

TOWN OF WEBBERS FALLS, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2012



**TOWN OF WEBBERS FALLS, OKLAHOMA
JUNE 30, 2012**

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PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

Independent Auditors' Report

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, 2012**, 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, 2012**, 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 **January 15, 2013**, 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
January 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012. 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, 2012 by \$1,413,530 (net assets). Of this amount, \$123,571 (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 \$24,141 for the year ended June 30, 2012.
- The Town expended \$155,453 in capital assets during the year.
- The Town received \$25,802 in grant revenues. This included grants from the Eastern Oklahoma Development District and Cherokee Nation.

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.

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, 2012**

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, 2012 and the statement of activities for the year then ended are as follows:

Statement of Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets	\$ 97,143	\$ 145,448	\$ 242,591
Capital assets, net	66,720	1,590,961	1,657,681
Total assets	<u>163,863</u>	<u>1,736,409</u>	<u>1,900,272</u>
Current liabilities	35,097	69,617	104,714
Long-term debt	12,849	369,179	382,028
Total liabilities	<u>47,946</u>	<u>438,796</u>	<u>486,742</u>
Net assets:			
Invested in capital assets	41,610	1,211,410	1,253,020
Restricted	0	36,939	36,939
Unrestricted	74,307	49,264	123,571
Total net assets	<u>\$ 115,917</u>	<u>\$ 1,297,613</u>	<u>\$ 1,413,530</u>

**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

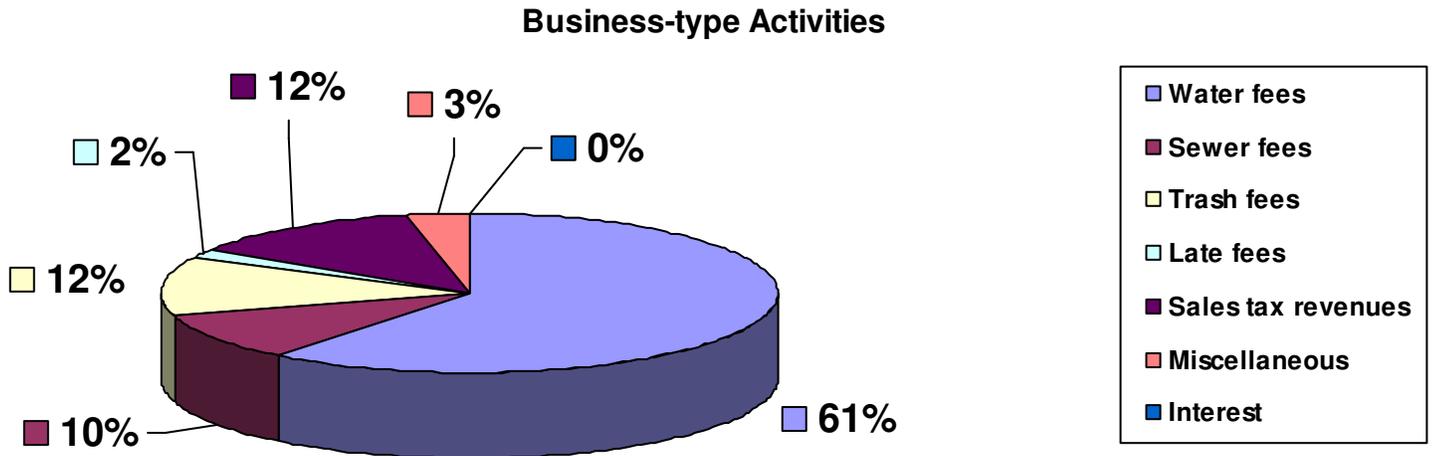
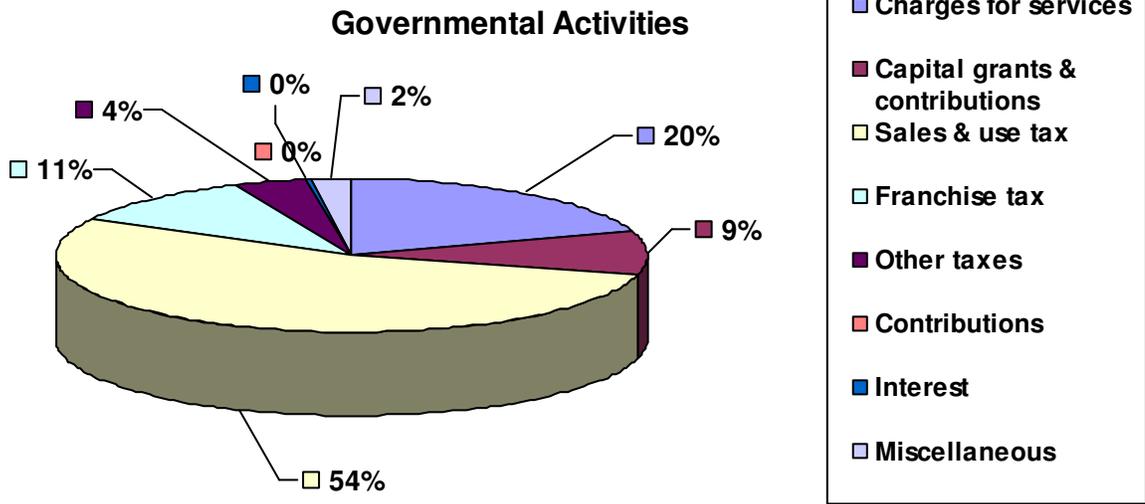
CONDENSED FINANCIAL INFORMATION (CONTINUED)

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	\$ 55,508	\$ 380,800	\$ 436,308
Capital grants and contributions	25,802	0	25,802
General revenues			
Taxes	190,722	56,338	247,060
Contributions	424	0	424
Interest	179	51	230
Miscellaneous	6,556	15,305	21,861
Total revenues	<u>279,191</u>	<u>452,494</u>	<u>731,685</u>
Expenses			
General government	182,365	0	182,365
Personal services	92,182	0	92,182
Street & alley	72	0	72
Interest on capital leases	1,983	0	1,983
Water	0	430,942	430,942
Total expenses	<u>276,602</u>	<u>430,942</u>	<u>707,544</u>
Transfers	<u>(23,042)</u>	<u>23,042</u>	<u>0</u>
Change in net assets	(20,453)	44,594	24,141
Beginning net assets	136,370	1,253,019	1,389,389
Ending net assets	<u>\$ 115,917</u>	<u>\$ 1,297,613</u>	<u>\$ 1,413,530</u>

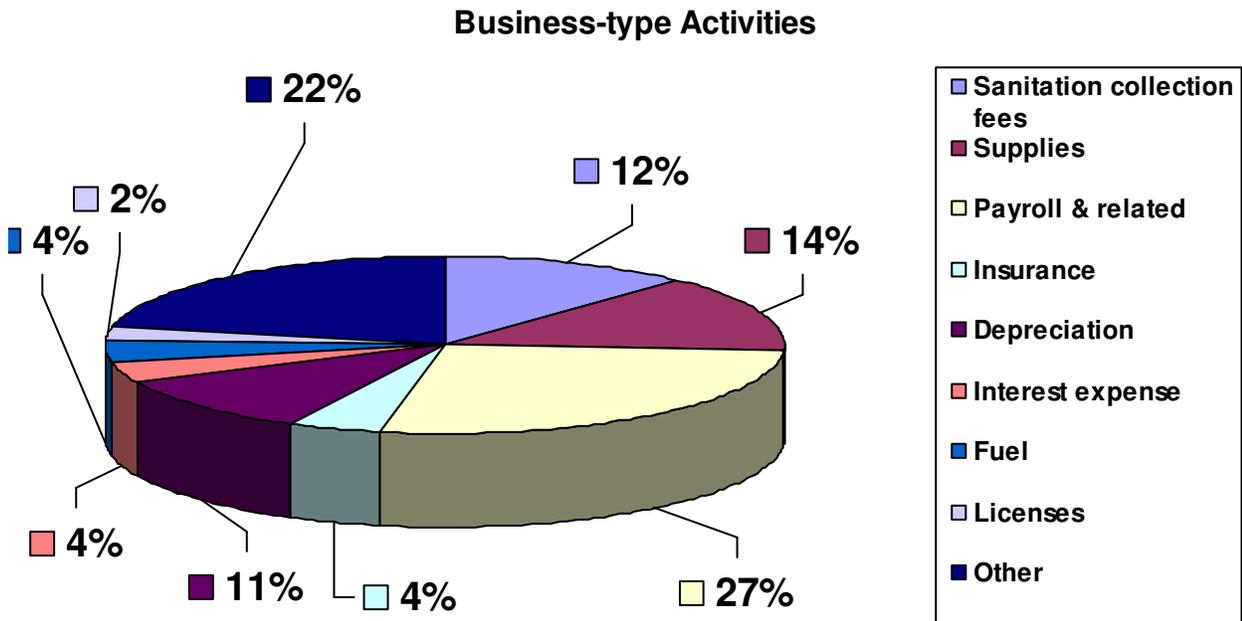
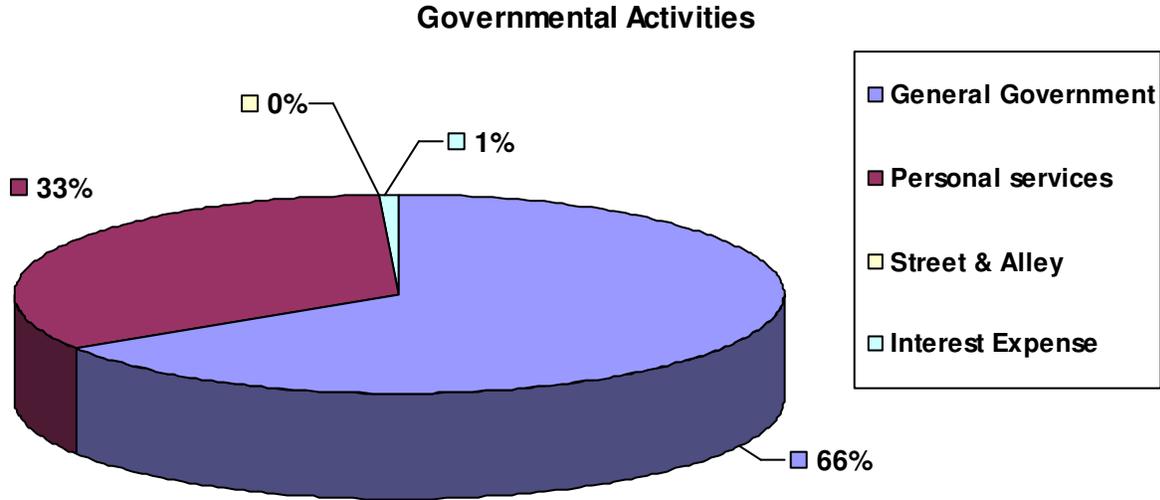
**TOWN OF WEBBERS FALLS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012**

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, 2012**

CAPITAL ASSETS

The Town spent \$115,843 in capital assets. This consisted of improvements to the utility system, air-conditioning replacement, backhoe and vehicle purchases, coin operated showers, and office equipment.

CAPITAL LEASES AND LONG-TERM DEBT

At the end of the current fiscal year, the Town had a capital lease obligation of \$25,110. 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 \$379,551.

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, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 64,931	\$ 75,284	\$ 140,215
Certificates of deposit	12,081	-	12,081
Taxes receivable	18,332	-	18,332
Trade accounts	-	31,880	31,880
Prepaid insurance	1,799	1,345	3,144
Restricted checking account	-	36,939	36,939
Total Current Assets	97,143	145,448	242,591
Noncurrent Assets			
Capital Assets			
Land	-	3,000	3,000
Water plant and improvements	-	2,393,446	2,393,446
Automobiles	100,410	45,078	145,488
Equipment	114,344	41,900	156,244
Infrastructure	50,532	-	50,532
Building	14,400	9,803	24,203
Office Equipment	2,671	2,001	4,672
Less accumulated depreciation	(215,637)	(904,267)	(1,119,904)
Net capital assets	66,720	1,590,961	1,657,681
Total Noncurrent Assets	66,720	1,590,961	1,657,681
Total Assets	163,863	1,736,409	1,900,272
Liabilities			
Current Liabilities			
Accounts payable	20,802	19,910	40,712
Payroll withholdings	2,034	2,307	4,341
Accrued interest	-	702	702
Current maturity of long-term debt	12,261	10,372	22,633
Customer meter deposits	-	36,326	36,326
Total Current Liabilities	35,097	69,617	104,714
Long-Term Debt	12,849	369,179	382,028
Total Liabilities	47,946	438,796	486,742
Net Assets			
Invested in capital assets, net of related debt	41,610	1,211,410	1,253,020
Restricted	-	36,939	36,939
Unrestricted	74,307	49,264	123,571
Total Net Assets	\$ 115,917	\$ 1,297,613	\$ 1,413,530

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

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	
Governmental Activities						
General government	\$ 182,365	\$ 55,508	\$ 25,802	\$ (101,055)	-	\$ (101,055)
Personal services	92,182	-	-	(92,182)	-	(92,182)
Street & Alley	72	-	-	(72)	-	(72)
Interest on capital leases	1,983	-	-	(1,983)	-	(1,983)
Total Governmental Activities	276,602	55,508	25,802	(195,292)	-	(195,292)
Business-Type Activities						
Water	430,942	380,800	-	-	(50,142)	(50,142)
Total Business-Type Activities	430,942	380,800	-	-	(50,142)	(50,142)
Total	\$ 707,544	\$ 436,308	\$ 25,802			
General Revenues						
Sales and use tax				150,885	56,338	207,223
Franchise tax				29,322	-	29,322
Other taxes				10,515	-	10,515
Contributions not restricted to specific programs				424	-	424
Investment earnings				179	51	230
Miscellaneous				6,556	15,305	21,861
Transfers				(23,042)	23,042	-
Total General Revenues and Transfers				174,839	94,736	269,575
Change in Net Assets				(20,453)	44,594	24,141
Net Assets Beginning of Year				136,370	1,253,019	1,389,389
Net Assets End of Year				\$ 115,917	\$ 1,297,613	\$ 1,413,530

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2012			
	General	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 59,331	\$ 5,600	\$ 64,931
Certificates of deposit	12,081	-	12,081
Taxes receivable	18,332	-	18,332
Prepaid insurance	1,799	-	1,799
Total Assets	91,543	5,600	97,143
Liabilities & Fund Balances			
Liabilities			
Accounts payable	20,802	-	20,802
Payroll withholdings	2,034	-	2,034
Total Liabilities	22,836	-	22,836
Fund Balances			
Nonspendable			
Prepays	1,799	-	1,799
Assigned			
Capital lease	23,475	-	23,475
Police	4,128	-	4,128
Fire	12,071	-	12,071
Unassigned	27,234	5,600	32,834
Total Fund Balances	68,707	5,600	74,307
Total Liabilities and Fund Balances	\$ 91,543	\$ 5,600	\$ 97,143

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, 2012

Total Fund Balances - Governmental Funds \$ 74,307

**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 \$282,357 and the accumulated depreciation is \$215,637. 66,720

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of \$25,110. (25,110)

Total Net Assets - Governmental Activities \$ 115,917

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, 2012

	General	Special Revenue	Total Governmental Funds
Revenues			
Sales tax	\$ 140,872	\$ -	\$ 140,872
Use tax	10,013	-	10,013
Franchise taxes and fees	29,322	-	29,322
Other taxes	9,350	1,165	10,515
Grants	25,802	-	25,802
Park revenue	7,377	-	7,377
Fines	48,081	-	48,081
Donations	424	-	424
Miscellaneous	6,556	-	6,556
Lease income	50	-	50
Interest	175	4	179
Total Revenues	278,022	1,169	279,191
Expenditures			
General government	169,176	-	169,176
Personal services	92,182	-	92,182
Street	-	72	72
Capital outlays	9,134	-	9,134
Lease services:			
Principal	11,699	-	11,699
Interest	1,983	-	1,983
Total Expenditures	284,174	72	284,246
Excess of Revenues Over Expenditures	(6,152)	1,097	(5,055)
Other Financing Uses			
Operating Transfers	(23,042)	-	(23,042)
Total Other Financing Uses	(23,042)	-	(23,042)
Net Change in Fund Balance	(29,194)	1,097	(28,097)
Fund Balance at Beginning of Year	97,901	4,503	102,404
Fund Balance at End of Year	\$ 68,707	\$ 5,600	\$ 74,307

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, 2012

Total Net Change in Fund Balances - Governmental Funds \$ (28,097)

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 \$13,189 exceeds capital outlays of \$9,134 for the period. (4,055)

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. 11,699

Change in Net Assets of Governmental Activities \$ (20,453)

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

AS OF JUNE 30, 2012

Assets

Current Assets

Cash and cash equivalents	\$	75,284
Trade accounts receivable		31,880
Prepaid insurance		1,345
Restricted checking accounts		36,939
Total Current Assets		145,448

Noncurrent Assets

Capital assets		
Land		3,000
Water plant and improvements		2,393,446
Automobiles		45,078
Equipment		41,900
Office building		9,803
Office equipment		2,001
Total		2,495,228
Less: accumulated depreciation		904,267
Net Noncurrent Assets - Capital Assets		1,590,961
Total Assets		1,736,409

Liabilities

Current Liabilities

Accounts payable		19,910
Payroll withholdings		2,307
Accrued interest		702
Current maturity of long-term debt		10,372
Total Current Liabilities		33,291

Long-Term Debt		369,179
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Current Liabilities Payable From Restricted Assets

Customer meter deposits		36,326
Total Current Liabilities Payable From Restricted Assets		36,326

Total Liabilities		438,796
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Net Assets

Invested in capital assets, net of related debt		1,211,410
Restricted		36,939
Unrestricted		49,264
Total Net Assets	\$	1,297,613

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, 2012

Operating Revenues

Charges for services, net of bad debt	\$ 380,800
Sales tax revenue	56,338
Miscellaneous	15,305
Total Operating Revenues	452,443

Operating Expenses

Sanitation Collection Fees	51,954
Supplies	61,054
Testing fees	1,618
Licenses	10,677
Fuel	16,604
Office expense	4,545
Salaries and wages	106,463
Insurance	18,557
Professional fees	5,050
Utilities and telephone	30,206
Repairs and maintenance	6,852
Payroll taxes	9,380
Employee benefits	5,753
Bank charges	2,460
Miscellaneous expense	36,860
Depreciation	45,599
Total Operating Expenses	413,632

Net Income From Operations	38,811
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Nonoperating Revenue (Expenses)

Interest income	51
Interest expense	(17,310)
Total Nonoperating Revenue (Expenses)	(17,259)

Net Loss Before Operating Transfers	21,552
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Transfers from Other Funds	23,042
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Change in Net Assets	44,594
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Beginning of Year Net Assets	1,253,019
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End of Year Net Assets	\$ 1,297,613
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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, 2012

Cash Flows from Operating Activities

Cash received from customers and other sources	\$	396,176
Cash received from sales tax		56,338
Cash payments to suppliers		(218,478)
Cash payments to employees		(106,463)
Net Cash Provided By Operating Activities		127,573

Cash Flows from Noncapital Financing Activities

Cash transfers from the general fund		23,042
Net Cash Provided By Noncapital Financing Activities		23,042

Cash Flows from Capital and Related Financing Activities

Acquisition of capital assets		(146,319)
Interest paid on long-term debt		(17,088)
Principal paid on long-term debt		(10,152)
Net Cash Used For Capital and Related Financing Activities		(173,559)

Cash Flows from Investing Activities

Net activity of restricted accounts		(1,772)
Interest income		51
Net Cash Used By Investing Activities		(1,721)

Net Decrease in Cash and Cash Equivalents

		(24,665)
Cash and Cash Equivalents - beginning of year		99,949
Cash and Cash Equivalents - end of year	\$	75,284

Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Operating income	\$	38,811
Adjustments:		
Depreciation		45,599
Write-off note receivable		30,000
Net change in assets and liabilities:		
Trade accounts receivable		348
Prepaid insurance		(437)
Accounts payable		13,313
Payroll withholdings		217
Customer meter deposits		(278)
Net Cash Provided by Operating Activities	\$	127,573

See accompanying notes and independent auditor's report.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012

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, 2012

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.

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, 2012

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, 2012.

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012, was as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Capital assets, being depreciated				
Automobiles	\$ 100,410	\$ -	\$ -	\$ 100,410
Infrastructure	50,532	-	-	50,532
Equipment	114,344	-	-	114,344
Building	7,937	6,463	-	14,400
Office equipment	-	2,671	-	2,671
Total capital assets, being depreciated	273,223	9,134	-	282,357
Less accumulated depreciation:				
Automobiles	100,410	-	-	100,410
Infrastructure	6,569	1,011	-	7,580
Equipment	94,576	11,389	-	105,965
Building	893	522	-	1,415
Office equipment	-	267	-	267
Total accumulated depreciation	202,448	13,189	-	215,637
Governmental activities, capital assets, net	\$ 70,775	\$ (4,055)	\$ -	\$ 66,720

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

General government	\$ 13,189
Total depreciation for governmental activities	\$ 13,189

Capital asset activity for business-type activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Capital assets, not being depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Construction in Process	3,600	-	3,600	-
Total capital assets not being depreciated	6,600	-	3,600	3,000

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

4. Changes in Capital Assets (continued)

<u>Capital assets, being depreciated</u>				
Water plant and improvements	2,300,930	92,516	-	2,393,446
Automobiles	18,626	26,452	-	45,078
Equipment	16,900	25,000	-	41,900
Building	5,853	3,950	-	9,803
Office equipment	-	2,001	-	2,001
<u>Total capital assets, being depreciated</u>	<u>2,342,309</u>	<u>149,919</u>	<u>-</u>	<u>2,492,228</u>
Less accumulated depreciation:				
Water plant and improvements	823,894	40,416	-	864,310
Automobiles	18,626	2,645	-	21,271
Building	4,873	301	-	5,174
Equipment	11,275	2,000	-	13,275
Office equipment	-	237	-	237
<u>Total accumulated depreciation</u>	<u>858,668</u>	<u>45,599</u>	<u>-</u>	<u>904,267</u>
<u>Total capital assets, being depreciated, net</u>	<u>1,483,641</u>	<u>104,320</u>	<u>-</u>	<u>1,587,961</u>
Business-type activities, capital assets, net	\$ 1,490,241	\$ 104,320	\$ 3,600	\$ 1,590,961

Depreciation expense for business-type activities totaled \$45,599 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, 2012, 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.	\$	379,551
<u>Total debt</u>		<u>379,551</u>
<u>Less current maturity</u>		<u>10,372</u>
<u>Long term debt</u>	\$	<u>369,179</u>

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

5. Long Term Debt (continued)

Debt is scheduled to be mature as follows:

June 30,	Principal	Interest	Total
2013	\$ 10,372	\$ 16,868	\$ 27,240
2014	10,849	16,391	27,240
2015	11,347	15,893	27,240
2016	11,869	15,371	27,240
2017	12,414	14,826	27,240
2018-2022	71,166	65,034	136,200
2023-2027	89,085	47,115	136,200
2028-2032	111,517	24,683	136,200
2033-2034	50,932	2,372	53,304
Total	\$ 379,551	\$ 218,553	\$ 598,104

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

As Of	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Rural Development	\$ 389,703	\$ -	\$ 10,152	\$ 379,551
Total	\$ 389,703	\$ -	\$ 10,152	\$ 379,551

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, 2012, was \$15,648.

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, 2012

7. Lease Obligations (continued)

June 30,	Equipment
2013	13,682
2014	13,682
Total	27,364
Less amount representing interest Present value of future minimum lease payments	2,254 \$ 25,110

8. Grants

The Town received grants from the following sources:

Eastern Oklahoma Development District (REAP)	\$ 23,000
Cherokee Nation	2,802
Total	\$ 25,802

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, 2012

11. Fund Balance Reporting

The Town follows GASB 54 as part of its 2011-2012 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, 2012, 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
Fund Balances			
Nonspendable			
Prepays	\$ 1,799	\$ -	\$ 1,799
Assigned			
Capital lease	23,475	-	23,475
Police	4,128	-	4,128
Fire	12,071	-	12,071
Unassigned	27,234	5,600	32,834
Total Fund Balances	\$ 68,707	\$ 5,600	\$ 74,307

TOWN OF WEBBERS FALLS, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012 through January 16, 2013, 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, 2012

Revenues	Budget	Actual	Variance Favorable (Unfavorable)
Sales tax	\$ 190,000	\$ 140,872	\$ (49,128)
Use tax	7,000	10,013	3,013
Franchise tax	18,000	29,322	11,322
Other taxes	10,650	9,350	(1,300)
Park	10,000	7,377	(2,623)
Donations	-	424	424
Fines and Forfeitures	12,000	48,081	36,081
Interest	30	175	145
Grants	20,000	25,802	5,802
Rents	200	50	(150)
Miscellaneous	1,500	6,556	5,056
Total Revenues	269,380	278,022	8,642
Expenditures			
Personal services	75,320	92,182	(16,862)
General government	157,680	169,176	(11,496)
Debt service	-	13,682	(13,682)
Capital outlays	-	9,134	(9,134)
Total Expenditures	233,000	284,174	(51,174)
Excess of Revenues Over Expenditures	36,380	(6,152)	(42,532)
Total Other Financing Uses	(38,000)	(23,042)	14,958
Net Change in Fund Balance	(1,620)	(29,194)	(27,574)
Fund Balance at Beginning of Year	97,901	97,901	-
Fund Balance at End of Year	\$ 96,281	\$ 68,707	\$ (27,574)

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***

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, 2012**, which collectively comprise the Town's basic financial statements and have issued our report thereon dated **January 15, 2013**. 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

Management of Town of Webbers Falls, Oklahoma, is responsible for establishing and maintaining effective 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 opinions 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 of Webbers Falls, Oklahoma'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting, these deficiencies are reported to management in a separate letter dated January 15, 2013. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are reported to management in a separate letter dated January 15, 2013.

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
January 15, 2013



PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

January 15, 2013

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Webbers Falls (the Town) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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 discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town's internal control to be significant deficiencies:

- There were some checks written that did not have purchase orders or the purchase orders could not be located.
- Many expenses are being posted to the miscellaneous expense account. A lot of these expenses are for parts, supplies, or repairs. These accounts exist in Quickbooks and would more accurately reflected if posted as such. There were also other revenues/expenses noted that were posted to incorrect accounts.

- There are no copies of quarterly 941 reports filed with the IRS.
- Some EFT's are being posted to the cash accounts twice. These end up as (improper) reconciling items on the bank reconciliations and overstate your expenses. There are also checks that have cleared the bank that are listed on the bank reconciliations.
- The Town has the Water Authorities fixed assets in Quickbooks. These should be removed and put in Quickbooks for the Water Authority.
- The payroll system is set up to have a company match withholdings for the State of Oklahoma. There is no such matching liability for the Town (only the employee).
- Water Authorities Quickbooks needs to be set up for a June 30 fiscal year end. It is currently set up as a December 31 year end.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is written in a cursive, flowing style.

Przybysz & Associates, CPAs, P.C.