

AUDIT REPORT
TOWN OF OKTAHA, OKLAHOMA
&
OKTAHA PUBLIC WORKS AUTHORITY

JUNE 30, 2015



KERSHAW CPA & ASSOCIATES, PC

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TOWN OF OKTAHA, OKLAHOMA
JUNE 30, 2015

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TOWN OF OKTAHA, OKLAHOMA
JUNE 30, 2015

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TOWN OF OKTAHA, OKLAHOMA
BOARD OF TRUSTEES
JUNE 30, 2015

BOARD OF TRUSTEES

<u>NAME</u>	<u>Position</u>
Tony Rogers	Mayor
June Hall	Trustee
Nancy Brown	Trustee
Wayne Cartwright	Trustee
Barbara Tyra	Trustee

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Oktaha, Oklahoma

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oktaha, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

Basis for Disclaimer of Opinion

Management imposed restrictions on access to financial records, or did not maintain adequate accounting records. Management did not properly record transactions in the books of account; Management did not assume responsibility for the selection and method of appropriate accounting principles and their application; Management did not designate qualified individuals with the necessary expertise to be responsible and accountable for maintaining adequate, effective internal controls for the preparation, substantial accuracy and completeness of the financial statements, including reviewing proposed entries and understanding the nature and impact of proposed entries to the financial statements; Management did not designate

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qualified individuals with the necessary expertise to be responsible and accountable for adjusting the financial statements for all material adjustments, individually and in the aggregate, to the financial statements taken as a whole. As a result, we were unable to determine whether any adjustments to the amounts reported were necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and Budgetary Comparison Information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016, on our consideration of the Town of Oktaha, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

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is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Oktaha, Oklahoma's internal control over financial reporting and compliance.

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

February 1, 2016

TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	2015 Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 10,415	\$ 33,615	\$ 44,030
Accounts Receivable	145	1,415	1,560
Prepaid Insurance	-	-	-
Total Current Assets	<u>10,560</u>	<u>35,030</u>	<u>45,590</u>
<u>Capital Assets:</u>			
Sewer Improvements	-	171,927	171,927
Sewer System	-	3,060,300	3,060,300
Equipment	-	71,312	71,312
Less: Accumulated Depreciation	-	(3,106,012)	(3,106,012)
Total Capital Assets	<u>-</u>	<u>197,527</u>	<u>197,527</u>
TOTAL ASSETS	<u>10,560</u>	<u>232,557</u>	<u>243,117</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	<u>340</u>	<u>-</u>	<u>340</u>
Total Current Liabilities	<u>340</u>	<u>-</u>	<u>340</u>
<u>Long-Term Liabilities:</u>			
Notes Payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>340</u>	<u>-</u>	<u>340</u>
<u>NET POSITION</u>			
Net investment in capital assets	-	197,527	197,527
Restricted for:			-
Debt Service	-	-	-
Other Purposes	-	-	-
Unrestricted	<u>10,220</u>	<u>35,030</u>	<u>45,250</u>
TOTAL NET POSITION	<u>\$ 10,220</u>	<u>\$ 232,557</u>	<u>\$ 242,777</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 22,192	\$ -	\$ -	\$ 907	\$ (21,284)
Public Safety	-	-	-	-	-
Highways & Streets	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Governmental Activities	22,192	-	-	907	(21,284)
Business-type activities:					
Water, Sewer & Sanitation	29,671	35,873	-	-	6,202
Total Business-type Activities	29,671	35,873	-	-	6,202
Total	\$ 51,863	\$ 35,873	\$ -	\$ 907	\$ (15,083)

Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (21,284)	\$ 6,202	\$ (15,083)
General revenues:			
Taxes:			
Franchise Tax	12,109	-	12,109
Intergovernmental:			
Alcoholic Beverage Tax	-	-	-
Gasoline Excise Tax	2,561	-	2,561
Commercial Vehicle Tax	-	-	-
Investment Income	0	19	19
Miscellaneous	-	-	-
Transfers - Internal Activity	(3,405)	3,405	-
Total general revenues & transfers	11,265	3,424	14,689
Changes in Net Position	(10,020)	9,626	(394)
Net Position - beginning	20,240	222,931	243,171
Net Position - prior year adjustment	-	-	-
Net Position - ending	\$ 10,220	\$ 232,557	\$ 242,777

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF OKTAHA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Capital Improvement Fund	Street & Alley Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,857	\$ -	\$ 2,557	\$ 10,415
Accounts Receivable	65	-	81	145
Prepaid Insurance	-	-	-	-
TOTAL ASSETS	\$ 7,922	\$ -	\$ 2,638	\$ 10,560
LIABILITIES & FUND EQUITY				
LIABILITIES:				
Accounts Payable	\$ 60	\$ -	\$ 280	\$ 340
TOTAL LIABILITIES	60	-	280	340
FUND BALANCES:				
Restricted	-	-	2,359	2,359
Unassigned	7,862	-	-	7,862
TOTAL FUND BALANCES	7,862	-	2,359	10,220
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,922	\$ -	\$ 2,638	\$ 10,560

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 \$0, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. -

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

Net Position of Governmental Activities

\$ 10,220

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Capital Improvement Fund	Street & Alley Fund	Total Governmental Funds
<u>REVENUES:</u>				
Taxes:				
Franchise Tax	\$ 12,109	\$ -	\$ -	\$ 12,109
Intergovernmental:				
Alcoholic Beverage Tax	-	-	-	-
Gasoline Excise Tax	1,009	-	1,552	2,561
Motor Vehicle Tax	-	-	-	-
Grants	907	-	-	907
Miscellaneous Income	-	-	-	-
Interest Income	-	-	0	0
TOTAL REVENUES	14,025	-	1,552	15,577
<u>EXPENDITURES:</u>				
Current:				
General Government	22,192	-	-	22,192
Public Safety	-	-	-	-
Highways & Streets	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	22,192	-	-	22,192
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,167)	-	1,552	(6,615)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfers In	595	-	-	595
Operating Transfers Out	(4,000)	-	-	(4,000)
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,405)	-	-	(3,405)
NET CHANGES IN FUND BALANCES	(11,572)	-	1,552	(10,020)
FUND BALANCE - BEGINNING OF YEAR	19,433	-	807	20,240
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 7,862	\$ -	\$ 2,359	10,220

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

	<u>Oktaha Public Works Authority Enterprise Fund June 30, 2015</u>	<u>Memo Only June 30, 2014</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 33,615	\$ 21,004
Accounts Receivable	1,415	1,415
Prepaid Insurance	-	-
Total Current Assets	35,030	22,419
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	197,527	200,512
Total Noncurrent Assets	197,527	200,512
TOTAL ASSETS	232,557	222,931
<u>LIABILITIES & NET POSITION</u>		
Current Liabilities:		
Accounts Payable	-	-
Total Current Liabilities	-	-
Noncurrent Liabilities:		
Notes Payable	-	-
Total Noncurrent Liabilities	-	-
TOTAL LIABILITIES	-	-
NET POSITION:		
Net investment in capital assets	197,527	200,512
Restricted for debt service	-	-
Unrestricted	35,030	22,419
TOTAL NET POSITION	\$ 232,557	\$ 222,931

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

	Oktaha Public Works Authority Enterprise Fund June 30, 2015	Memo Only June 30, 2014
<u>OPERATING REVENUES:</u>		
Charges for Services	\$ 35,873	\$ 27,469
Grant Income	-	-
Miscellaneous Income	-	-
TOTAL OPERATING REVENUES	35,873	27,469
<u>OPERATING EXPENSES:</u>		
Contract Labor	11,400	14,090
Utilities	2,037	6,999
Insurance	-	1,500
Professional Fees	-	-
Office Supplies	1,184	1,019
Maintenance & Operations	3,566	3,244
Depreciation	11,485	11,463
TOTAL OPERATING EXPENSES	29,671	38,314
NET OPERATING INCOME (LOSS)	6,202	(10,845)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	19	42
Interest Expense	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	19	42
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	6,221	(10,804)
Capital Contributions	-	-
Transfers in	4,000	4,000
Transfers out	(595)	(1,882)
CHANGE IN NET POSITION	9,626	(8,685)
TOTAL NET POSITION - BEGINNING	222,931	231,617
TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT	-	-
TOTAL NET POSITION - ENDING	\$ 232,557	\$ 222,931

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF OKTAHA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>	<u>Memo Only June 30, 2014</u>
<u>Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 35,873	\$ 27,469
Cash Receipts from Granting Agencies	-	-
Payments to Suppliers for Goods & Services	(6,786)	(12,761)
Payments to Employees & Laborers	(11,400)	(14,090)
Net Cash Provided (Used) by Operating Activities	<u>17,687</u>	<u>618</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Transfers to other funds	(595)	(1,882)
Transfers from other funds	4,000	4,000
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,405</u>	<u>2,118</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Capital grant received for construction/purchase of capital assets	-	-
Additions to Capital Assets	(8,500)	-
Proceeds from sale of Capital Assets	-	-
Loan Proceeds received	-	-
Principal paid on Notes Payable	-	-
Interest paid	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(8,500)</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	19	42
Net Cash Provided (Used) by Investing Activities	<u>19</u>	<u>42</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,611	2,778
Cash & Cash Equivalents, Beginning of Year	21,004	18,226
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	<u>\$ 33,615</u>	<u>\$ 21,004</u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ 6,202	\$ (10,845)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	11,485	11,463
(Increase)Decrease in Accounts Receivable	-	-
(Increase)Decrease in Prepaid Insurance	-	-
Increase(Decrease) in Accounts Payable	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,687</u>	<u>\$ 618</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The reporting entity includes the primary government of the Town of Oktaha, Oklahoma (the Town) and its component unit, Oktaha Public Works Authority (the Authority). Financial information for the Oktaha Public Works Authority is blended with the financial information of the Town of Oktaha as an enterprise fund. The Board of Trustees of the Town and the Authority are identical in membership. Financial transactions between the Town and the Authority occur on a regular basis. The Authority operates the sewer services of the Town. The Town does not have component units other than the Authority.

B. Funds

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are grouped by type in the financial statements. Major fund categories are:

GOVERNMENTAL FUND TYPES

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

PROPRIETARY FUND TYPES

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheets.

C. Total Columns (Memorandum Only) & Beginning Fund Balances

Total Columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

consolidation. Interfund eliminations have not been made in the aggregation of this data.

D. Basis of Accounting

The Town uses the accrual basis of accounting for governmental fund types. The accrual basis of accounting recognizes revenues when both measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

E. Budget and Budgetary Procedures

The Town of Oktaha has elected to comply with and operate in accordance with the terms and provisions of the Municipal Budget Act (Sections 17-201 through 17-216 of Title 11 of the Oklahoma Statutes). Revenues and expenditures are estimated based on prior year activity. The current year budget was not amended.

F. Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

G. Capital Assets

Property and equipment for the proprietary fund type are recorded at their historical cost; these assets are depreciated over the estimated useful life of the related asset. The Town does not maintain adequate records for property and equipment of the governmental fund types; therefore Capital Assets are not reported as required by generally accepted accounting principles. The estimated useful life for the sewer system and improvements is 40 years.

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Capitalization Policy

Purchases of capital items in excess of \$500.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

H. Equity Classification

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

1. 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 borrowings 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.
2. 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 (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted—Net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in 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.

I. Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purposes of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Street & Alley Fund	Tax Income Grant Income

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

J. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2015, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types -	By Character: Current (further classified by activity) Capital Outlay
Proprietary Fund Types -	By Operating and Non- Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

Because the Town has no long-term debt, there are no reserve requirements.

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Town for this fiscal year.

Excess of Expenditures Over Appropriations

As indicated, the Town operates under the Municipal Budget Act. As required by this Act, the budget was prepared and filed with the State Auditor and Inspector's office. A budgetary comparison schedule has not been provided for the current year financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2015, the Town held deposits of approximately \$44,030 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- 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 deposits 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.

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

- 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 SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RECEIVABLES

The Town and Authority have accrued amounts using the basis of accounting noted in 1(D). The Town has accrued certain taxes to be received in July 2015 as accounts receivable. The Authority has accrued amounts due as of June 30, 2015 as a result of its operation of the sewer system. The Authority has not reduced the accounts receivable by an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment of the Authority is depreciated over the estimated useful life of the asset using the straight-line method, with one-half year depreciation in the year of acquisition or disposition. Estimated useful lives are: system facilities 40 years and equipment 5 to 10 years.

The value of the system along with the beginning balance for accumulated depreciation is based on estimates. The estimate is based on a construction date of approximately 1965 for the sewer system.

TOWN OF OKTAHA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

	Balance 6/30/14	Additions	Deductions	Balance 6/30/15
System Improvements	\$ 171,927	\$ -	\$ -	\$ 171,927
System Facilities	3,060,300	8,500	-	3,068,800
Tractor & Equipment	62,812	-	-	62,812
Subtotal	3,295,039	-	-	3,303,539
Less: Accum. Depreciation	(3,094,527)	(11,485)	-	(3,106,012)
Total Capital Assets (Net of Depreciation)	<u>\$ 200,512</u>	<u>\$(11,485)</u>	<u>\$ -</u>	<u>\$ 197,527</u>

Depreciation expense for the year ended June 30, 2015, aggregating \$11,485, has been computed on assets with a cost basis totaling \$3,303,539.

NOTE 6 - LONG-TERM DEBT

The Town, including the Authority, currently has no long-term debt.

Changes in Long-Term Debt

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

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The Town does not have any restricted amounts.

TOWN OF OKTAHA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Governmental Fund Balances

Town of Oktaha
 Disclosure of Fund Balances Reported on Balance Sheet
 For Fiscal Year Ending June 30, 2015

	General Fund	Capital Improvement Fund	Street & Alley Fund	Total Governmental Funds
<u>FUND BALANCES:</u>				
Restricted for:				
Capital Improvements	\$ -	\$ -	\$ -	\$ -
Street Improvements	-	-	2,359	2,359
Unassigned	7,862	-	-	7,862
Total	<u>\$ 7,862</u>	<u>\$ -</u>	<u>\$ 2,359</u>	<u>\$ 10,220</u>

NOTE 8 - CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/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.

NOTE 9 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through February 1, 2016, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2015.

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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 Town Council
Town of Oktaha, Oklahoma

We were engaged to audit, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oktaha, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Oktaha, Oklahoma's basic financial statements, and have issued our report thereon dated February 1, 2016, which was a disclaimer of opinion because inadequate accounting records precluded us from performing sufficient audit procedures on the financial statements. Management has omitted the MD&A and Budgetary Comparison Information required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Oktaha, Oklahoma'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 Oktaha, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Oktaha, Oklahoma'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 and corrected on a timely basis. A *significant deficiency* is a

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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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 15-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oktaha, Oklahoma'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*.

Town of Oktaha's Response to Findings

Town of Oktaha's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Oktaha's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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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

February 1, 2016

TOWN OF OKTAHA, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2015

Item 15-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of the Town Clerk, who is responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the Town.