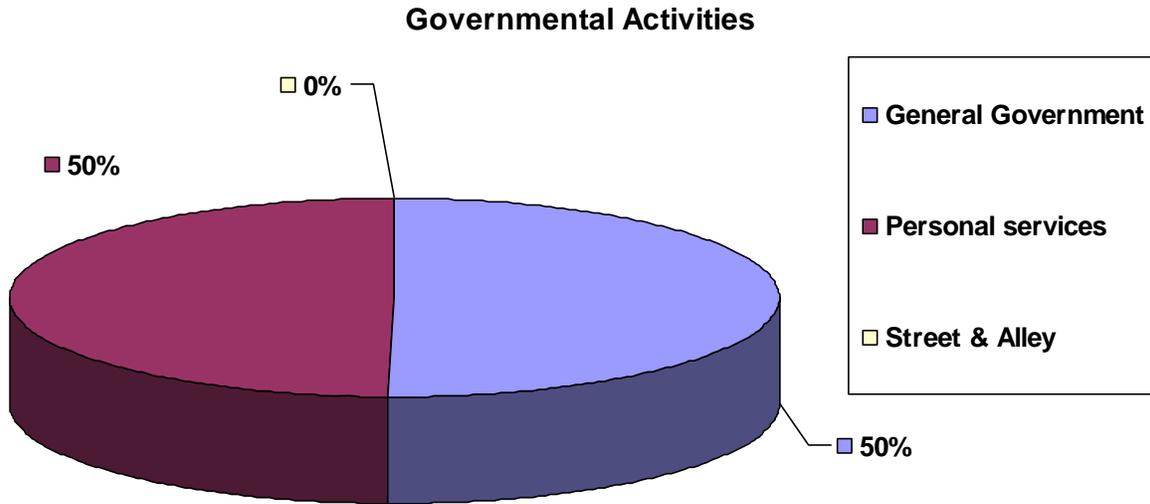
**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015**

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



**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

CAPITAL ASSETS

Major additions in fixed assets for the Town consisted of the following:

- Fire and police equipment - \$26,841
- Monitor and cameras - \$1,065
- 8 police cars - \$50,250
- 2 pickup trucks - \$13,050
- Dump truck - \$10,000
- Boat dock and ramp - \$7,314

Major additions to the Water Department consisted of the following:

- Rebuild pumps - \$16,922
- Chlorine analyzer with controller - \$8,140
- Engineering fees for sewer lagoon project - \$14,727

LONG-TERM DEBT

On October 31, 2014, East Central Oklahoma Water Authority borrowed \$310,460 at 3.50% to pay off the loan with Rural Development. Payments on this loan are \$3,077.30 per month and the loan is scheduled to mature on October 31, 2024

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 POSITION

AS OF JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 106,755	\$ 126,539	\$ 233,294
Certificates of deposit	12,260	-	12,260
Taxes receivable	31,350	-	31,350
Trade accounts	-	35,923	35,923
Prepaid insurance	2,790	2,129	4,919
Restricted cash	8,787	71,350	80,137
Total Current Assets	161,942	235,941	397,883
Noncurrent Assets			
Capital Assets			
Land	19,145	3,000	22,145
Water plant and improvements	-	2,469,831	2,469,831
Automobiles	80,855	62,298	143,153
Equipment	157,934	41,900	199,834
Infrastructure	54,382	-	54,382
Buildings	361,700	9,803	371,503
Office equipment	5,337	2,001	7,338
Land improvements	158,246	-	158,246
Construction in progress	2,125	19,036	21,161
Accumulated depreciation	(494,117)	(1,077,316)	(1,571,433)
Net capital assets	345,607	1,530,553	1,876,160
Total Noncurrent Assets	345,607	1,530,553	1,876,160
Total Assets	507,549	1,766,494	2,274,043
Deferred Outflows			
Deferred amounts related to pensions	6,872	6,836	13,708
Total Deferred Outflows	6,872	6,836	13,708
Liabilities			
Current Liabilities			
Accounts payable	28,919	22,414	51,333
Payroll withholdings	5,781	2,318	8,099
Accrued interest	-	540	540
Current maturity of long-term debt	-	27,519	27,519
Customer meter deposits	-	39,525	39,525
Total Current Liabilities	34,700	92,316	127,016
Noncurrent Liabilities			
Net pension liability	3,507	3,489	6,996
Long-term debt	-	253,828	253,828
Total Noncurrent Liabilities	3,507	257,317	260,824
Total Liabilities	38,207	349,633	387,840
Deferred Inflows			
Deferred amounts related to pensions	1,977	1,968	3,945
Total Deferred Inflows	1,977	1,968	3,945
Net Position			
Net investment in capital assets	345,607	1,249,206	1,594,813
Restricted	8,865	71,350	80,215
Unrestricted	119,765	101,173	220,938
Total Net Position	\$ 474,237	\$ 1,421,729	\$ 1,895,966

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue And Change In Net Assets	
	Expenses	Charges for Services	Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities						
General government	\$ 240,941	\$ 153,860	\$ 44,477	\$ (42,604)	-	\$ (42,604)
Personal services	199,135	-	-	(199,135)	-	(199,135)
Street & Alley	72	-	-	(72)	-	(72)
Total Governmental Activities	440,148	153,860	44,477	(241,811)	-	(241,811)
Business-Type Activities						
Water	425,108	398,982	-	-	(26,126)	(26,126)
Total Business-Type Activities	425,108	398,982	-	-	(26,126)	(26,126)
Total	\$ 865,256	\$ 552,842	\$ 44,477			

General Revenues

Sales and use tax	252,646	89,478	342,124
Franchise tax	42,020	-	42,020
Other taxes	11,953	-	11,953
Contributions not restricted to specific programs	11,860	-	11,860
Investment earnings	163	50	213
Insurance proceeds	22,214	-	22,214
Loss on sale of property	(5,434)	-	(5,434)
Miscellaneous	11,045	33,513	44,558
Transfers	(14,727)	14,727	-
Total General Revenues and Transfers	331,740	137,768	469,508
Change in Net Position	89,929	111,642	201,571
Net position, beginning of year, as previously stated	389,229	1,314,984	1,704,213
GASB 68 implementation adjustment	(4,921)	(4,897)	(9,818)
Net position, beginning of year, restated	384,308	1,310,087	1,694,395
Net Position, End of Year	\$ 474,237	\$ 1,421,729	\$ 1,895,966

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2015			
	General	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 106,755	\$ -	\$ 106,755
Certificates of deposit	12,260	-	12,260
Taxes receivable	31,272	78	31,350
Prepaid insurance	2,790	-	2,790
Restricted cash	-	8,787	8,787
Total Assets	153,077	8,865	161,942
Liabilities & Fund Balances			
Liabilities			
Accounts payable	28,919	-	28,919
Payroll withholdings	5,781	-	5,781
Total Liabilities	34,700	-	34,700
Fund Balances			
Nonspendable			
Prepays	2,790	-	2,790
Restricted			
Street and alley operations	-	8,865	8,865
Assigned			
Police	4,259	-	4,259
Fire	15,851	-	15,851
Unassigned	95,477	-	95,477
Total Fund Balances	118,377	8,865	127,242
Total Liabilities and Fund Balances	\$ 153,077	\$ 8,865	\$ 161,942

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

AS OF JUNE 30, 2015

Total Fund Balances - Governmental Funds \$ 127,242

Amounts reported for governmental *activities* in the statement of net position 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 \$839,724 and the accumulated depreciation is \$494,117. 345,607

Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds. 6,872

Net pension liability (3,507)

Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds. (1,977)

Total Net Position - Governmental Activities \$ 474,237

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, 2015

	General	Special Revenue	Total Governmental Funds
Revenues			
Sales tax	\$ 222,815	\$ -	\$ 222,815
Use tax	29,831	-	29,831
Franchise taxes and fees	42,020	-	42,020
Other taxes	10,816	1,137	11,953
Grants	44,477	-	44,477
Park revenue	8,075	-	8,075
Fines	145,785	-	145,785
Donations	11,860	-	11,860
Miscellaneous	11,045	-	11,045
Insurance proceeds	22,214	-	22,214
Interest	159	4	163
Total Revenues	549,097	1,141	550,238
Expenditures			
General government	206,938	-	206,938
Personal services	205,444	-	205,444
Street	-	72	72
Capital outlays	100,645	-	100,645
Total Expenditures	513,027	72	513,099
Excess of Revenues Over (Under) Expenditures	36,070	1,069	37,139
Other Financing Sources			
Proceeds from the sale of property	1,572		1,572
Operating transfers out	(14,727)	-	(14,727)
Total Other Financing Uses	(13,155)	-	(13,155)
Net Change in Fund Balance	22,915	1,069	23,984
Fund Balance, Beginning of Year	95,462	7,796	103,258
Fund Balance, End of Year	\$ 118,377	\$ 8,865	\$ 127,242

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

FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds \$ 23,984

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 capital outlays for the period \$100,645 exceeds depreciation expense of \$34,003 for the period. 66,642

In the statement of activities, the net gain on the sale/disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale of capital assets is recorded as a financial resource. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold or disposed of. (7,006)

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures. 6,309

Change in Net Position of Governmental Activities \$ 89,929

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

AS OF JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

Assets			
Current Assets			
Cash and cash equivalents	\$	126,539	\$ 71,783
Trade accounts receivable		35,923	30,591
Prepaid insurance		2,129	1,749
Restricted cash		71,350	41,922
Total Current Assets		235,941	146,045
Noncurrent Assets			
Capital assets			
Land		3,000	3,000
Water plant and improvements		2,469,831	2,444,769
Automobiles		62,298	62,298
Equipment		41,900	41,900
Office building		9,803	9,803
Office equipment		2,001	2,001
Construction in progress		19,036	4,309
Total		2,607,869	2,568,080
Less: accumulated depreciation		1,077,316	1,017,010
Net Noncurrent Assets - Capital Assets		1,530,553	1,551,070
Total Assets		1,766,494	1,697,115
Deferred Outflows			
Deferred amounts related to pensions		6,836	-
Total Deferred Outflows		6,836	-
Liabilities			
Current Liabilities			
Accounts payable		22,414	17,667
Payroll withholdings		2,318	2,770
Accrued interest		540	557
Current maturity of long-term debt		27,519	11,114
Total Current Liabilities		52,791	32,108
Noncurrent Liabilities			
Net pension liability		3,489	-
Long-term debt		253,828	311,585
Total Noncurrent Liabilities		257,317	311,585
Current Liabilities Payable From Restricted Assets			
Customer meter deposits		39,525	38,438
Total Current Liabilities Payable From Restricted Assets		39,525	38,438
Total Liabilities		349,633	382,131
Deferred Inflows			
Deferred amounts related to pensions		1,968	-
Total Deferred Inflows		1,968	-
Net Position			
Invested in capital assets, net of related debt		1,249,206	1,228,371
Restricted		71,350	41,922
Unrestricted		101,173	44,691
Total Net Position	\$	1,421,729	\$ 1,314,984

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

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

FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)		
Operating Revenues		
Charges for services, net of bad debt	\$ 398,982	\$ 363,053
Sales tax revenue	89,478	81,316
Miscellaneous	33,513	5,822
Total Operating Revenues	521,973	450,191
Operating Expenses		
Sanitation collection fees	46,438	53,071
Supplies	57,253	36,990
Testing fees	1,180	2,322
Licenses	15,105	14,847
Fuel	19,511	21,919
Office expense	4,286	3,011
Salaries and wages	111,637	124,303
Insurance	8,333	4,690
Professional fees	3,848	3,050
Utilities and telephone	33,222	32,481
Repairs and maintenance	12,867	13,982
Payroll taxes	10,145	9,657
Employee benefits	18,414	25,389
Bank charges	2,809	2,385
Miscellaneous expense	7,845	8,625
Depreciation	60,306	57,524
Total Operating Expenses	413,199	414,246
Net Income From Operations	108,774	35,945
Nonoperating Revenues (Expenses)		
Interest income	50	30
Interest expense	(11,909)	(15,483)
Total Nonoperating Revenues (Expenses)	(11,859)	(15,453)
Net Income Before Operating Transfers	96,915	20,492
Transfers from Other Funds	14,727	4,309
Change in Net Position	111,642	24,801
Net position, beginning of year, as previously stated	1,314,984	1,290,183
GASB 68 implementation adjustment	(4,897)	-
Net position, beginning of year, restated	1,310,087	1,290,183
Net Position, End of Year	\$ 1,421,729	\$ 1,314,984

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014)

Cash Flows from Operating Activities

Cash received from customers and other sources	\$ 402,321	\$ 371,369
Cash received from sales tax	89,478	81,316
Cash received from Insurance settlement	25,929	-
Cash payments to suppliers	(243,617)	(239,644)
Cash payments to employees	(111,637)	(124,303)
Net Cash Provided By Operating Activities	162,474	88,738

Cash Flows from Noncapital Financing Activities

Cash transfers from the general fund	14,727	4,309
Net Cash Provided By Noncapital Financing Activities	14,727	4,309

Cash Flows from Capital and Related Financing Activities

Acquisition of capital assets	(39,789)	(55,632)
Proceeds from long-term debt	310,460	-
Interest paid on long-term debt	(11,926)	(15,507)
Principal paid on long-term debt	(351,812)	(40,041)
Net Cash Used For Capital and Related Financing Activities	(93,067)	(111,180)

Cash Flows from Investing Activities

Net activity of restricted accounts	(29,428)	(779)
Interest income	50	30
Net Cash Used By Investing Activities	(29,378)	(749)

Net Increase (Decrease) In Cash and Cash Equivalents

Cash and Cash Equivalents, beginning of year	71,783	90,665
Cash and Cash Equivalents, end of year	\$ 126,539	\$ 71,783

Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Operating income	\$ 108,774	\$ 35,945
Adjustments:		
Depreciation	60,306	57,524
Pension-related adjustments	1,511	-
Net change in assets and liabilities:		
Trade accounts receivable	(5,332)	(4,920)
Prepaid insurance	(380)	(143)
Accounts payable	4,747	993
Payroll withholdings	(452)	(575)
Customer meter deposits	1,087	(86)
Net pension liability	(7,787)	-
Net Cash Provided by Operating Activities	\$ 162,474	\$ 88,738

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 component 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 government 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 Council members appoint 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 services.

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 Position and the Statement of Activities.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, and 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

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.

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 Position/Fund Balance

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.

Accounts Receivable

Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. Management believes accounts receivable to be fully collectible at June 30, 2015.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

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.

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>
Water plant and improvements	7-66
Automobiles	5
Equipment	5-10
Infrastructure	25-50
Buildings	10-40
Office equipment	3-5
Land improvements	5-20

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" or "internal advances".

Use of Estimates

The preparation of financial statements in conformity with accounting principles 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.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

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.

Advertising

It is the policy of the Town to expense advertising costs as they are incurred.

2. Stewardship, Compliance and Accountability

The Town utilizes the modified cash basis of accounting in the preparation of its budget. The budget data reflected in this report was taken from the budget formally enacted by the Town Council.

3. Bank Deposits

The Town has cash deposits in one area bank, all of which were FDIC insured at June 30, 2015.

4. Restricted Assets - Restricted Cash and Required Funds

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds received in payment of customer meter deposits, tax revenue received for street and alley operations, and funds set aside for debt reserve.

The debt reserve account was established per the loan agreement with Rural Development. Monthly deposits in the amount of \$227 are required to be made into the reserve account until the account accumulates a balance of \$29,220. The account balance at June 30, 2015, was \$47,329.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

5. Changes in Capital Assets

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

	July 1, 2014	Additions	Reductions	June 30, 2015
Capital assets, not being depreciated				
Land	\$ 19,145	\$ -	\$ -	\$ 19,145
Firehouse work in progress		2,125		2,125
Total capital assets not being depreciated	19,145	2,125	-	21,270
Capital assets, being depreciated				
Automobiles	\$ 67,600	\$ 63,300	\$ 50,045	\$ 80,855
Equipment	131,094	26,840	-	157,934
Infrastructure	54,382	-	-	54,382
Buildings	361,700	-	-	361,700
Office equipment	4,272	1,065	-	5,337
Land improvements	150,932	7,314	-	158,246
Total capital assets, being depreciated	769,980	98,519	-	818,454
Less accumulated depreciation:				
Automobiles	47,796	9,841	43,040	14,597
Infrastructure	9,678	1,165	-	10,843
Equipment	116,122	6,090	-	122,212
Buildings	210,333	9,772	-	220,105
Office equipment	1,602	1,245	-	2,847
Land improvements	117,623	5,890	-	123,513
Total accumulated depreciation	503,154	34,003	43,040	494,117
Governmental activities, capital assets, net	\$ 285,971	\$ 66,641	\$ (43,040)	\$ 345,607

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

General government	\$ 34,003
Total depreciation for governmental activities	\$ 34,003

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

5. Changes in Capital Assets (continued)

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

	July 1, 2014	Additions	Reductions	June 30, 2015
Capital assets, not being depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Construction in progress	4,309	14,727		19,036
Total capital assets not being depreciated	7,309	14,727	-	22,036
Capital assets, being depreciated				
Water plant and improvements	2,444,769	25,062	-	2,469,831
Automobiles	62,298	-	-	62,298
Equipment	41,900	-	-	41,900
Building	9,803	-	-	9,803
Office equipment	2,001	-	-	2,001
Total capital assets, being depreciated	2,560,771	25,062	-	2,585,833
Less accumulated depreciation:				
Water plant and improvements	953,233	47,339	-	1,000,572
Automobiles	36,443	8,734	-	45,177
Building	6,376	601	-	6,977
Equipment	19,775	3,250	-	23,025
Office equipment	1,183	382	-	1,565
Total accumulated depreciation	1,017,010	60,306	-	1,077,316
Total capital assets, being depreciated, net	1,543,761	(35,244)	-	1,508,517
Business-type activities, capital assets, net	\$ 1,551,070	\$ (20,517)	\$ -	\$ 1,530,553

Depreciation expense for business-type activities totaled \$60,306 and was entirely charged to the East Oklahoma Water Authority.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

6. Long Term Debt

Long-term debt of the East Central Oklahoma Water Authority consists of:

June 30,	2015	2014
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.	\$ -	\$ 322,699
Armstrong Bank, dated October 31, 2014, original loan amount of \$310,460, interest rate of 3.5%, term of 10 years, monthly installment of \$3,077.	281,347	-
Total debt	281,347	322,699
Less current maturity	27,519	11,114
Long term debt	\$ 253,828	\$ 311,585

Debt is scheduled to be mature as follows:

June 30,	Principal	Interest	Total
2016	\$ 27,519	\$ 9,408	\$ 36,927
2017	28,498	8,430	36,928
2018	29,512	7,416	36,928
2019	30,591	6,336	36,927
2020	31,648	5,280	36,928
2021-2025	133,579	9,489	143,068
Total	\$ 281,347	\$ 46,359	\$ 327,706

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

As Of	July 1, 2014	Additions	Reductions	June 30, 2015
Rural Development	\$ 322,699	\$ -	\$ 322,699	\$ -
Armstrong Bank	-	310,460	29,113	281,347
Total	\$ 322,699	\$ 310,460	\$ 351,812	\$ 281,347

7. Grants

The Town received grants from the following sources:

REAP grant	\$ 17,309
EODD grant	16,017
Cherokee Nation	4,151
Total	\$ 37,477

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

8. 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.

9. 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.

10. Employee Retirement Systems and Plans

Implementation of GASB 68 - Restatement of Prior Year Ending Net Position

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which became effective with fiscal year ending June 30, 2015. The Statement establishes standards for public pension plan obligations for participating employers. Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the government-wide statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. Accordingly, the effect of the changes was to add \$11,333 to net pension liability, add \$6,412 to deferred outflows, and a reduction of unrestricted undesignated net position of \$4,921 as of June 30, 2014.

Oklahoma Municipal Retirement Fund - Defined Benefit

The Town contributes to the OkMRF for all eligible employees. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from the OkMRF or their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. Employee Retirement Systems and Plans (continued)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's plan and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on market prices. Detailed information about the OkMRF plan's fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Eligibility - All regular, full-time employees except police, firefighters and other employees who are covered under an approved system.

Probationary period - 6 months.

Employee contributions - 1.5% of pay.

Service

Credited service - The last period of continuous employment with the employer excluding any periods before 5/1/1992.

Vesting - Credited service plus transferred service.

Benefit Eligibility - 10 or more years of vesting service.

Final Average Compensation - The average of the 5 highest consecutive years of salaries out of the last 10 years of service.

Accrued Benefit - Plan C. 0.75% of final average compensation multiplied by the number of years of credited service.

Normal Retirement Age - Age 65 with 10 or more years of vesting service.

Normal Retirement

Eligibility - Termination of employment on or after normal retirement age.

Benefit - The accrued benefit payable immediately.

Early Retirement

Eligibility - Termination after age 55 with 10 or more years of vesting service.

Benefit - The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for the commencement prior to normal retirement age.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. Employee Retirement Systems and Plans (continued)

Disability Retirement

Eligibility - Total and permanent disability after 10 or more years of service.

Benefit - The accrued benefit is payable upon disablement without reduction for early payment.

Termination Before Retirement Age

Before vesting - Return of employee contributions, if any, with interest.

After vesting - The accrued benefit payable starting at normal retirement age, or a reduced benefit payable at an early retirement age.

In-service Death

Before vesting - Return of employee contributions, if any, with interest

After vesting (married participants only) - 50% of the accrued benefit payable to the spouse until death or remarriage.

After vesting (other participants) - 50% of the accrued benefit is payable after 5 years certain.

Payment Options

Normal form - The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.

Optional forms - Disability retirement benefits are paid only under the normal form. Other retirement benefits are available under actuarially equivalent optional forms:

Joint and 50% survivor annuity

Joint and 66-2/3rds% last survivor annuity

Joint and 100% survivor annuity

Cost of Living - This plan has not elected the automatic post-retirement cost-of-living adjustments.

Contributions

The Town Council has the authority to set and amend contributions rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The employer contribution rate was 6.12% for the fiscal year ending June 30, 2015. Contributory members are required to contribute 1.50% of gross wages to OkMRF.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Date of last actuarial valuation	July 1, 2014
Actuarial cost method	Entry age normal
Rate of return on investments and discount rate	7.75%

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. Employee Retirement Systems and Plans (continued)

Projected salary increase	Rates by age
Post retirement cost-of-living increase	None
Inflation rate	3%
Mortality table	UP 1994, with projected mortality improvement
Percent of married employees	100%
Spouse age difference	3 years (female spouses younger)
Turnover	Select and ultimate rates
	Ultimate rates are age-related as shown
	Additional rates per thousand are added during the first 5 years:
	Year 1: 215
	Year 2: 140
	Year 3: 95
	Year 4: 65
	Year 5: 40
Date of last experience study	September 2012 for the fiscal years 2007 thru 2011

Discount Rate

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefits.

The Town has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. Employee Retirement Systems and Plans (continued)

	Target Allocation	Real Return	Weighted Return
Fixed income bonds - Barclay's capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
Total	<u>100%</u>		
Average real return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Town, calculated using the discount rate of 7.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
Net Pension Liability \$	21,124 \$	6,996 \$	370

The Town reported \$1,716 in pension expense for the year ended June 30, 2015. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,945
City contributions subsequent to the measurement date	13,708	-
Total	<u>\$ 13,708</u>	<u>\$ 3,945</u>

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

10. Employee Retirement Systems and Plans (continued)

\$13,708 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	986
2017		986
2018		986
2019		987
	\$	<u>3945</u>

11. Fund Balance Reporting

The Town follows GASB 54 as part of its 2014-2015 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 Town'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 non-spendable. The Town does not have any non-spendable funds related to endowments.

As of June 30, 201, 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.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

11. Fund Balance Reporting (continued)

	General	Special Revenue	Total Governmental Funds
Fund Balances			
Nonspendable			
Prepays	\$ 2,790	\$ -	\$ 2,790
Restricted			
Street and alley operations	-	8,865	8,865
Assigned			
Police	4,259	-	4,259
Fire	15,851	-	15,851
Unassigned	95,477	-	95,477
Total Fund Balances	\$ 118,377	\$ 8,865	\$ 127,242

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, 2015 through December 23, 2015, 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, 2015

Revenues	Budget	Actual	Variance Favorable (Unfavorable)
Sales tax	\$ 533,113	\$ 222,815	\$ (310,298)
Use tax	26,400	29,831	3,431
Franchise tax	61,690	42,020	(19,670)
Other taxes	10,800	10,816	16
Park	16,834	8,075	(8,759)
Donations	770	11,860	11,090
Fines and Forfeitures	135,000	145,785	10,785
Interest	100	159	59
Grants	3,445	44,477	41,032
Rents	550	22,214	21,664
Miscellaneous	7,606	11,045	3,439
Total Revenues	796,308	549,097	(247,211)
Expenditures			
Personal services	214,966	205,444	9,522
General government	319,617	206,938	112,679
Debt service	-	-	-
Capital outlays	-	100,645	(100,645)
Total Expenditures	534,583	513,027	21,556
Excess of Revenues Over (Under) Expenditures	261,725	36,070	(225,655)
Total Other Financing Sources (Uses)	-	(13,155)	(13,155)
Net Change in Fund Balance	261,725	22,915	(238,810)
Fund Balance, Beginning of Year	95,462	95,462	-
Fund Balance, End of Year	\$ 357,187	\$ 118,377	\$ (238,810)

See independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST FISCAL YEAR

FOR THE YEAR ENDED JUNE 30, 2015

	2014
Total Pension Liability	
Service cost	\$ 5,435
Interest cost	8,079
Benefit changes due to plan amendments	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payment, including refunds of employee contributions	(6,627)
Net change in total pension liability	6,887
Total pension liability - beginning	102,059
Total pension liability - ending	\$ 108,946
Plan Net Fiduciary Position	
Contributions - employer	\$ 12,791
Contributions - employee	3,150
Net investment income	13,386
Benefit payments, including refunds of employee contributions	(6,627)
Administrative	(200)
Benefit payment, including refunds of employee contributions	-
Net change in plan net fiduciary position	22,500
Plan net fiduciary position - beginning	79,450
Plan net fiduciary position - ending	\$ 101,950
Net pension liability - ending	\$ 6,996
Plan net fiduciary position as percentage of total pension liability	93.58%
Covered employee payroll	\$ 200,673
Net pension liability position as percentage of covered employee payroll	3.49%

Note to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

See independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST FISCAL YEAR

FOR THE YEAR ENDED JUNE 30, 2015

	2014
Contractually required contribution	\$ 12,281
Contributions in relation to the contractually required contribution	\$ (12,281)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 200,673
Contributions as a percentage of covered-employee payroll	6.12%

Note to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



**Independent Auditor's 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***

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Webbers Falls, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Webbers Falls, Oklahoma's basic financial statements and have issued our report thereon dated December 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Webbers Falls, Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be material weakness and significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses (item 2015-1) to be a material weakness.

Compliance and Other Matters

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

Town of Webbers Falls, Oklahoma's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
December 23, 2015

TOWN OF WEBBERS FALLS, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2015

Findings - Financial Statement Audit

Material Weaknesses

2015-1 Internal Control over Financial Reporting - Material Adjusting Journal Entries

Condition:

The Town's trial balances for the year ended June 30, 2015 required a number of material adjusting entries in order for the financial statements to be prepared.

Criteria:

The Town's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the Town's annual financial statements in accordance with GAAP from trial balances derived from the Town's accounting records. For trial balances to be both complete and accurate, the Town must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls, there should be few, if any, material adjustments to the trial balances that are detected and corrected solely as a result of the financial statement audit.

Effect:

The absence of effective internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit.

Recommendation:

The Town should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances.

Findings - Compliance

No findings.

See independent auditor's report.