

TOWN OF SHADY POINT, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

TOWN OF SHADY POINT, OKLAHOMA

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TOWN OF SHADY POINT, OKLAHOMA

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TOWN OF SHADY POINT, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Mayor	Joyce Mixon
Vice Mayor	Becky Smith
Member	Adam Castillo
Member	Eugene Elmore
Member	Justin Cruise

Town Clerk & Treasurer

Deborah Hemphill

Town Attorney

Ronald Lawson

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Shady Point, 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 Shady Point, Oklahoma, as of and for the fiscal year ended June 30, 2016, 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 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

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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 Shady Point, Oklahoma, as of June 30, 2016, 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 as a whole that collectively comprise the Town of Shady Point's basic financial statements. 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 basic financial statements.

The management's discussion and analysis, the budgetary comparison schedules, the introductory section, and the other supplementary information section listed in the accompanying table of contents have 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 such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Town of Shady Point'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

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
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PHONE (580) 762-1040
FAX (580) 762-1047

is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Shady Point'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

December 14, 2016

TOWN OF SHADY POINT

P.O. Box 107
Shady Point, OK 74956

MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

Our discussion and analysis of the Town of Shady Point's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2016, 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 \$(13,181) for the year, resulting in an increase in total net position of 1.48 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 pages 14-15*) 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 electric, water, sewer and sanitation services.

TOWN OF SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 2 (Unaudited)

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.

Supplementary Information: This Management's Discussion and Analysis and (starting on page 42) Governmental Funds Budgetary Comparison Schedules 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: Currently the Town does not have any other supplementary information to include. This part of the annual report would normally include optional 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.

**TOWN OF SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 3 (Unaudited)**

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Shady Point 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 other legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Shady Point
- Shady Point Public Works 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 through 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. 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 sewer system operations are reported here.

TOWN OF SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 4 (Unaudited)

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 reconciliation at the bottom of the each fund financial statement. The Town considers the General Fund and the Street Utility Sales Tax 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 Public Works Authority Utilities Fund.

Fiduciary funds— Normally are used to account for assets that are held in a trustee or fiduciary capacity such as utility deposits, pension plan assets, assets held per trust agreements, and similar arrangements.

**TOWN OF SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 5 (Unaudited)**

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position—Modified Cash Basis

TOWN OF SHADY POINT'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	111,699	109,420	54,344	46,851	166,043	156,271
Capital Assets	226,743	204,479	859,554	897,183	1,086,297	1,101,662
Total Assets	<u>338,442</u>	<u>313,899</u>	<u>913,898</u>	<u>944,034</u>	<u>1,252,340</u>	<u>1,257,933</u>
Long term liabilities	86,351	69,888	284,640	293,330	370,991	363,218
Other liabilities	1,730	2,765	0	0	1,730	2,765
Total Liabilities	<u>88,081</u>	<u>72,653</u>	<u>284,640</u>	<u>293,330</u>	<u>372,721</u>	<u>365,983</u>
Net Position:						
Net investment in capital assets, net of related debt	140,392	134,591	574,914	603,853	715,306	738,444
Restricted	13,557	10,130	40,122	34,129	53,679	44,259
Unrestricted	96,412	96,525	13,372	12,722	109,784	109,247
Total Net Position	<u>250,361</u>	<u>241,246</u>	<u>628,408</u>	<u>650,704</u>	<u>878,769</u>	<u>891,950</u>

The Town's combined net position, resulting from modified cash basis transactions, decreased from \$891,950 to \$878,769 between fiscal years 2015 and 2016. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had an increase of \$9,115 and business-type activities decreased by \$22,296.

Net position of the Town's governmental activities increased to \$250,361. However, \$153,949 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position was only \$96,412 at the end of this year. Equally the net position of the Town's business-type activities decreased to \$628,408. However, \$615,036 of that net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, sewer, and so on). Consequently, unrestricted net position was \$13,372 at the end of this year.

**TOWN OF SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 6 (Unaudited)**

TOWN OF SHADY POINT'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	72,048	66,608	70,224	71,248	142,272	137,856
Operating grants and contributions	4,290	4,484	-	11,954	4,290	16,438
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales tax	98,652	89,455	-	-	98,652	89,455
Use tax	12,970	11,805	-	-	12,970	11,805
Franchise tax	21,160	22,637	-	-	21,160	22,637
Cigarette tax	1,167	1,056	-	-	1,167	1,056
Intergovt. Revenue	17,685	18,141	-	-	17,685	18,141
Investment earnings	280	210	124	101	404	311
Gain on sale of assets	(563)	(1,589)	-	-	(563)	(1,589)
Miscellaneous	12,968	10,552	2,659	1,775	15,627	12,327
Total revenues	<u>240,657</u>	<u>223,359</u>	<u>73,007</u>	<u>85,078</u>	<u>313,664</u>	<u>308,437</u>
Expenses:						
General government and administration	57,679	58,958	-	-	57,679	58,958
Public safety	154,549	127,585	-	-	154,549	127,585
Transportation	13,770	13,192	-	-	13,770	13,192
Sewer	-	-	100,847	95,530	100,847	95,530
Total expenses	<u>225,998</u>	<u>199,735</u>	<u>100,847</u>	<u>95,530</u>	<u>326,845</u>	<u>295,265</u>
Increases in net position before transfers	14,659	23,624	(27,840)	(10,452)	(13,181)	13,172
Transfers	<u>(5,544)</u>	<u>(5,544)</u>	<u>5,544</u>	<u>5,544</u>	<u>-</u>	<u>-</u>
Net position - July 1	<u>241,246</u>	<u>223,166</u>	<u>650,704</u>	<u>655,612</u>	<u>891,950</u>	<u>878,778</u>
Net position - June 30	<u>250,361</u>	<u>241,246</u>	<u>628,408</u>	<u>650,704</u>	<u>878,769</u>	<u>891,950</u>

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 SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 7 (Unaudited)

For the year ended June 30, 2016, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$225,998. Of these total expenses, taxpayers and other general revenues funded \$158,775, while those directly benefiting from the program funded \$72,048 from charges for services and \$4,290 was funded by grants.

Business-Type Activities

The sewer service activities reported net (expense) of \$(30,623). The sewer department is burdened with interest expense of \$14,302 and depreciation expense of approximately \$46,717. From a cash flow view there is little room for operation increases or additional capital improvements.

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, and net transfers of \$242,716 and expenditures of \$242,832 resulting in an increase in fund balance of \$(116).
- There were decreases in sales tax and other revenues of \$7,793. The general fund expenditures increased over the prior year by \$16,796.

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 original budget and the prior year actual. There were increases in the current year budgeted amounts for police of approximately \$28,478 and street of approximately \$19,916. For the year ended June 30, 2016, General Fund expenditures were \$14,105 under final appropriations, while actual resources available for appropriation were \$10,236 under the final budgeted amount.

**TOWN OF SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 8 (Unaudited)**

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2016, the Town had \$226,743 invested in capital assets, net of depreciation, including police and fire equipment, buildings, and park facilities. This represents a net increase of \$22,264, or 10.88 percent, over last year. The Public Works Authority had \$859,554 invested in capital assets, net of depreciation including the sewer systems and buildings. This represents a net decrease of \$37,629 or 4.19 percent, under last year.

This year's more significant capital assets additions include:

General Fund - General Government - Desktop Computer	\$ 900
General Fund - Police - 2015 Dodge Charger	23,598
General Fund - Police - Equipment for 2015 Dodge Charger	7,931
General Fund - Police - 3 Tasers & Accessories	3,524
General Fund - Street - Kubota Tractor & Loader	24,396
Fire Fund - Mini Desktop Computer	550
PWA - Pumps for Lift Station	6,538
PWA - Dialer for Lift Station	2,550

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

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	14,500	14,500	32,000	32,000	46,500	46,500
Buildings	87,671	92,112	65,213	68,476	152,884	160,588
Vehicles	66,109	66,127	0	0	66,109	66,127
Machinery & Equipment	58,463	31,740	33,202	30,493	91,665	62,233
Utility property & improvements	0	0	729,139	766,214	729,139	766,214
Total	<u>226,743</u>	<u>204,479</u>	<u>859,554</u>	<u>897,183</u>	<u>1,086,297</u>	<u>1,101,662</u>

**TOWN OF SHADY POINT
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 9 (Unaudited)**

Long-Term Debt—Modified Cash Basis

At June 30, 2016, the Town had \$370,991 in long term debt arising from modified cash basis transactions compared to \$363,218 at June 30, 2015. At June 30, 2016, \$86,351 of the debt is related to governmental activities and \$284,640 is related to business-type activities. (See table below). The overall increase in debt is 2.14 percent of the prior year balance. See the notes to financial statements (Note 2.D.) for future debt service and debt service requirements.

Primary Government Long-Term Debt -- Modified Cash Basis

	<u>2015</u>	<u>2016</u>
Governmental debt:		
Lease purchase Community State Bank	\$ 51,183	\$ 77,364
Lease purchase First National Bank & Trust	18,678	8,987
Lease purchase Digital Ally	27	-
Total governmental debt	<u>\$ 69,888</u>	<u>\$ 86,351</u>
Business-type debt:		
Rural Development	<u>293,330</u>	<u>284,640</u>
Total business-type debt	<u>293,330</u>	<u>284,640</u>
Total all debt	<u>\$ 363,218</u>	<u>\$ 370,991</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending June 30, 2016, the Town's budget is fairly consistent with this year.

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 22714 Wiles Street, Shady Point, Oklahoma or telephone at (918) 963-4214.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, and cash equivalents	\$104,623	\$14,222	\$118,845
Due from other funds	7,076		7,076
Total current assets	<u>111,699</u>	<u>14,222</u>	<u>125,921</u>
Noncurrent Assets:			
Restricted cash and cash equivalents		40,122	40,122
Capital assets (Note 2.C.):			
Land	14,500	32,000	46,500
Other capital assets, net of accumulated	212,243	827,554	1,039,797
Total noncurrent assets	<u>226,743</u>	<u>899,676</u>	<u>1,126,419</u>
Total Assets	<u>338,442</u>	<u>913,898</u>	<u>1,252,340</u>
LIABILITIES			
Current Liabilities:			
Payroll taxes payable	1,278		1,278
Due to other funds	452	850	1,302
Due within one year	21,897	9,131	31,028
Total current liabilities	<u>23,627</u>	<u>9,981</u>	<u>33,608</u>
Noncurrent Liabilities:			
Long term liabilities (Note 2.D.)	64,454		64,454
Notes payable		275,509	275,509
Total noncurrent liabilities	<u>64,454</u>	<u>275,509</u>	<u>339,963</u>
Total Liabilities	<u>88,081</u>	<u>285,490</u>	<u>373,571</u>
NET POSITION			
Net Investment in Capital Assets	140,392	574,914	715,306
Restricted for:			
Fire Department	13,557		13,557
Debt service		40,122	40,122
Unrestricted	96,412	13,372	109,784
Total Net Position	<u>\$250,361</u>	<u>\$628,408</u>	<u>\$878,769</u>

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Primary Government:					
Governmental Activities					
General Government:					
General Government	\$57,679				(57,679)
Total general government	<u>57,679</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(57,679)</u>
Public Safety:					
Police	121,868	72,048			(49,820)
Fire	32,681		4,290		(28,391)
Total Public safety	<u>154,549</u>	<u>72,048</u>	<u>4,290</u>	<u>0</u>	<u>(78,211)</u>
Transportation:					
Streets	13,770				(13,770)
Total transportation	<u>13,770</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,770)</u>
Total governmental activities	<u>225,998</u>	<u>72,048</u>	<u>4,290</u>	<u>0</u>	<u>(149,660)</u>
Business-type activities:					
Sewer	100,847	70,224			(30,623)
Total business-type activities	<u>100,847</u>	<u>70,224</u>	<u>0</u>	<u>0</u>	<u>(30,623)</u>
Total	<u>\$326,845</u>	<u>\$142,272</u>	<u>\$4,290</u>	<u>\$0</u>	<u>(\$180,283)</u>

Changes in Net Position

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	(\$149,660)	(\$30,623)	(\$180,283)
General revenues:			
Taxes:			
Sales Tax	98,652		98,652
Use Tax	12,970		12,970
Franchise and public service taxes	21,160		21,160
Cigarette Tax	1,167		1,167
Intergovernmental revenue not restricted to specific programs	17,685		17,685
Interest income	280	124	404
Gain (Loss) on sale of assets	(563)		(563)
Miscellaneous	12,968	2,659	15,627
Transfers internal activity	(5,544)	5,544	0
Total general revenues and transfers	<u>158,775</u>	<u>8,327</u>	<u>167,102</u>
Change in net position	9,115	(22,296)	(13,181)
Net position-beginning	241,246	650,704	891,950
Net position- ending	<u>\$250,361</u>	<u>\$628,408</u>	<u>\$878,769</u>

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA
BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, and cash equivalents	\$89,268	\$14,009	\$1,346	104,623
Due from other funds	7,076			7,076
Total current assets	96,344	14,009	1,346	\$111,699
Total Assets	96,344	14,009	1,346	111,699
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll taxes payable	1,278			1,278
Due to other funds		452		452
Total Liabilities	1,278	452	0	1,730
Fund Balances:				
Restricted for:				
Fire Department		13,557		13,557
Assigned			1,346	1,346
Unassigned	95,066			95,066
Total Fund Balances	95,066	13,557	1,346	109,969
Total Liabilities and Fund Balances	\$96,344	\$14,009	\$1,346	

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 \$ 615,457 net of accumulated depreciation of \$ 388,714 are not financial resources and, therefore, are not reported in funds	226,743
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	(86,351)
Net position of governmental activities	\$250,361

See accompanying notes to the financial statements.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	102,057	31,892		133,949
Intergovernmental	17,685	4,290		21,975
Fines and forfeitures	72,048			72,048
Interest income	244	33	3	280
Miscellaneous	11,268	1,700		12,968
Total Revenues	203,302	37,915	3	241,220
Expenditures:				
Current:				
General Government:				
General Government	54,727			54,727
Public Safety:				
Police	100,871			100,871
Fire		17,600		17,600
Street and Public Works:				
Streets	11,642			11,642
Capital Outlay	60,349	550		60,899
Debt Service	13,137	10,500		23,637
Total Expenditures	240,726	28,650	0	269,376
Excess (deficiency) of revenues over expenditures	(37,424)	9,265	3	(28,156)
Other Financing Sources (Uses):				
Transfers in	2,400			2,400
Capital lease proceeds	37,014			37,014
Transfers out	(2,106)	(5,838)		(7,944)
Total Other Financing Sources (Uses)	37,308	(5,838)	0	31,470
Net change in fund balances	(116)	3,427	3	3,314
Fund balances - beginning	95,182	10,130	1,343	106,655
Fund balances - ending	95,066	13,557	1,346	109,969
Reconciliation to the Statement of Activities:				
Net change in fund balances -total governmental funds				\$3,314
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				60,899
Depreciation expense				(38,072)
Debt service payments are not considered expenditures in the governmental activities report				
				20,551
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)				
				(563)
Lease proceeds are not considered revenues in the governmental activities report				
				(37,014)
				5,801
				\$9,115

Change in Net Position of Governmental Activities

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
June 30, 2016

	<u>Shady Point Public Works Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$14,222
Total current assets	<u>14,222</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	40,122
Capital Assets	
Land	32,000
Other capital assets, net of accumulated depreciation	827,554
Total noncurrent assets	<u>899,676</u>
Total Assets	<u>913,898</u>
LIABILITIES	
Current Liabilities:	
Due to other funds	850
Long Term Liabilities - current portion	9,131
Total current liabilities	<u>9,981</u>
Noncurrent Liabilities:	
Long Term Liabilities - long term portion	275,509
Total noncurrent liabilities	<u>275,509</u>
Total Liabilities	<u>285,490</u>
NET POSITION	
Net investment in capital assets	574,914
Restricted for debt service	40,122
Unrestricted	13,372
Total net position	<u>\$ 628,408</u>

See accompanying notes to the basic financial statements.

**TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Shady Point Public Works Authority</u>
Operating Revenues:	
Charges for services:	
Sewer charges	\$ 70,224
Miscellaneous	2,659
Total Operating Revenues	<u>72,883</u>
Operating Expenses:	
Sewer operations	39,828
Depreciation	46,717
Total Operating Expenses	<u>86,545</u>
Net Operating Income (Loss)	(13,662)
Non-Operating Revenue (Expense):	
Investment income	124
Interest expense and fiscal agent fees	(14,302)
Total Non-Operating Revenue (Expense)	<u>(14,178)</u>
Net Income (Loss) Before Operating Transfers	(27,840)
Transfers In	5,544
Changes in net position	(22,296)
Total Net Position-Beginning	<u>650,704</u>
Total Net Position-Ending	<u>\$628,408</u>

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Shady Point Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$72,883
Payments to suppliers	(39,828)
Net Cash Provided by Operating Activities	<u>33,055</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Decrease in due from other funds	1,704
Increase in due to other funds	850
Transfers from other funds	5,544
Transfers to other funds	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>8,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(9,088)
Principal paid on capital debt	(8,690)
Interest and fiscal agent fees paid on capital debt	(14,302)
Net Cash Used in Capital and Related Financing Activities	<u>(32,080)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	124
Net Cash Provided by Investing Activities	<u>124</u>
Net Increase in Cash and Cash Equivalents	9,197
Balance- beginning of the year	45,147
Balance- end of the year	<u><u>\$54,344</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(\$13,662)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	46,717
Net cash provided by operating activities	<u><u>\$33,055</u></u>

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS	
Cash, and cash equivalents	<u>\$5,952</u>
Total assets	<u><u>\$5,952</u></u>
LIABILITIES	
Due to Other Governments	\$178
Due to General	<u>5,774</u>
Total liabilities	<u><u>\$5,952</u></u>

See accompanying notes to the basic financial statements.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 Shady Point
Component Units:	Shady Point Public Works 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>
Shady Point Public Works Authority	<i>Created February 8, 1972 to finance, develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, garbage, trash disposal, recreation and industrial facilities, or other forms or types of public and municipal services within or without the corporate boundaries of the Town of Shady Point.</i>	<i>PWA Enterprise Fund</i>

The component units do not issue separately audited component unit financial statements.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 two fiduciary funds that account for municipal court bonds and utility customer deposits. 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 SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. . Current major special revenue funds are reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Fire Fund	Accounts for the receipt of local tax revenues and fire runs used to provide fire protection services.

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 blended component unit enterprise fund that is reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Shady Point Public Works Authority	Accounts for the activities of the public trust in providing wastewater services to the public.

Fiduciary Fund Types (not included in government-wide statements)

Agency Funds

Agency Funds account for assets held by the Town in a custodial capacity. The reporting entity includes the Municipal Court Fund used to account for court bonds and fees due to other governments. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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.

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 each major fund and the aggregate remaining fund information 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. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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.

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.

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.

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. The threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Land	N/A
Buildings	40 years
Equipment	5-20 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.
- 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.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

- 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 position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position 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:

Public Safety	Fine revenue and Fire run revenue; operating and capital grants, animal control licenses.
Transportation	Streets 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.

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.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

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—Those related to goods and services type transactions are classified as “due to and from other funds”. Short term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.”
2. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.
3. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
4. 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.
5. 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 SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016. 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.

Primary Government

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	168,480	168,480	-	-	
Uninsured deposits					
Collateralized	-	-	-	-	
Uncollateralized	-	-	-	-	
Total Deposits	168,480	168,480	-	-	Total Carrying Value
					<u>164,919</u>
					<u>164,919</u>
<u>Reconciliation to Government-Wide Statements of Net Position:</u>					
					117,498
					41,468
					5,953
					<u>164,919</u>

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for Rural Development loan requirements (held in reserve with the exception that funds may be expended for system repair and maintenance upon Rural Development approval) of \$40,121.

2.C. CAPITAL ASSETS

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

	<u><i>Balance at</i></u> <u><i>July 1, 2015</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>Balance at</i></u> <u><i>June 30, 2016</i></u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>14,500</u>	<u>0</u>	<u>0</u>	<u>14,500</u>
Total capital assets not being depreciated	<u>14,500</u>	<u>0</u>	<u>0</u>	<u>14,500</u>
Other capital assets:				
Buildings	165,054	0	0	165,054
Vehicles	255,763	24,148	(65,000)	214,911
Machinery and equipment	<u>215,075</u>	<u>36,751</u>	<u>(30,834)</u>	<u>220,992</u>
Total other capital assets at historical cost	<u>635,892</u>	<u>60,899</u>	<u>(95,834)</u>	<u>600,957</u>
Less accumulated depreciation for:				
Buildings	72,942	4,441	0	77,383
Vehicles	189,636	24,166	(65,000)	148,802
Machinery and equipment	<u>183,335</u>	<u>9,465</u>	<u>(30,271)</u>	<u>162,529</u>
Total accumulated depreciation	<u>445,913</u>	<u>38,072</u>	<u>(95,271)</u>	<u>388,714</u>
Other capital assets, net	<u>189,979</u>	<u>22,827</u>	<u>(563)</u>	<u>212,243</u>
Governmental activities capital assets, net	<u>204,479</u>	<u>22,827</u>	<u>(563)</u>	<u>226,743</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>32,000</u>	<u>0</u>	<u>0</u>	<u>32,000</u>
Total capital assets not being depreciated	<u>32,000</u>	<u>0</u>	<u>0</u>	<u>32,000</u>
Other capital assets:				
Buildings	130,504	0	0	130,504
Vehicles	0	0	0	0
Machinery and equipment	45,291	9,088	0	54,379
Utility property & improvements	<u>1,482,996</u>	<u>0</u>	<u>0</u>	<u>1,482,996</u>
Total other capital assets at historical cost	<u>1,658,791</u>	<u>9,088</u>	<u>0</u>	<u>1,667,879</u>
Less accumulated depreciation for:				
Buildings	62,028	3,263	0	65,291
Vehicles	0	0	0	0
Machinery and equipment	14,798	6,379	0	21,177
Utility property & improvements	<u>716,782</u>	<u>37,075</u>	<u>0</u>	<u>753,857</u>
Total accumulated depreciation	<u>793,608</u>	<u>46,717</u>	<u>0</u>	<u>840,325</u>
Other capital assets, net	<u>865,183</u>	<u>(37,629)</u>	<u>0</u>	<u>827,554</u>
Business-type activities capital assets, net	<u>897,183</u>	<u>(37,629)</u>	<u>0</u>	<u>859,554</u>

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

Primary Government	
Government Activities:	
General Government	2,953
Police	18,783
Street	2,064
Fire	<u>14,272</u>
Total depreciation expense for governmental activities	<u>38,072</u>
Business-Type Activities:	
Sewer	46,717
Total depreciation expense for business-type activities	<u>46,717</u>

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

As of June 30, 2016, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease Purchase Obligations:

Community State Bank 5.93595 % interest with 19 monthly payments of principal and interest of \$1,106 due June 30, 2017 and will renewed annually, by 2 2014 Dodge Chargers and a 2015 Dodge Charger. Scheduled debt service payments in the General Fund Police Department. 64,483

Community State Bank 3.36 % interest with 11 monthly payments of principal and interest of \$299 due June 30, 2017 and will renewed annually, by Kubota Tractor & Loader. Scheduled debt service payments in the General Fund Street Department. 12,881

First National Bank & Trust 5.55% interest with 120 monthly payments of principal and interest of \$875 due June 1, 2017, by 2007 Ford F-550 Rescue Truck. Scheduled debt service payments in the Fire Fund. 8,987

Total Lease Purchases Outstanding \$ 86,351

Current portion \$ 21,897

Non-current portion 64,454

Total Leases Payable \$ 86,351

BUSINESS-TYPE ACTIVITIES

As of June 30, 2016, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Notes Payable:

Note due to Rural Development in the amount of \$304,500 with 5% interest and 480 monthly payments of principal and interest of \$1,496 due June 2035. \$ 218,436

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The note is collateralized by a mortgage on the Shady Point Public Works Authority's sewer system and a first lien on and pledge of the revenues produced.

Note due to Rural Development in the amount of \$90,000 with a fixed interest rate of 4.75% with 480 monthly payments of principal and interest of \$420 due March 2038. The note is for the purpose of providing a portion of the cost of acquiring and constructing of Shady Point community facility.

66,204

The note is collateralized by a mortgage on the Shady Point Public Works Authority's community facility and a first lien on and pledge of the revenues produced.

Total Notes Payable Outstanding \$ 284,640

Current portion \$ 9,131
Non-current portion 275,509
Total Notes Payable \$ 284,640

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

Type of Debt	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	69,888	37,014	20,551	86,351	21,897
Business-Type Activities:					
Notes Payable	<u>293,330</u>	<u>0</u>	<u>8,690</u>	<u>284,640</u>	<u>9,131</u>
Total Business-Type Activities:	<u>363,218</u>	<u>37,014</u>	<u>29,241</u>	<u>370,991</u>	<u>31,028</u>

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes & Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2017	21,896.61	4,190.60	9,130.69	13,861.31
2018	13,610.90	3,248.86	9,592.80	13,399.20
2019	14,352.14	2,507.62	10,078.25	12,913.75
2020	14,529.22	1,724.28	10,588.29	12,403.71
2021	12,299.11	972.65	11,124.20	11,867.80
2022-2026	9,663.51	234.39	64,658.43	50,301.57
2027-2031	0.00	0.00	82,765.14	32,194.86
2032-2036	0.00	0.00	83,577.46	9,405.32
2037	0.00	0.00	3,124.58	110.66
Total	<u>86,351.49</u>	<u>12,878.40</u>	<u>284,639.84</u>	<u>156,458.18</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

In accordance with Rural Development loan requirements - Cash and investments are held in a project fund account within the Shady Point Public Works Authority. All such funds are held in reserve with the exception that funds may be expended for system repair and maintenance upon Rural Development approval. Currently, deposits of \$150 and \$42 a month are required until a balance of \$17,955 and \$9,000 is obtained. Also, a replacement account was set up in September 2005 to have cash on hand for emergency repairs. A dollar per sewer customer was added to the customer's bill and approximately \$300 per month is deposited into this account. Such cash and investments are reflected as restricted assets in the financial statements.

	Balance 07/01/15	Reserve Additions	Interest	Reserve Deductions	Balance 06/30/16
Reserve Account	26,178	2,299	69	0	28,546
Replacement Account	7,951	3,600	25	0	11,576
Total Restricted Cash	<u>34,129</u>	<u>5,899</u>	<u>94</u>	<u>0</u>	<u>40,122</u>

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2.E. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCE

Balances due from and due to as of the year ended 6-30-2016 consist of \$452 due from Fire Fund to General Fund, \$5,774 due from Agency Fund to General Fund and \$850 due to Public Works Authority from General fund.

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2016, were as follows:

MAJOR FUNDS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Fire Fund	2,400	
Shady Point Municipal Improvement Authority		2,106
Total General	2,400	2,106
SPECIAL REVENUE:		
Fire:		
General Fund		3,438
Shady Point Municipal Improvement Authority		2,400
Total Special Revenue	0	5,838
ENTERPRISE FUNDS:		
Shady Point Municipal Improvement Authority:		
General Fund	2,106	
Fire Fund	3,438	
Total Enterprise Funds	5,544	0
GRAND TOTALS	7,944	7,944

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Rural Fire Defense Grant - The Town received a grant of \$4,290 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

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, 2015 thru June 30, 2016 the Town of Shady Point Fire Department had a beginning balance of \$50,796.98, the department has been appropriated \$30,380.09 for its benefit and has expended \$51,694.41 leaving a balance of \$29,482.66 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 Shady Point, 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.

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.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
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
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:

Fiscal Year	Required Contribution	Percent Contributed
2014	\$ 900	100%
2015	840	100%
2016	840	100%

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Trend information showing 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, 2016, 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.

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 Fire Dept. Building and Equipment with Risk Management Division	(1)
d. Health and life	Participates in the Oklahoma State Education Employee Group Insurance Board	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.

TOWN OF SHADY POINT, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2016, the Town 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 \$1,134 at June 30, 2016, can be summarized as follows:

	<u>Town</u>
Vacation	\$1,134

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.

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.

TOWN OF SHADY POINT, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016.

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 SHADY POINT, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	95,182	95,182	95,182	-
Revenues:				
Taxes				
Sales tax	65,000	65,000	70,466	5,466
Use tax	8,500	8,500	9,264	764
Franchise tax	22,000	22,000	21,160	(840)
Cigarette tax	1,100	1,100	1,167	67
Total Taxes	<u>96,600</u>	<u>96,600</u>	<u>102,057</u>	<u>5,457</u>
Intergovernmental:				
Alcoholic beverage tax	8,500	8,500	8,389	(111)
Commercial vehicle tax	7,700	7,700	7,406	(294)
Gasoline excise tax	1,900	1,900	1,890	(10)
Total Intergovernmental	<u>18,100</u>	<u>18,100</u>	<u>17,685</u>	<u>(415)</u>
Fines and forfeitures				
Court Fines	85,000	85,000	72,048	(12,952)
Total Fines and Forfeitures	<u>85,000</u>	<u>85,000</u>	<u>72,048</u>	<u>(12,952)</u>
Interest Income	<u>170</u>	<u>170</u>	<u>244</u>	<u>74</u>
Miscellaneous:				
Misc. Revenue	2,500	13,668	11,268	(2,400)
Total Miscellaneous	<u>2,500</u>	<u>13,668</u>	<u>11,268</u>	<u>(2,400)</u>
Other Financing Sources:				
Transfers from other funds	2,400	2,400	2,400	0
Capital lease proceeds	0	37,014	37,014	0
Total Other Financing Sources	<u>2,400</u>	<u>39,414</u>	<u>39,414</u>	<u>0</u>
Amounts available for appropriation	<u>299,952</u>	<u>348,134</u>	<u>337,898</u>	<u>(10,236)</u>

**TOWN OF SHADY POINT, OKLAHOMA
 BUDETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government:				
Personal services	35,700	35,879	35,353	526
Materials and supplies	2,000	2,000	1,486	514
Other services and charges	20,700	20,775	17,888	2,887
Capital outlay	1,400	900	900	0
Total General Government	<u>59,800</u>	<u>59,554</u>	<u>55,627</u>	<u>3,927</u>
Police:				
Personal services	66,950	70,030	70,221	(191)
Materials and supplies	12,500	9,450	8,822	628
Other services and charges	25,325	26,625	21,828	4,797
Capital outlay	8,000	35,098	35,053	45
Debt service	12,508	12,558	12,539	19
Total Police	<u>125,283</u>	<u>153,761</u>	<u>148,463</u>	<u>5,298</u>
Street:				
Materials and supplies	6,500	9,000	6,614	2,386
Other services and charges	8,100	8,120	5,028	3,092
Capital outlay	7,000	24,396	24,396	0
Debt service	0	0	598	(598)
Total Street	<u>21,600</u>	<u>41,516</u>	<u>36,636</u>	<u>4,880</u>
Other Financing Uses:				
Transfers to other funds	2,106	2,106	2,106	0
Total Other Financing Sources	<u>2,106</u>	<u>2,106</u>	<u>2,106</u>	<u>0</u>
Total Charges to Appropriations	208,789	256,937	242,832	14,105
Ending Budgetary Fund Balance	<u>91,163</u>	<u>91,197</u>	<u>95,066</u>	<u>3,869</u>

TOWN OF SHADY POINT, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SPECIAL REVENUE FUNDS				
GRANT FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	1,343	1,343	1,343	0
Resources (Inflows):				
Taxes				0
Intergovernmental				0
Interest Income			3	(3)
Miscellaneous				0
Amounts available for appropriation	<u>1,343</u>	<u>1,343</u>	<u>1,346</u>	<u>(3)</u>
Charges to appropriations (Outflows):				
Grant Fund:				
Capital Outlay				0
Total Grant Fund	<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>1,343</u>	<u>1,343</u>	<u>1,346</u>	<u>(3)</u>
FIRE FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	10,130	10,130	10,130	0
Resources (Inflows):				
Taxes	29,400	29,400	31,892	2,492
Intergovernmental	4,500	4,500	4,290	(210)
Charges for Services	200	200	0	(200)
Interest Income	25	25	33	8
Miscellaneous	5,000	5,000	1,700	(3,300)
Amounts available for appropriation	<u>49,255</u>	<u>49,255</u>	<u>48,045</u>	<u>(1,210)</u>
Fire:				
Personal services	1,425	1,425	1,351	74
Materials and supplies	2,500	2,500	1,153	1,347
Other services and charges	17,900	20,400	15,096	5,304
Capital Outlay	0	550	550	0
Debt Service	10,500	10,500	10,500	0
Transfers to other funds	5,838	5,838	5,838	0
Total Fire	<u>38,163</u>	<u>41,213</u>	<u>34,488</u>	<u>6,725</u>
Total Charges to Appropriations	38,163	41,213	34,488	6,725
Ending Budgetary Fund Balance	<u>11,092</u>	<u>8,042</u>	<u>13,557</u>	<u>5,515</u>

TOWN OF SHADY POINT, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2016

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.

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S 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 Shady Point, 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 Shady Point, Oklahoma, as of and for the year ended June 30, 2016, 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 Shady Point, Oklahoma's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Shady Point'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 Shady Point's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Shady Point'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

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

entity's financial statements will not be prevented, or detected 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. 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 Items 16-01 and 16-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Shady Point'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is included in the Schedule of Findings as Item 16-03. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

Town of Shady Point's Response to Findings

Town of Shady Point's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Shady Point'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.

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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

December 14, 2016

TOWN OF SHADY POINT, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2016

INTERNAL CONTROL FINDINGS

Item 16-01 - Segregation of Duties

Criteria - The segregation of duties is important to have adequate control over financial assets.

Condition - The Town has the same employees performing work normally segregated between two or more employees, including receiving funds and posting those funds to the town's books. This is a repeat condition from the prior years.

Cause - The Town's small size limits the amount of staffing needed to properly segregate the clerk and treasurer functions.

Effect - The lack of segregation of duties could increase the risk that misstatements material to the financial statements could occur and not be detected within a timely manner.

Recommendation - The lack of segregation of duties is a common deficiency in Town's the size of Shady Point. The governing body should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

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

Item 16-02 - Deposits

Criteria - Daily bank deposits reduce the risk of lost or stolen cash on hand.

Condition - Cash receipts from some sources are not being deposited on a daily basis. During the current audit, it was noted that deposits of revenue and miscellaneous revenues continue to be held in some cases for extended periods.

Cause - The cost of fuel for going to the bank to make daily deposits is such that the Town is not cost effectively able to make daily deposits.

Effect - These conditions result in weakened control over cash receipts and could result in excess cash being maintained on-hand during the month.

TOWN OF SHADY POINT, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2016

Recommendation - All cash receipts should be deposited daily and not retained on-site.

Response - At this time the Town is not able to cost effectively make such deposits.

COMPLIANCE FINDINGS

Item 16-03 - Purchase Orders

Criteria - Oklahoma Statutes require purchase orders to be dually executed and authorized.

Condition - Not all transactions were supported by dually executed and authorized purchase orders. In addition, not all purchase orders were completely fill out with the vendor name, address, check number, etc.

Cause - Purchase orders are not being used for all transactions.

Effect - This leaves the Town out of compliance with Oklahoma Statutes.

Recommendation - All transactions should be supported by a dually executed and authorized purchase order that has been filled out completely.

Response - The Town is aware of the problem.