

TOWN OF ARKOMA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

TOWN OF ARKOMA, OKLAHOMA

TABLE OF CONTENTS

<u>Statement</u>	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS:	5-13
1. Statements of Net Position, Modified Cash Basis	14
2. Statements of Activities - Modified Cash Basis	15
3. Balance Sheet – Modified Cash Basis – Governmental Funds	16
4. Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis – Governmental Funds	17
5. Statements of Net Position- Modified Cash Basis - Proprietary Fund	18
6. Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Fund	19
7. Statement of Cash Flows – Modified Cash Basis – Proprietary Fund	20
Notes to Financial Statements	21-41
SUPPLEMENTARY INFORMATION:	
8. Budgetary Comparison Schedule – Modified Cash Basis – General Fund	42-43
9. Budgetary Comparison Schedule – Modified Cash Basis – Special Revenue Fund	44
10. Notes to Budgetary Comparison Schedule – General Fund	45
OTHER SUPPLEMENTARY INFORMATION:	
11. Combining Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds	46

TOWN OF ARKOMA, OKLAHOMA

TABLE OF CONTENTS

<u>Statement</u>	<u>Page</u>
12. Budgetary Comparison Schedule – Modified Cash Basis – Nonmajor Governmental Funds	47

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS:

13. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards	48-49
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TOWN OF ARKOMA, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Floyd Lawrence	Mayor
Rick Harvey	Vice-Mayor
Billy Miller	Member
Ray Foster	Member

Town Clerk & Treasurer

Dottie Smith

Town Attorney

Ronald H. Lawson

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Arkoma, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. 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 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 Town's preparation and fair presentation of the financial statements in

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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 Town'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 modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of June 30, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Arkoma, Oklahoma.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016, on our consideration of the Town of Arkoma'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Arkoma's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

July 6, 2016

Town of Arkoma

P. O. BOX 277

ARKOMA, OKLAHOMA 74901

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Arkoma's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The Town's total expenses exceeded total revenues, on the modified cash basis of accounting, by \$103,733 for the year, resulting in a decrease in total net position of 2.93 percent under the previous year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

Report Components This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (*on page 15*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

Fund Financial Statements: The fund financial statements (*starting on page 16*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water, sewer and sanitation services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 2 (Unaudited)

Supplementary Information: This Management's Discussion and Analysis and the Governmental Funds Budgetary Comparison Schedules (*starting on page 42*) represent financial information to provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report includes financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

Basis of Accounting

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Arkoma Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 3 (Unaudited)

The primary government includes the following legal entities:

- The Town of Arkoma
- Arkoma Municipal Authority

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the Town as a whole begins on page 9. The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities. Most of the Town's basic services are reported here, including the police, fire, general administration, streets, parks, cemetery, and senior citizens. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business-type activities. The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

The Fund Financial Statements

Our analysis of the Town's major funds begins on page 11. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The Town considers the General Fund and the Capital Improvement Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

Proprietary funds—When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund—the Municipal Authority Utilities Fund.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 5 (Unaudited)**

The Town currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Following is a summary of the Town's Net Position on a comparative basis with the previous year.

Net Position—Modified Cash Basis

TOWN OF ARKOMA'S NET POSITION						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	594,739	603,114	500,923	821,302	1,095,662	1,424,416
Capital Assets	581,331	674,248	5,160,058	5,032,285	5,741,389	5,706,533
Total Assets	<u>1,176,070</u>	<u>1,277,362</u>	<u>5,660,981</u>	<u>5,853,587</u>	<u>6,837,051</u>	<u>7,130,949</u>
Long term liabilities	108,249	121,971	3,234,282	3,412,277	3,342,531	3,534,248
Other liabilities	3,381	2,875	58,589	57,543	61,970	60,418
Total Liabilities	<u>111,630</u>	<u>124,846</u>	<u>3,292,871</u>	<u>3,469,820</u>	<u>3,404,501</u>	<u>3,594,666</u>
Net Position:						
Net investment in capital assets						
net of related debt	473,082	552,277	1,925,776	1,620,008	2,398,858	2,172,285
Restricted	566,547	560,266	266,232	361,260	832,779	921,526
Unrestricted	24,811	39,973	176,102	402,499	200,913	442,472
Total Net Position	<u>1,064,440</u>	<u>1,152,516</u>	<u>2,368,110</u>	<u>2,383,767</u>	<u>3,432,550</u>	<u>3,536,283</u>

The Town's combined net position, resulting from modified cash basis transactions, decreased from approximately \$3,536,283 to \$3,432,550 between fiscal years 2014 and 2015. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$88,076 and business-type activities decreased by \$15,657.

Net position of the Town's governmental activities decreased 7.64 percent to \$1,064,440. However, \$1,039,629 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets. Consequently, unrestricted net position showed only \$24,811 at the end of this year. The net position of Town's business-type activities decreased to \$2,368,110. However, \$2,192,008 of the net position was restricted as to the purposes they can be used for or are invested in capital assets. Consequently, the unrestricted position was \$176,102 at the end of the year.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 6 (Unaudited)**

TOWN OF ARKOMA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	116,376	129,360	668,324	706,891	784,700	836,251
Operating grants and contributions	4,484	4,474	79,866	181,134	84,350	185,608
General revenues:						
Sales tax	112,895	131,598			112,895	131,598
Use tax	27,318	48,860			27,318	48,860
Franchise tax	61,594	67,324			61,594	67,324
Cigarette tax	1,359	1,538			1,359	1,538
Intergovt. Revenue	36,600	33,301			36,600	33,301
Investment earnings	1,344	1,414	1,205	1,840	2,549	3,254
Gain (loss) on sale of assets	0	0	(18,259)		(18,259)	0
Miscellaneous	13,306	28,286			13,306	28,286
Total revenues	375,276	446,155	731,136	889,865	1,106,412	1,336,020
Expenses:						
General government and administration	30,199	29,252			30,199	29,252
Public safety	364,131	367,488			364,131	367,488
Transportation	66,672	78,551			66,672	78,551
Cultural and recreational	2,351	1,970			2,351	1,970
Interest on long term debt						
Water and Sewer			667,107	593,703	667,107	593,703
Sanitation			79,686	84,540	79,686	84,540
Total expenses	463,352	477,261	746,793	678,243	1,210,145	1,155,504
Increases in net position						
before transfers	(88,076)	(31,106)	(15,657)	211,622	(103,733)	180,516
Transfers	0	105,991	0	(105,991)		
Net position - July 1	1,152,516	1,077,631	2,383,767	2,278,136	3,536,283	3,355,767
Net position - June 30	1,064,440	1,152,516	2,368,110	2,383,767	3,432,550	3,536,283

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 7 (Unaudited)**

For the year ended June 30, 2015, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$463,352. Of these total expenses, taxpayers and other general revenues funded \$254,416, while those directly benefiting from the program funded \$4,484 from grants and other contributions and \$116,376 from charges for services.

Business-Type Activities

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements. The water and sewer service activities reported net revenues of \$(18,573) and \$9,816 respectively. The water includes interest expense of \$70,857, the sewer includes interest expense of \$4,228 and the non-cash system depreciation of \$176,080 and amortization of \$3,164. The sanitation service is operated under private contract and the net revenue of \$10,154 is from a fee for billing and collection of the sanitation revenue along with the normal billing.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues, lease proceeds and net transfers of \$279,793 and expenditures of \$294,955 resulting in a decrease in fund balance of \$15,162.
- On the modified cash basis of accounting, the Street and Alley reported an increase in fund balance of \$15,461.
- On the modified cash basis of accounting, the Fire Fund reported a decrease in fund balance of \$9,180.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the prior year budget.

For the year ended June 30, 2015, General Fund expenditures were \$28,718 under final appropriations, while actual resources available for appropriation were \$125,562 under the final budgeted amount.

TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 8 (Unaudited)

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2015, the Town had \$5,739,016 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. This represents a net increase of \$38,020 or .66 percent, over last year.

This year's more significant capital assets additions include:

Municipal Authority - Water and Sewer Construction in Process	325,277
Municipal Authority - Water - Direct Read Meters	3,150

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	10,000	10,000	16,000	16,000	26,000	26,000
Const. In Progress	0	0	0	3,794,560	0	3,794,560
Buildings	88,534	94,949	15,051	15,756	103,585	110,705
Equipment	352,177	421,106	64,823	82,701	417,000	503,807
Improvements	0	0	5,061,811	1,117,731	5,061,811	1,117,731
Infrastructure	<u>130,621</u>	<u>148,193</u>	<u>0</u>	<u>0</u>	<u>130,621</u>	<u>148,193</u>
Total	<u>581,331</u>	<u>674,248</u>	<u>5,157,685</u>	<u>5,026,748</u>	<u>5,739,016</u>	<u>5,700,996</u>

**TOWN OF ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 9 (Unaudited)**

Long-Term Debt—Modified Cash Basis

At June 30, 2015, the Town as a whole had \$3,591,605 in long term debt arising from modified cash basis transactions compared to \$539,209 at June 30, 2015. At June 30, 2015, \$121,971 of the debt is related to governmental activities and \$3,469,634 related to business-type activities. (See table below).

Primary Government Long-Term Debt – Modified Cash Basis

	<u>2014</u>	<u>2015</u>
Governmental debt:		
Lease purchase to Welch St Bank	\$ 121,971	\$ 108,249
Total business-type debt	<u>121,971</u>	<u>108,249</u>
Business-type debt:		
Refundable utility deposits	\$ 57,357	\$ 58,321
OWRB note payable	110,000	-
OWRB note payable	142,925	128,892
RUS note payable	<u>3,159,352</u>	<u>3,105,390</u>
Total business-type debt	<u>3,469,634</u>	<u>3,292,603</u>
Total all debt	<u>\$ 3,591,605</u>	<u>\$ 3,400,852</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected officials and staff considers many factors in setting the 2014-2015 budget, tax rates and service rates being the main sources and personal services and utility costs being the main uses of funds.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at 1103 Main, Arkoma, Oklahoma or telephone at (918) 875-3228.

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and cash equivalents	\$594,739	\$499,698	\$1,094,437
Due from other Governments		1,225	1,225
Capital assets (Note 2.C.):			
Land and construction in progress	10,000	16,000	26,000
Other capital assets, net of accumulated depreciation	571,331	5,141,685	5,713,016
Loan application cost, net of accumulated amortization		2,373	2,373
Total assets	1,176,070	5,660,981	6,837,051
LIABILITIES			
Payroll taxes payable	650	268	918
Due to other governments	2,731		2,731
Refundable deposits		58,321	58,321
Long term liabilities (Note 2.D.)			
Due within one year	14,245	69,556	83,801
Due in more than one year	94,004	3,164,726	3,258,730
Total Liabilities	111,630	3,292,871	3,404,501
NET ASSETS			
Net investment in capital assets	473,082	1,925,776	2,398,858
Restricted for:			
Street and Alley	448,801		448,801
Fire Department	117,746		117,746
Debt service		135,827	135,827
Other purposes		130,405	130,405
Unrestricted	24,811	176,102	200,913
Total Net Position	\$1,064,440	\$2,368,110	\$3,432,550

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities							
General Government	\$30,199	\$5,939			(\$24,260)		(\$24,260)
Total general government	30,199	5,939	0	0	(24,260)	0	(24,260)
Public Safety:							
Police	285,880	109,937			(175,943)		(175,943)
Fire	67,919	500	4,484		(62,935)		(62,935)
Animal Control	7,334				(7,334)		(7,334)
Emergency Management	2,998				(2,998)		(2,998)
Total Public safety	364,131	110,437	4,484	0	(249,210)	0	(249,210)
Transportation:							
Streets	66,672				(66,672)		(66,672)
Total transportation	66,672	0	0	0	(66,672)	0	(66,672)
Cultural, Parks and Recreation:							
Library	2,351				(2,351)		(2,351)
Total cultural, parks and recreation	2,351	0	0	0	(2,351)	0	(2,351)
Total governmental activities	463,352	116,376	4,484	0	(342,492)	0	(342,492)
Business-type activities:							
Water	389,128	330,622		39,933		(18,573)	(18,573)
Sewer	277,979	247,862		39,933		9,816	9,816
Sanitation	79,686	89,840				10,154	10,154
Total business-type activities	746,793	668,324	0	79,866	0	1,397	1,397
Total primary government	\$1,210,145	\$784,700	\$4,484	\$79,866	(\$342,492)	\$1,397	(\$341,096)
					Governmental	Business-Type	Total
					(\$342,492)	\$1,397	(\$341,096)
General revenues:							
Taxes:							
Sales Tax					112,895		112,895
Use Tax					27,318		27,318
Franchise and public service taxes					61,594		61,594
Cigarette Tax					1,359		1,359
Intergovernmental revenue not restricted to specific programs					36,600		36,600
Interest income					1,344	1,205	2,549
Gain (loss) on sale of assets					0	(18,259)	(18,259)
Miscellaneous					13,306		13,306
Transfers internal activity					0	0	0
Total general revenues and transfers					254,416	(17,054)	237,362
Charge in net position					(88,076)	(15,657)	(103,733)
Net position-beginning					1,152,516	2,383,767	3,536,283
Net position- ending					\$1,064,440	\$2,368,110	\$3,432,550

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA
BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash, and cash equivalents	\$27,868	\$448,228	\$116,582	\$2,061	594,739
Due from General Fund		589	1,164		1,753
Total assets	<u>27,868</u>	<u>448,817</u>	<u>117,746</u>	<u>2,061</u>	<u>\$596,492</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	634	16			650
Due to other governments	1,506				1,506
Due to Street Fund	589				589
Due to Fire Fund	1,164				1,164
Due to AMA	1,225				1,225
Total Liabilities	<u>5,118</u>	<u>16</u>	<u>0</u>	<u>0</u>	<u>5,134</u>
Fund Balances:					
Restricted for:					
Street and Alley		448,801			448,801
Fire Department			117,746		117,746
Assigned					0
Unassigned	22,750			2,061	24,811
Total Fund Balances	<u>22,750</u>	<u>448,801</u>	<u>117,746</u>	<u>2,061</u>	<u>591,358</u>
Total Liabilities and Fund Balances	<u>\$27,868</u>	<u>\$448,817</u>	<u>\$117,746</u>	<u>\$2,061</u>	

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$ 1,856,390 net of accumulated depreciation of \$ 1,275,059 are not financial resources and, therefore, are not reported in funds 581,331

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. (108,249)

Net position of governmental activities \$1,064,440

See accompanying notes to the financial statements.

TOWN OF ARKOMA, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Street & Alley Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	127,907	37,623	37,636		203,166
Intergovernmental	16,494	20,106	4,484		41,084
Charges for services	944		500		1,444
Fines and forfeitures	109,937				109,937
Licenses and permits	4,995				4,995
Interest income	210	892	242		1,344
Miscellaneous	13,306				13,306
Total Revenues	273,793	58,621	42,862	0	375,276
Expenditures:					
Current:					
General Government:	25,711				25,711
Public Safety:					
Police	260,635				260,635
Fire			28,093		28,093
Emergency Management					0
Animal Control	7,242				7,242
Street and Public Works:					
Streets		43,160			43,160
Culture and Recreation:					
Library	1,367				1,367
Capital Outlay	0				0
Debt Service			17,949		17,949
Total Expenditures	294,955	43,160	46,042	0	384,157
Excess (deficiency) of revenues over expenditures	(21,162)	15,461	(3,180)	0	(8,881)
Other Financing Sources (Uses):					
Transfers in	6,000				6,000
Transfers out			(6,000)		(6,000)
Total Other Financing Sources (Uses)	6,000	0	(6,000)	0	0
Net change in fund balances	(15,162)	15,461	(9,180)	0	(8,881)
Fund balances - beginning	37,912	433,340	126,926	2,061	600,239
Fund balances - ending	22,750	448,801	117,746	2,061	591,358
Reconciliation to the Statement of Activities:					
Net change in fund balances -total governmental funds					(\$8,881)
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:					
Capital asset purchases capitalized					0
Depreciation expense					(92,917)
Debt service principal payments are not considered expenditures in the governmental activities report					13,722
					(79,195)
Change in Net Position of Governmental Activities					(\$88,076)

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND

June 30, 2015

	<u>Arkoma Municipal Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$175,145
Due from other governments	1,225
Total current assets	<u>176,370</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	324,553
Land and construction-in-progress	16,000
Other capital assets, net of accumulated depreciation	5,141,685
Loan application cost, net of accumulated amortization	2,373
Total noncurrent assets	<u>5,484,611</u>
Total Assets	<u>5,660,981</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	268
Notes payable - current portion	69,556
Total current liabilities	<u>69,824</u>
Noncurrent Liabilities:	
Refundable deposits	58,321
Notes payable - long-term portion	3,164,726
Total noncurrent liabilities	<u>3,223,047</u>
Total Liabilities	<u>3,292,871</u>
NET POSITION	
Net investment in capital assets	1,925,776
Restricted for debt service	135,827
Restricted for other purposes	130,405
Unrestricted	176,102
Total net position	<u>2,368,110</u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Arkoma Municipal Authority Enterprise Fund</u>
Operating Revenues:	
Charges for services:	
Water	\$318,149
Sewer	238,512
Sanitation	86,452
Penalties	14,949
Water & Sewer Taps	0
Reconnect Fees	4,016
Other	6,246
Total Operating Revenues	<u>668,324</u>
Operating Expenses:	
Administration/general	49,441
Water	229,126
Sewer	140,903
Sanitation	72,994
Depreciation	176,080
Amortization	3,164
Total Operating Expenses	<u>671,708</u>
Net Operating Income (Loss)	(3,384)
Non-Operating Revenue (Expense):	
Investment income	1,205
Grant income	79,866
Gain (loss) on sale of assets	(18,259)
Interest expense and fiscal agent fees	(75,085)
Total Non-Operating Revenue (Expense)	<u>(12,273)</u>
Net Income (Loss) Before Operating Transfers	(15,657)
Transfers Out	<u>0</u>
Changes in net position	(15,657)
Total Net Position-Beginning	<u>2,383,767</u>
Total Net Position-Ending	<u>\$2,368,110</u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Arkoma Municipal Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$668,324
Payments to suppliers	(423,425)
Payments to employees	(69,039)
Receipts of customer utility deposits	14,185
Refunds of customer utility deposits	(13,221)
Net Cash Provided by Operating Activities	<u>176,824</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in payroll taxes payable	82
Transfers to other funds	0
Net Cash Provided (Used) by Operating Activities	<u>82</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(325,277)
Principal paid on capital debt	(177,994)
Interest and fiscal agent fees paid on capital debt	(75,085)
Net Cash Used in Capital and Related Financing Activities	<u>(578,356)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	1,205
Grant Income	79,866
Net Cash Provided by Investing Activities	<u>81,071</u>
Net Increase in Cash and Cash Equivalents	(320,379)
Balance- beginning of the year	820,077
Balance- end of the year	<u><u>\$499,698</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(\$3,384)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	176,080
Amortization expense	3,164
Change in assets and liabilities:	
Refundable deposits	964
Net cash provided by operating activities	<u><u>\$176,824</u></u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

1.A. FINANCIAL REPORTING ENTITY

The Town’s financial reporting entity is composed of the following:

Primary Government:	Town of Arkoma
Blended Component Unit:	Arkoma Municipal Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit’s governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit’s funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Arkoma Municipal Authority	<i>Created January 4, 1972 to finance, develop, and operate the water, wastewater, and sanitation activities of the Town. Current Town Council serves as entire governing Body (Trustees). Debt issued by Authority Requires two-thirds approval of the Town Council</i>	<i>AMA Enterprise Fund</i>

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties of goods or services.

FUND FINANCIAL STATEMENTS

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds:

<u>Fund</u>	<u>Brief Description</u>
Street and Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.
Fire Fund	Accounts for a special 1 cent sales tax for benefit of the fire department.

Capital Project Funds

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Arkoma Municipal Authority	Accounts for the activities of the public trust in providing water, wastewater, and sanitation services to the public.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

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

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the funds financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

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

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

BASIS OF ACCOUNTING, (Cont.)

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

1.D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

INVESTMENTS

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

CAPITAL ASSETS

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

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

Government-Wide Statements, (Cont.)

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

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

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

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

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

EQUITY CLASSIFICATION

Government-Wide Statements

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

- a. Net investment in capital assets - 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 borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Government-Wide Statements, (Cont.)

- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

1. E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

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

General Government	Licenses and permits.
Public Safety	Fine revenue and Fire run revenue; operating and capital grants include Cops School Grant and KEDDO
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State

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

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

FUND FINANCIAL STATEMENTS

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

1. Interfund loans—Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (Cont.)

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

1.G. FUND EQUITY

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

1.H. USE OF STATEMENTS

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

NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2015. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

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

Custody Credit Risk Category

<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u> <u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	250,000	250,000	-	-	
Uninsured deposits					
Collateralized	853,033	-	853,033	-	
Uncollateralized	-	-	-	-	
Total Deposits	1,103,033	250,000	853,033	-	<u>Total Carrying Value</u> 1,094,437
Petty Cash					400
					<u>1,094,837</u>
<u>Reconciliation to Government-Wide Statements of Net Position:</u>					
					<u>1,094,437</u>
					Cash and cash equivalents

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis.

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$79,894. Additionally a certificate of deposit is held for debt service on the OWRB promissory note in the amount of \$15,000. Also, the amounts held to comply with the RUS water and sewer project debt service requirements are \$120,827 in the debt reserve account and \$108,832 in the short lived asset reserve account.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	<i>Balance at July 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2015</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	0	0	10,000
Total capital assets not being depreciated	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>
Other capital assets:				
Buildings	221,401	0	0	221,401
Vehicles	155,891	0	0	155,891
Machinery and equipment	929,809	0	0	929,809
Infrastructure	539,289	0	0	539,289
Total other capital assets at historical cost	<u>1,846,390</u>	<u>0</u>	<u>0</u>	<u>1,846,390</u>
Less accumulated depreciation for:				
Buildings	126,452	6,415	0	132,867
Vehicles	64,012	20,243	0	84,255
Machinery and equipment	600,582	48,686	0	649,268
Infrastructure	391,096	17,573	0	408,669
Total accumulated depreciation	<u>1,182,142</u>	<u>92,917</u>	<u>0</u>	<u>1,275,059</u>
Other capital assets, net	<u>664,248</u>	<u>(92,917)</u>	<u>0</u>	<u>571,331</u>
Governmental activities capital assets, net	<u>674,248</u>	<u>(92,917)</u>	<u>0</u>	<u>581,331</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	16,000	0	0	16,000
Construction-in-process	3,794,560	322,127	(4,116,687)	0
Total capital assets not being depreciated	<u>3,810,560</u>	<u>322,127</u>	<u>(4,116,687)</u>	<u>16,000</u>
Other capital assets:				
Buildings	22,370	0	0	22,370
Machinery and equipment	236,516	3,150	0	239,666
Utility property & improvements	3,976,078	4,116,687	(332,433)	7,760,332
Total other capital assets at historical cost	<u>4,234,964</u>	<u>4,119,837</u>	<u>(332,433)</u>	<u>8,022,368</u>
Less accumulated depreciation for:				
Buildings	6,614	705	0	7,319
Machinery and equipment	153,815	21,028	0	174,843
Utility property & improvements	2,858,347	154,347	(314,173)	2,698,521
Total accumulated depreciation	<u>3,018,776</u>	<u>176,080</u>	<u>(314,173)</u>	<u>2,880,683</u>
Other capital assets, net	<u>1,216,188</u>	<u>3,943,757</u>	<u>(18,260)</u>	<u>5,141,685</u>
Business-type activities capital assets, net	<u>5,026,748</u>	<u>4,265,884</u>	<u>(4,134,947)</u>	<u>5,157,685</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government	
Government Activities:	
General Government	4,486
Police	25,244
Fire	35,599
Street & Alley	23,512
Animal Control	93
Library	985
Emergency Management	2,998
Total depreciation expense for governmental activities	<u>92,917</u>
Business-Type Activities:	
Administration	338
Water	64,519
Sewer	111,223
Total depreciation expense for business-type activities	<u>176,080</u>

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

2.D. LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

Lease Purchase Obligations

As of June 30, 2015, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease purchase obligations due Welch State Bank:

3.64% interest with 120 monthly payments of a principal and interest of 1,496 due April 15, 2022, secured by 2012 International 4400 Commercial Rescue Pumper. Scheduled debt service payments to the Fire Fund. \$ 108,249

Total Lease Purchases Outstanding \$ 108,249

Current portion	\$ 14,245
Non-current portion	<u>94,004</u>
Total Notes Payable	\$ <u>108,249</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2015, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Notes Payable:

Amended Series 2001 Promissory Note to the Oklahoma Water Resources Board. The amended note was issued by the Arkoma Municipal Authority and dated April 2, 2009, with the aggregate principal of \$340,000 and the next scheduled payment due August 15, 2009. Interest payments are scheduled semiannually beginning August 15, 2009 thru August 15, 2015. The interest rates progress annually from the initial rate of .895% to the final rate of 2.995%. The cost associated with the reissue are capitalized as loan application fees in the amount of \$22,151 and are amortized over the 7 year life of the amended loan.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

BUSINESS-TYPE ACTIVITIES, (Cont.)

Promissory Note to the Oklahoma Water Resources Board in the amount of 287,364 with a 2.495% interest and a .5% administration fee. Interest and principal payments are due semiannually with a stated principal payment of \$8,875 beginning September 15, 2003. The note proceeds are for sewer system improvements. 128,892

Note due to Rural Utilities Service Department of Agriculture in the amount of \$3,241,000. The note was completely funded on April 9, 2014. The note is for the purpose of providing a portion of the cost of acquiring and constructing of Arkoma Municipal Authority water and sewer improvements. The original principal amount of \$3,241,000 will have a fixed interest rate of 2.125% with 480 monthly payments of principal and interest of \$10,048 due June 2053. 3,105,390

Total Notes Payable Outstanding \$ 3,234,282

Current portion \$ 69,556

Non-current portion 3,164,726

Total Notes Payable \$ 3,234,282

Refundable Deposits:

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

Utility Deposits –Refundable \$ 58,321

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

Type of Debt	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	121,971		13,722	108,249	14,245
Business-Type Activities:					
Refundable Deposits	57,357	14,185	13,221	58,321	
Notes Payable	<u>3,412,277</u>		<u>177,995</u>	<u>3,234,282</u>	69,556
Total Business-Type Activities:	<u>3,591,605</u>	<u>14,185</u>	<u>204,938</u>	<u>3,400,852</u>	<u>83,801</u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2015, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2016	14,245.24	3,703.64	69,555.54	68,570.46
2017	14,772.49	3,176.39	71,100.71	67,025.29
2018	15,319.29	2,629.59	72,680.32	65,445.68
2019	15,886.30	2,062.58	74,295.19	63,830.81
2020	16,474.31	1,474.57	75,946.13	62,179.87
2021-2025	31,551.52	1,099.69	373,023.12	285,337.02
2026-2030			355,802.52	247,077.48
2031-2035			395,650.74	207,229.26
2036-2040			439,961.75	162,918.25
2041-2045			489,235.51	113,644.49
2046-2050			544,027.60	58,852.40
2051-2053			273,002.67	6,997.00
Total	<u>108,249.15</u>	<u>14,146.46</u>	<u>3,234,281.80</u>	<u>1,409,108.01</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The Municipal Authority's OWRB Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The agreement OWRB contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service and a debt reserve fund of 10% of the note balance. As of June 30, 2015 the Authority's meets the debt service coverage percentage. The Authority's reserve balance for the OWRB debt is \$15,000 and RUS debt is \$120,827 both meeting the promissory note requirements.

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT, (Cont.)

The Municipal Authority's RUS Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The Authority is required to set aside at least 10% of the annual debt service in a debt reserve account. The Authority has fully funded the amount of the debt reserve account in the amount of \$120,827. The Authority is required to monthly deposit \$1,255 beginning April 2014 into a short lived asset reserve account until a balance of \$316,853 is reached. The Authority began the year with \$123,373 has added monthly deposits of \$15,060 and interest of \$227 less expenditures for replacement assets of \$29,828 leaving a ending balance of \$108,832 in the short lived asset reserve account as of June 30, 2015.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

2.E. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2015, were as follows:

<u>MAJOR FUNDS:</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Fire Fund	\$ 6,000	\$ -
Total General Fund	<u>6,000</u>	<u>-</u>
FIRE FUND:		
General Fund	-	6,000
Total Fire Fund	<u>-</u>	<u>6,000</u>
GRAND TOTALS	<u>\$ 6,000</u>	<u>\$ 6,000</u>

INTERFUND BALANCES

At June 30, 2015, the General Fund owed the Street Fund \$589, the Fire Fund \$1,164 and the Arkoma Municipal Authority \$1,225.

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Rural Fire Defense Grant - The Town received a grant of \$4,484 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

Rural Utilities Service - The Town received a grant of not more than \$261,000 from the United States of America acting thru the Rural Utilities Service, Department of Agricultural for improvement of the wastewater system. The grant will help defray the cost of the total waste water system project estimated at \$3,562,000 and is in conjunction with a loan from Rural Utilities Service of \$3,241,000. The Town received and expended the remainder of \$79,866 in the 2014-15 year. As of June 30, 2015 the total grant funds of \$261,000 have been advanced to Arkoma Municipal Authority and expended on the project.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2011 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2014 thru June 30, 2015 the Town of Arkoma Fire Department had a beginning balance of \$47,028.62, the department has been appropriated \$29,994.24 for its benefit and has expended \$32,956.70 leaving a balance of \$44,066.16 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Arkoma, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS, (Cont.)

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	Oklahoma Firefighter's Pension and <u>Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of Final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested; at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS, (Cont.)

Provisions for:	
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

Contributions and Trend Information

Contributions required by State Statute and made for each of the past three fiscal years are:

2013	\$ 960
2014	\$ 960
2015	\$ 900

These contributions represent 100% of the required contribution in each fiscal year.

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

The Town participates in the Oklahoma Municipal Retirement Fund (O.M.R.F.), which provides coverage to substantially all full-time Town employees. The plan is a multiple-employer plan.

Agent Multiple-Employer, Defined Contribution Plan

The Town provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate twelve months after the employee's employment commencement date.

The employer hereby elects to have provisions of Section 4.9 of the plan apply. The employer shall pick-up and pay 3% of each participant's compensation. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. The Town contributions for, and interest forfeited by, employees who leave employment before five years of service are divided equally amount current plan participants.

The Town's total payroll in the fiscal year 2015 was \$246,159. The Town's contributions were calculated using the base salary amount of \$230,955. Both the Town and the covered employees made the required contribution of 3% and 1% respectively.

The employer required contributions from the current year wages amounted to \$6,927. The covered employees required contributions amounted to \$2,310 and additional voluntary contributions above the required 1% totaled \$4,854 for total plan employee/employer contributions of \$14,091.

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Related-Party Investments

As of June 30, 2015, the System held no related-party investments of the Town or of its component units.

3.D. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
c. Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group and	(1)
d. Health and life	Purchased insurance with Oklahoma Blue Cross and Blue Shield and Dearborn National Life	None

(1) The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Life and Health Benefit Plan (risk entity pools).

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2015, the City had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$3,431 at June 30, 2015, can be summarized as follows:

	<u>Town</u>	<u>Street & Alley</u>	<u>AMA</u>	<u>Total</u>
Vacation	\$ 2,086	\$ 0	\$ 1,345	\$ 3,431

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

3.F. SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2015.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and disclosures that provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

TOWN OF ARKOMA, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	37,912	37,912	37,912	-
Revenues:				
Taxes				
Sales tax	50,000	50,000	37,636	(12,364)
Use tax	38,600	38,600	27,318	(11,282)
Franchise tax	65,000	65,000	61,594	(3,406)
Cigarette tax	1,115	1,155	1,359	204
Total Taxes	<u>154,715</u>	<u>154,755</u>	<u>127,907</u>	<u>(26,848)</u>
Intergovernmental:				
Alcoholic beverage tax	14,000	14,000	16,494	2,494
Grants	0	0	0	0
Total Intergovernmental	<u>14,000</u>	<u>14,000</u>	<u>16,494</u>	<u>2,494</u>
Charges for services	<u>100</u>	<u>100</u>	<u>944</u>	<u>844</u>
Fines and forfeitures				
Court Fines	156,000	156,000	109,937	(46,063)
Total Fines and Forfeitures	<u>156,000</u>	<u>156,000</u>	<u>109,937</u>	<u>(46,063)</u>
Licenses and Permits	<u>4,500</u>	<u>4,500</u>	<u>4,995</u>	<u>495</u>
Interest Income	<u>500</u>	<u>500</u>	<u>210</u>	<u>(290)</u>
Miscellaneous:				
Oil & Gas Royalties	0	0	34	34
Donations	0	0	482	482
Misc. Revenue	75,500	75,500	12,790	(62,710)
Total Miscellaneous	<u>75,500</u>	<u>75,500</u>	<u>13,306</u>	<u>(62,194)</u>
Other Financing Sources:				
Transfers from other funds	0	0	6,000	6,000
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Amounts available for appropriation	<u>443,227</u>	<u>443,267</u>	<u>317,705</u>	<u>(125,562)</u>

TOWN OF ARKOMA, OKLAHOMA

BUDETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
General Government				
Personal services	19,063	19,063	17,921	1,142
Materials and supplies	500	500	651	(151)
Other services and charges	6,000	6,000	7,139	(1,139)
Capital outlay	0	0	0	0
Total General Government	<u>25,563</u>	<u>25,563</u>	<u>25,711</u>	<u>(148)</u>
Police:				
Personal services	215,813	215,813	211,435	4,378
Materials and supplies	20,300	20,300	14,518	5,782
Other services and charges	48,100	42,855	34,682	8,173
Capital outlay	5,000	5,000	0	5,000
Total Police	<u>289,213</u>	<u>283,968</u>	<u>260,635</u>	<u>23,333</u>
Animal Control:				
Personal services	4,147	4,647	4,758	(111)
Materials and supplies	1,500	1,700	1,157	543
Other services and charges	1,250	1,550	1,327	223
Total Animal Control	<u>6,897</u>	<u>7,897</u>	<u>7,242</u>	<u>655</u>
Library:				
Materials and supplies	200	0	521	(521)
Other services and charges	1,100	800	846	(46)
Total Library	<u>1,300</u>	<u>800</u>	<u>1,367</u>	<u>(567)</u>
Emergency Management:				
Other services and charges	700	5,445	0	5,445
Total Emergency Management	<u>700</u>	<u>5,445</u>	<u>0</u>	<u>5,445</u>
Other Financing Sources:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	<u>323,673</u>	<u>323,673</u>	<u>294,955</u>	<u>28,718</u>
Ending Budgetary Fund Balance	<u>119,554</u>	<u>119,594</u>	<u>22,750</u>	<u>(96,844)</u>

TOWN OF ARKOMA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SPECIAL REVENUE FUNDS				
STREET AND ALLEY				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	433,340	433,340	433,340	0
Resources (Inflows):				
Taxes	50,000	50,000	37,623	(12,377)
Intergovernmental	19,300	19,300	20,106	806
Interest	500	500	892	392
Miscellaneous	5,000	5,000	0	(5,000)
Amounts available for appropriation	<u>508,140</u>	<u>508,140</u>	<u>491,961</u>	<u>(16,179)</u>
Charges to appropriations (Outflows):				
Street:				
Personal services	24,493	24,493	21,669	2,824
Materials and supplies	15,400	15,400	8,525	6,875
Other services and charges	13,800	13,800	12,966	834
Capital outlay	75,000	75,000	0	75,000
Total Street	<u>128,693</u>	<u>128,693</u>	<u>43,160</u>	<u>85,533</u>
Other Financing Uses:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	128,693	128,693	43,160	85,533
Ending Budgetary Fund Balance	<u>379,447</u>	<u>379,447</u>	<u>448,801</u>	<u>69,354</u>

SPECIAL REVENUE FUNDS				
FIRE				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	126,926	126,926	126,926	0
Resources (Inflows):				
Taxes	50,000	50,000	37,636	(12,364)
Intergovernmental	0	0	4,484	4,484
Charges for services	500	500	500	0
Interest	300	300	242	(58)
Miscellaneous	5,000	5,000	0	(5,000)
Amounts available for appropriation	<u>182,726</u>	<u>182,726</u>	<u>169,788</u>	<u>(12,938)</u>
Charges to appropriations (Outflows):				
Fire:				
Personal services	15,909	15,909	7,547	8,362
Materials and supplies	4,500	6,500	4,552	1,948
Other services and charges	16,100	16,100	15,994	106
Capital outlay	5,000	5,000	0	5,000
Debt service	18,000	18,000	17,949	51
Total Fire	<u>59,509</u>	<u>61,509</u>	<u>46,042</u>	<u>15,467</u>
Other Financing Uses:				
Transfers to other funds	0	0	(6,000)	(6,000)
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>(6,000)</u>	<u>6,000</u>
Total Charges to Appropriations	59,509	61,509	52,042	9,467
Ending Budgetary Fund Balance	<u>123,217</u>	<u>121,217</u>	<u>117,746</u>	<u>(3,471)</u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2015

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
 - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
 - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
 - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules presented for purposes of additional analysis

TOWN OF ARKOMA, OKLAHOMA
COMBINING BALANCE SHEET-MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

SPECIAL REVENUE FUNDS

	<u>CDGB Grant Fund</u>
ASSETS	
Cash and cash equivalents	<u>2,061</u>
Total Assets	<u><u>2,061</u></u>
FUND BALANCES	
Unreserved, reported in nonmajor special revenue funds	<u><u>2,061</u></u>

TOWN OF ARKOMA, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	CDBG GRANT			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final			
Beginning Budgetary Fund Balance	2,061	2,061	2,061	0
Resources (Inflows):				
Intergovernmental	0	0	0	0
Amounts available for appropriation	<u>2,061</u>	<u>2,061</u>	<u>2,061</u>	<u>0</u>
Charges to appropriations (Outflows):				
CDBG Grant:				
Transfers out	0	0	0	0
Total CDBG Grant	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>2,061</u>	<u>2,061</u>	<u>2,061</u>	<u>0</u>

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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 Board of Trustees
Town of Arkoma, Oklahoma

We have audited, in accordance with the 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, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Arkoma, Oklahoma's basic financial statements, and have issued our report thereon dated July 6, 2016.

Internal Control Over Financial Reporting

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

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 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

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and corrected on a timely basis. 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Arkoma's financial statements are free of material misstatement, we performed tests of 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.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

July 6, 2016