

**TOWN OF WEST SILOAM SPRINGS**

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2013

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# WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

18 NORTH VANN STREET, PRYOR, OK 74361

918-825-6441 OFFICE 918-825-6443 FAX

mail@wandrcpas.net

## INDEPENDENT AUDITOR'S REPORT

To the Town Council,  
Town of West Siloam Springs  
Colcord, OK

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs, State Oklahoma as of and for the year ended June 30, 2013, which collectively comprise the Town of West Siloam Springs's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of West Siloam Springs, State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

### 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. 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, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs, State of Oklahoma, as of June 30, 2013, 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.

**OTHER MATTERS**

*Required Supplementary Information*

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Siloam Springs, State of Oklahoma’s financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2014, on our consideration of the Town of West Siloam Springs, State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 West Siloam Springs, State of Oklahoma's internal control over financial reporting and compliance.

Respectfully submitted,



**WINGARD, RAGSDALE & LANGLEY**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

**MARCH 11, 2014**

## TOWN OF WEST SILOAM SPRINGS

## STATEMENT OF NET ASSETS

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, including time deposits	\$ 552,491	\$ 364,857	\$ 917,348
Taxes receivable	47,566	15,146	62,712
Receivable from other funds	365	21,631	21,996
Accounts receivable, net	-	60,483	60,483
Total current assets	<u>600,422</u>	<u>462,117</u>	<u>1,062,539</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>422,418</u>	<u>1,416,327</u>	<u>1,838,745</u>
Total noncurrent assets	<u>422,418</u>	<u>1,416,327</u>	<u>1,838,745</u>
<b>Total Assets</b>	<u><u>1,022,840</u></u>	<u><u>1,878,444</u></u>	<u><u>2,901,284</u></u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	27,903	15,361	43,264
Accrued wages and taxes	6,772	2,319	9,091
Due to other funds	-	21,631	21,631
Current portion of long-term obligations	<u>33,244</u>	<u>-</u>	<u>33,244</u>
Total current liabilities	<u>67,919</u>	<u>39,311</u>	<u>107,230</u>
Noncurrent liabilities:			
Utility deposits	-	38,223	38,223
Notes and leases payable, less current portion	<u>35,707</u>	<u>-</u>	<u>35,707</u>
Total noncurrent liabilities	<u>35,707</u>	<u>38,223</u>	<u>73,930</u>
<b>Total Liabilities</b>	<u>103,626</u>	<u>77,534</u>	<u>181,160</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	353,467	1,416,327	1,769,794
Restricted	-	-	-
Unrestricted	<u>565,747</u>	<u>384,583</u>	<u>950,330</u>
Total net assets	<u><u>\$ 919,214</u></u>	<u><u>\$ 1,800,910</u></u>	<u><u>\$ 2,720,124</u></u>



TOWN OF WEST SILOAM SPRINGS  
 BALANCE SHEET -- GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	General Fund	EMS Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash, including time deposits	\$ 286,146	\$ 180,537	\$ 85,808	\$ 552,491
Taxes receivable	32,785	15,146	-	47,931
<b>Total assets</b>	<u>318,931</u>	<u>195,683</u>	<u>85,808</u>	<u>600,422</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	27,903	-	-	27,903
Accrued expenses	6,772	-	-	6,772
<b>Total liabilities</b>	<u>34,675</u>	<u>-</u>	<u>-</u>	<u>34,675</u>
<b>Fund balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	83,097	83,097
Committed	-	-	-	-
Assigned	-	195,683	2,711	198,394
Unassigned	284,256	-	-	284,256
<b>Total fund balances</b>	<u>284,256</u>	<u>195,683</u>	<u>85,808</u>	<u>565,747</u>
<b>Total liabilities and fund balances</b>	<u>\$ 318,931</u>	<u>\$ 195,683</u>	<u>\$ 85,808</u>	<u>\$ 600,422</u>

Total fund balance, governmental funds \$ 565,747

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 422,418

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds:

Due within one year (33,244)

Due in more than one year (35,707)

**Net assets of governmental activities in the Statement of Net Assets** \$ 919,214

TOWN OF WEST SILOAM SPRINGS  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES -- GOVERNMENTAL FUNDS**  
 JUNE 30, 2013

	General Fund	EMS Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Sales and use tax	\$ 192,477	\$ 91,206	\$ -	\$ 283,683
Franchise fees	10,935	-	-	10,935
Commercial vehicle tax	6,006	-	-	6,006
Alcohol and cigarette tax	14,321	-	-	14,321
Gasoline tax	2,210	-	-	2,210
Hotel tax	29,285	-	-	29,285
Fines and fees	648,232	-	-	648,232
Grants	2,430	-	40,000	42,430
CNE EMS Income	-	144,000	-	144,000
Charges for services	267	-	30	297
Other Reimbursements	180,510	-	-	180,510
Capital contributions	538	-	-	538
Licenses and permits	6,668	-	115	6,783
Loan proceeds	90,000	-	-	90,000
Proceeds from the sale of assets	12,968	-	-	12,968
Miscellaneous	15,358	-	-	15,358
Total revenues	<u>1,212,205</u>	<u>235,206</u>	<u>40,145</u>	<u>1,487,555</u>
<b>Expenditures</b>				
Current				
General government:				
Administrative and accounting	116,668	-	-	116,668
Public Safety (Police, Fire)	838,960	208,244	534	1,047,738
Water, sewer, streets	14,045	-	-	14,045
Culture and recreation	-	-	6,800	6,800
Debt service	29,955	-	17,256	47,211
Capital outlay	132,975	-	16,821	149,796
Total expenditures	<u>1,132,603</u>	<u>208,244</u>	<u>41,411</u>	<u>1,382,258</u>
Excess (deficiency) of revenues over expenditures	<u>79,602</u>	<u>26,962</u>	<u>(1,266)</u>	<u>105,298</u>
Other financing sources (uses)				
Transfers	<u>(25,256)</u>	<u>-</u>	<u>25,256</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,256)</u>	<u>-</u>	<u>25,256</u>	<u>-</u>
Net change in fund balances	54,347	26,962	23,990	105,298
Fund balances - beginning	224,895	168,721	52,572	446,188
Prior period adjustments	<u>5,014</u>	<u>-</u>	<u>9,248</u>	<u>14,262</u>
Fund balances - ending	<u>\$ 284,256</u>	<u>\$ 195,683</u>	<u>\$ 85,810</u>	<u>\$ 565,748</u>

TOWN OF WEST SILOAM SPRINGS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
JUNE 30, 2013

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Net change in fund balances – total governmental funds \$ 105,298

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as an expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount that depreciation in the current period exceeds the current capital outlays. 30,826

Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long term liabilities in the Statement of Net Assets. 24,117

Amounts received from borrowings represent an increase of the governments fund balance, but represent the increase of a liability in the Statement of Net Assets. (90,000)

Change in net assets \$ 70,241

TOWN OF WEST SILOAM SPRINGS  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
 JUNE 30, 2013

	<u>Public Works Authority</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 364,857
Accounts receivable - customers	60,483
Taxes receivable	15,146
Due from other town funds	<u>21,631</u>
Total current assets	462,117
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,416,327</u>
Total assets	<u><u>1,878,444</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	17,680
Due to other funds	<u>21,631</u>
Total current liabilities	39,311
Noncurrent liabilities:	
Customer deposits	<u>38,223</u>
Total liabilities	<u><u>77,534</u></u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	1,416,327
Unrestricted	<u>384,583</u>
Total net position	<u><u>\$ 1,800,910</u></u>

TOWN OF WEST SILOAM SPRINGS  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS -- PROPRIETARY FUNDS**  
 JUNE 30, 2013

	<u>Public Works Authority</u>
<b>Operating revenues</b>	
Charges for services	
Water (net of refunds/adjustments)	\$ 397,131
Sewer	223,268
Miscellaneous	8,178
Total operating revenues	<u>628,577</u>
 <b>Operating expenses</b>	
Purchased water	239,506
Purchased sewer	212,113
Salaries and benefits	64,289
Repairs and maintenance	2,145
Materials and supplies	33,920
Utilities	7,973
Licenses and permits	1,385
Insurance and bonds	10,352
Legal and professional fees	18,236
Travel and training	802
Miscellaneous	3,588
Uniforms	1,839
Water testing	1,722
Depreciation	52,904
Total operating expenses	<u>650,775</u>
 <b>Net operating income (loss)</b>	 (22,198)
 <b>Nonoperating revenues (expenses)</b>	
Designated sales tax - sewer	91,206
Reimbursements	133,450
 <b>Other financing sources (uses)</b>	
Transfers	<u>23,903</u>
 <b>Change in net assets</b>	 226,361
<b>Net assets, beginning</b>	1,620,673
<b>Prior period adjustments</b>	(46,124)
<b>Net assets, ending</b>	<u><u>\$ 1,800,910</u></u>

TOWN OF WEST SILOAM SPRINGS  
**STATEMENT OF CASH FLOWS -- PROPRIETARY FUNDS**  
 JUNE 30, 2013

	<u>Public Works Authority</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 603,298
Payments to suppliers	563,091
Payments to employees	<u>64,289</u>
Net cash provided (used) by operating activities	<u>(24,083)</u>
 <b>Cash flows from capital and related financing activities</b>	
Designated Sales tax	91,206
Capital grants	133,450
(Acquisition) disposition of capital assets	(128,453)
Net cash provided (used) by capital and related financing activities	<u>96,203</u>
 Net increase (decrease) in cash and cash equivalents	72,120
 <b>Cash and cash equivalents, beginning</b>	<u>292,737</u>
<b>Cash and cash equivalents, ending</b>	<u><u>\$ 364,857</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Net operating income (loss)	(22,198)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	52,904
Loss on sale of assets	(16,418)
Changes in assets and liabilities:	
(Increase) decrease in receivables	(411)
Increase (decrease) in accounts payable	(37,192)
Increase (decrease) in customer deposits	(3,087)
Increase (decrease) in accrued expenses	<u>2,319</u>
Net cash provided (used) by operating activities	<u><u>\$ (24,083)</u></u>

***Note 1- Summary of Significant Accounting Policies***

**Reporting Entity**

The Town of West Siloam Springs, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a town form of government and is governed by a five member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services: general government, public safety (fire and police), streets, public works (water, sewer, trash and animal control), judicial, public improvements, and planning and zoning for the geographical area organized as the Town of West Siloam Springs, Oklahoma.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

**Component Units**

Component units are organizations that are legally separate from the primary government for which the elected officials are financially accountable. The West Siloam Springs Public Works Authority (PWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of West Siloam Springs, Oklahoma. The PWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to the PWA. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes Board. The PWA is exempt from State and Federal income taxes. The PWA meets the definition of a component unit as defined in GASB No. 14 whose activities have been included with those of the proprietary funds for financial statement reporting.

**Government Wide Financial Statements**

The statement of net assets and the statement of activities include information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements**

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level, the focus of government and enterprise fund financial statements is on major funds. If applicable, each major fund is presented in a separate column.

**Measurement Focus and Basis of Accounting**

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

*Note 1 - Summary of Significant Accounting Policies - Continued*

Measurement Focus - Continued

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The Town of West Siloam Springs, Oklahoma (the Town) presents its general fund and non-major fund financial statements on the modified cash basis of accounting. The modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The Town presents its proprietary fund financial statements on the accrual basis of accounting. Under the accrual basis of accounting, transactions are recorded when they occur, irrespective of when actual cash is received or paid.

The Town's general fund includes general government activities, public safety activities, utility activities, and capital outlay.

The Town's non-major general fund include the Subsidy Pool Fund, the Drug Free Fund, the Dog Pound Fund, the Park Fund, and the EMS Fund.

The Town's proprietary funds, the West Siloam Springs Public Works Authority (PWA) financial statements include water and sewer.

The Town does not have any fiduciary activities or internal service funds.

The financial statements have been prepared in accordance with relevant Governmental Accounting Standards -

Fund Accounting

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

*Note 1 - Summary of Significant Accounting Policies - Continued*

Fund Accounting - Continued

Governmental Funds - are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

The following are the Town's major funds:

- General Fund - Is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Special Revenue Funds - account for revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions of the Town. The reporting entity includes the following Special Revenue Funds:

<u>Fund</u>	<u>Brief Description</u>
EMS Fund	Accounts for sales tax revenue received that are designated for voter approved purposes.

- Enterprise Funds (Proprietary Funds) - are accounted for using the accrual basis of accounting. Under this method, revenues and expenses are recorded when they result from cash transactions. These funds are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for 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 where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

<u>Fund</u>	<u>Brief Description</u>
West Siloam Springs Public Works Authority	accounts for the operations of providing water works (water, sewer, trash and animal control) to the Town residents.

*Note 1 - Summary of Significant Accounting Policies - Continued*

Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. All current year infrastructure additions have been recorded at actual cost. The Town is not required to account for infrastructure assets acquired prior to July 1, 2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Other Improvements	20 years
Machinery, furniture and Equipment	7 years
Utility property and improvements	40 years
Vehicles	5 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Assets, Liabilities and Net Assets or Equity

*Deposits and Investments* - Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at their fair market value.

*Restricted Cash* - Certain funds are restricted for West Siloam Springs Public Works Authority customer deposit refunds.

***Note 1 - Summary of Significant Accounting Policies - Continued***

*Fair Value of Financial Instruments* - The Town's financial instruments include cash and cash equivalents, and certain liabilities. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

*Estimates* - The preparation of financial statements in conformity with Generally Accepted Accounting Principles used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Receivables and Payables* - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds." The

Town considers receivables collected within 60 days after year end to be available and recognize them as revenues of the current year.

*Compensated Absences* - It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least one year are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

*Long-Term Obligations* - The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net of current assets) is considered a measure of "available spendable resources."

Governmental fund operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

***Note 1 - Summary of Significant Accounting Policies - Continued***

Equity Classifications

*Government-Wide Statements*

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

- a) Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

***Note 2 - Cash and Investments***

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Cash and certificates of deposit held by the town are fully covered.

Custodial Credit Risk - All of the Town's deposits at financial institutions were covered by either FDIC insurance or collateralized.

TOWN OF WEST SILOAM SPRINGS  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2013

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***Note 2 - Cash and Investments – Continued***

Cash and Investments - Continued

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits the Town's investment portfolio to maturities of not more than two years.

***Note 3 - Property and Equipment***

Capital Asset Activity - Governmental Type

Capital asset activity for governmental type activities for the year ended June 30, 2013 was as follows:

	<b>6/30/2012</b>	<b>Additions</b>	<b>Dispositions</b>	<b>6/30/2013</b>
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	263,134	-	-	267,082
Equipment	145,218	19,978	-	161,248
Vehicles	162,153	130,775	(47,300)	245,628
Infrastructure	1,105,000	-	-	1,105,000
Total Property, Plant, and Equipment	1,680,505	150,753	(47,300)	1,783,958
Accumulated Depreciation	(1,254,384)	(118,970)	11,814	(1,361,540)
Net book value	\$ 426,121	\$ 31,783	\$ (35,486)	\$ 422,418

Capital Asset Activity - Business Type

Capital asset activity for business type activities for the year ended June 30, 2013 was as follows:

	<b>6/30/2012</b>	<b>Additions</b>	<b>Dispositions</b>	<b>6/30/2013</b>
Equipment	\$ 135,353	\$ -	\$ -	\$ 135,353
Vehicles	93,875	-	-	93,875
Infrastructure	1,638,805	-	-	1,638,805
Construction in Process	-	147,697	-	147,697
Total	1,868,033	147,697	-	2,015,730
Accumulated Depreciation	(546,481)	(52,904)	45,112	(599,385)
Net book value	\$ 1,321,552	\$ 94,793	\$ 45,112	\$ 1,416,345

The Authority's fixed assets are stated at cost. Depreciation is computed using the straight line method over the estimated useful life, which is; forty years for the water system, between seven and forty years for the lift station, and between five and seven years for office furniture and equipment. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized Expenditures for maintenance and repairs are expensed as incurred.

TOWN OF WEST SILOAM SPRINGS  
**NOTES TO FINANCIAL STATEMENT**  
 June 30, 2013

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***Note 3 - Property and Equipment - Continued***

Depreciation Charges

Depreciation expense by functional category for the governmental type funds was as follows:

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ 7,243
Police	12,672
Streets	<u>26,001</u>
Total	<u>\$ 45,916</u>

***Note 4 – Restricted Assets***

Debt Service

Under the terms of the Rural Development loan agreement (Note 6), the Authority was required to deposit \$105 each month to a restricted account until \$13,248 was reached. The Authority has and must maintain this balance until the loan is paid off or is reduced below this balance.

Utility Deposit

The Public Works Authority is holding customers' meter deposits in the amount of \$12,510 and has assets reserved to refund these deposits, as required by statute.

OMAG Funds

The Oklahoma Municipal Assurance Group (OMAG) provides workers' compensation coverage to the Town through participation with CompSource Oklahoma (formerly the State Insurance Fund). The Town has a right to the return of any funds set aside for claims which have not been paid out as benefits after three years. At June 30, 2013, the Town has \$11,903 on deposit with OMAG and has elected to invest these funds in an escrow account with OMAG, which is unrestricted.

***Note 6 – Long-term Debt***

The Authority's long-term debt at June 30, 2013 consists of a Rural Development note with an interest rate of 6.125% per annum, monthly installments of \$1,104, including interest, and is secured by the water system.

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2012</u>
Rural Development	<u>\$ 124,342</u>	<u>\$ -</u>	<u>\$ (5,792)</u>	<u>\$ 118,550</u>

TOWN OF WEST SILOAM SPRINGS  
**NOTES TO FINANCIAL STATEMENT**  
 June 30, 2013

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***Note 6 – Long-term Debt - Continued***

The Authority's maturities of long-term debt are as follows:

Year Ended June 30	Principal Reductions	Interest	Debt Service Requirements
2013	33,244	1,758	35,002
2014	30,932	649	31,581
2015	4,775	242	5,017
2016	-	-	-
2017	-	-	-
Thereafter	-	-	-
Total	<u>\$ 68,951</u>	<u>\$ 2,649</u>	<u>\$ 71,600</u>

***Note 7 - Loan Covenant***

The Public Works Authority maintains a loan with Rural Development with requires the Authority to impose and collect such rates and charges that will provide an amount sufficient for the payment of the operation and maintenance of the system, the annual installment payments on the note, and maintenance of the various funds. In addition, the Town is required to transfer one-third of its annual sales tax collections to the Authority. Computation of compliance with this covenants as follows:

Net income (loss) from operations	\$ (26,600)
Debt service requirements	<u>(13,248)</u>
Net income below loann covenant requirements	(39,848)
Sales tax transfer	<u>15,297</u>
Total income below loan covenant requirements	<u>\$ (24,551)</u>

***Note 8- Subsequent Events***

Management has evaluated and disclosed subsequent events up to the date of the audit report.

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2013

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Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules - General Fund

## TOWN OF WEST SILOAM SPRINGS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL (WITH VARIANCES) – GENERAL FUND**  
 June 30, 2013

	Original Budget	Final Budget	Actual	Variance
<b>General Fund</b>				
Fund balance - beginning	\$ 270,049	\$ 270,049	\$ 229,909	\$ (40,140)
Revenues:				
Sales and use tax	333,000	333,000	192,477	(140,523)
Franchise fees	15,000	15,000	10,935	(4,065)
Commercial vehicle tax	5,000	5,000	6,006	1,006
Alcohol and cigarette tax	10,700	10,700	14,321	3,621
Hotel tax	5,000	5,000	29,285	24,285
Fines and fees	700,500	700,500	648,232	(52,268)
Loan proceeds	-	-	90,000	90,000
Grants	2,800	2,800	2,430	(370)
CNE EMS Income	130,000	130,000	-	(130,000)
Charges for services	-	-	267	267
Other Reimbursements	88,000	88,000	180,510	92,510
Capital contributions	50,000	50,000	538	(49,462)
Licenses and permits	7,300	7,300	6,668	(632)
Proceeds from sale of assets	18,000	18,000	12,968	(5,032)
Miscellaneous	1,760	1,760	11,217	9,457
Total revenues	1,367,060	1,367,060	1,208,064	(158,996)
Expenditures				
Current:				
Current:				
General government:				
Administrative and accounting	106,000	106,000	116,668	10,668
Public Safety (Police, Fire)	1,056,201	1,056,201	801,767	(254,434)
Water, sewer, streets	10,000	10,000	14,045	4,045
Culture and recreation	3,600	3,600	-	(3,600)
Debt service	-	-	29,935	29,935
Capital outlay	93,000	93,000	132,975	39,975
Total expenditures	1,268,801	1,268,801	1,095,390	(173,411)
Excess (deficiency) of revenues over expenditures	98,259	98,259	112,674	14,415
Other financing sources (uses)				
Transfers	(171,500)	(171,500)	(25,276)	146,224
Net change in fund balances	(73,241)	(73,241)	87,398	160,639
(Non-GAAP budgetary basis)	196,808	196,808	317,307	120,499
Change in accounts payable			(37,192)	
Change in taxes receivable			4,141	
Ending budgetary fund balance			<u>\$ 284,256</u>	

# WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

18 NORTH VANN STREET, PRYOR, OK 74361

918-825-6441 OFFICE 918-825-6443 FAX

mail@wandrcpas.net

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Town Council  
Town of West Siloam Springs  
Ottawa County, State of Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of West Siloam Springs, State of Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the Town of West Siloam Springs, State of Oklahoma's basic financial statements and have issued our report thereon dated March 11, 2014. 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.

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

In planning and performing our audit, we considered Town of West Siloam Springs, State of Oklahoma'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 Town of West Siloam Springs, State of Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of West Siloam Springs, State of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we identified deficiencies in internal control that we consider to be material weaknesses, as listed in the following *Schedule of Findings and Responses*. Be advised, additional material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **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.



**WINGARD, RAGSDALE & LANGLEY**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

**MARCH 11, 2014**

# WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

18 NORTH VANN STREET, PRYOR, OK 74361

918-825-6441 OFFICE 918-825-6443 FAX

mail@wandrcpas.net

## SCHEDULE OF FINDINGS AND RESPONSES

### 2013-1 Accounting Polices, Financial Reporting, and Independence

*Criteria or specific requirement:* Governmental Auditing Standards (GAS, aka “The Yellow Book”) is specific as to requirements regarding independence of auditors providing attestation services for governmental entities. These requirements require governmental entities to independently report financial information that is materially correct, limiting the auditor’s ability to assist with certain year-end closing procedures. It is common that town’s without such capabilities engage a separate write-up accountant to perform these duties, or report on a basis with which the Town is capable of reporting financial information materially correct.

*Condition:* The amount of non-attest services required by the Town is substantial, and is considered a threat to auditor independence as described in the Yellow Book. The Town needs to assess the overall accounting and financial reporting requirements that the City is responsible for, and evaluate, the amount of non-attest service the City will require, according to policy, of the auditor in their annual audit engagement. The prior audit was materially misstated, providing evidence that the Town did not understand and accept responsibility for the non-attest service as provide by the Town's auditor.

*Context:* Current audit procedures required significant audit adjustments, and were a threat to the independence of the auditor. The City does not understand the independence requirements of the Government Auditing Standards (the Yellowbook) and should be diligent in evaluating what actions will be needed in order to comply with these requirements.

*Effect:* Financial information will be materially misstated or the external auditor may not be independent in future engagements.

*Cause:* The Town does not have the staff to report on a full accrual basis of accounting and does not have established accounting policies and procedures to address such issues.

*Recommendation:* The Town should implement an action plan, with their current outside accounting professional and the current auditor to address the issues as previously described.

*Views of responsible officials and planned corrective actions:* We understand these requirements and will evaluate our method of reporting and/or employ an individual capable of performing such functions, whether that results in internal development or the engagement of an external accounting professional.

TOWN OF WEST SILOAM SPRINGS  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**

**2013-2 Accounting Polices, Compliance with Statues**

*Criteria or specific requirement:* As a municipal entity, the Town is governed by Oklahoma Statues.

*Condition:* The Town is not in compliance with Statues governing the incurrence of debt. Oklahoma municipalities cannot encumber any general fund assets for more than one fiscal period, unless approved by a vote of the citizens of that community.

*Context:* The Town has had numerous loans in violation of State Statues.

*Effect:* The members of the governing body can be held responsible for any outstanding obligations. The City may get reprimanded by the State Auditor, and be required to comply with additional oversight by the State.

*Cause:* The Town Council does not under Oklahoma Statues in relation to the Town's municipal operations.

*Recommendation:* The Town should implement an action plan, to require all Town Council and management be educated regarding Statutory requirements.

*Views of responsible officials and planned corrective actions:* We understand these requirements and will evaluate the actions needed to correct any violations of State Statues.