

TOWN OF ARKOMA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

TOWN OF ARKOMA, OKLAHOMA

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TOWN OF ARKOMA, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

Board of Trustees

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

Town Clerk & Treasurer

Dottie Smith

Town Attorney

Ronald H. Lawson

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Arkoma, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in

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order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of June 30, 2017, 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.

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.

Other Matters

Supplementary and Other Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

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procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the Town of Arkoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Town of Arkoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Arkoma's internal control over financial reporting and compliance.

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

June 27, 2018

Town of Arkoma

P. O. BOX 277

ARKOMA, OKLAHOMA 74901

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Arkoma's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017, 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 \$377,263 for the year, resulting in a decrease in total net position of 11.83 percent under the previous year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Basis of Accounting

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

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

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

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

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

The primary government includes the following legal entities:

- The Town of Arkoma
- Arkoma Municipal Authority

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

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

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

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

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

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

TOWN OF ARKOMA
MANAGEMENT'S 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 a reconciliation at the bottom of the fund financial statements. The Town considers the General Fund and the Capital Improvement Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

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

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

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

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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

Net Position—Modified Cash Basis

TOWN OF ARKOMA'S NET POSITION						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	493,760	630,160	231,228	378,500	724,988	1,008,660
Capital Assets	461,675	491,436	4,864,125	5,010,954	5,325,800	5,502,390
Total Assets	<u>955,435</u>	<u>1,121,596</u>	<u>5,095,353</u>	<u>5,389,454</u>	<u>6,050,788</u>	<u>6,511,050</u>
Long term liabilities	79,302	94,076	3,093,501	3,164,709	3,172,803	3,258,785
Other liabilities	4,607	2,708	62,562	61,478	67,169	64,186
Total Liabilities	<u>83,909</u>	<u>96,784</u>	<u>3,156,063</u>	<u>3,226,187</u>	<u>3,239,972</u>	<u>3,322,971</u>
Net Position:						
Net investment in capital assets						
net of related debt	382,373	397,360	1,770,624	1,846,245	2,152,997	2,243,605
Restricted	441,494	563,359	122,861	221,685	564,355	785,044
Unrestricted	47,659	64,093	45,805	95,337	93,464	159,430
Total Net Position	<u>871,526</u>	<u>1,024,812</u>	<u>1,939,290</u>	<u>2,163,267</u>	<u>2,810,816</u>	<u>3,188,079</u>

The Town's combined net position, resulting from modified cash basis transactions, decreased from approximately \$3,188,079 to \$2,818,788 between fiscal years 2016 and 2017. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$153,286 and business-type activities decreased by \$223,977.

Net position of the Town's governmental activities decreased 14.95 percent to \$871,526. However, \$823,867 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets. Consequently, unrestricted net position showed only \$47,659 at the end of this year. The net position of Town's business-type activities decreased to \$1,939,290. However, \$1,893,485 of the net position was restricted as to the purposes they can be used for or are invested in capital assets. Consequently, the unrestricted position was \$45,805 at the end of the year.

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

TOWN OF ARKOMA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	108,747	147,630	783,113	716,533	891,860	864,163
Operating grants and contributions	3,817	4,290	0	0	3,817	4,290
General revenues:						
Sales tax	98,280	94,713			98,280	94,713
Use tax	21,719	22,502			21,719	22,502
Franchise tax	63,524	69,774			63,524	69,774
Cigarette tax	1,166	1,146			1,166	1,146
Intergovt. Revenue	35,591	32,771			35,591	32,771
Investment earnings	1,196	1,309	660	1,022	1,856	2,331
Gain (loss) on sale of assets	0	(2,811)	0	0	0	(2,811)
Miscellaneous	30,602	20,002			30,602	20,002
Total revenues	<u>364,642</u>	<u>391,326</u>	<u>783,773</u>	<u>717,555</u>	<u>1,148,415</u>	<u>1,108,881</u>
Expenses:						
General government and administration	27,892	28,136			27,892	28,136
Public safety	351,104	336,608			351,104	336,608
Transportation	121,548	63,992			121,548	63,992
Cultural and recreational	1,851	2,218			1,851	2,218
Interest on long term debt						
Water and Sewer			924,193	824,929	924,193	824,929
Sanitation			99,091	97,469	99,091	97,469
Total expenses	<u>502,394</u>	<u>430,954</u>	<u>1,023,284</u>	<u>922,398</u>	<u>1,525,678</u>	<u>1,353,352</u>
Increases in net position before transfers	(137,751)	(39,628)	(239,512)	(204,843)	(377,263)	(244,471)
Transfers	(15,535)	0	15,535	0		
Net position - July 1	<u>1,024,812</u>	<u>1,064,440</u>	<u>2,163,267</u>	<u>2,368,110</u>	<u>3,188,079</u>	<u>3,432,550</u>
Net position - June 30	<u>871,526</u>	<u>1,024,812</u>	<u>1,939,290</u>	<u>2,163,267</u>	<u>2,810,816</u>	<u>3,188,079</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 ARKOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 7 (Unaudited)**

For the year ended June 30, 2017, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$502,394. Of these total expenses, taxpayers and other general revenues funded \$236,543, while those directly benefiting from the program funded \$3,817 from grants and other contributions and \$108,747 from charges for services.

Business-Type Activities

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements. The water and sewer service activities reported net revenues of \$7,211 and \$(251,636) respectively. The water includes interest expense of \$67,644 and the non-cash system depreciation of \$214,736. The sanitation service is operated under private contract and the net revenue of \$4,253 is from a fee for billing and collection of the sanitation revenue along with the normal billing.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

- On the modified cash basis of accounting, the General Fund reported revenues, lease proceeds and net transfers of \$273,814 and expenditures of \$290,248 resulting in a decrease in fund balance of \$16,434.
- On the modified cash basis of accounting, the Street and Alley reported a decrease in fund balance of \$106,892.
- On the modified cash basis of accounting, the Fire Fund reported a decrease in fund balance of \$14,973.

General Fund Budgetary Highlights

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

For the year ended June 30, 2017, General Fund expenditures were \$1,304 over final appropriations, while actual resources available for appropriation were \$30,386 under the final budgeted amount.

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

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2017, the Town had \$5,325,800 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. This represents a net decrease of \$176,590 or 3.21 percent, under last year.

This year's more significant capital assets additions include:

Street - Cab Tractor & Loader	30,445
Street - Brush Hog Rotary Cutter	6,439
Fire - Groves Red Rack Wall Mount	4,795
Municipal Authority - Sewer - 17 Manholes	67,907

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

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	10,000	10,000	16,000	16,000	26,000	26,000
Const. In Progress	0	0	0	0	0	0
Buildings	76,768	82,199	13,810	14,427	90,578	96,626
Equipment	270,234	284,875	38,289	53,789	308,523	338,664
Improvements	0	0	4,796,026	4,926,738	4,796,026	4,926,738
Infrastructure	104,673	114,362	0	0	104,673	114,362
Total	<u>461,675</u>	<u>491,436</u>	<u>4,864,125</u>	<u>5,010,954</u>	<u>5,325,800</u>	<u>5,502,390</u>

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

Long-Term Debt—Modified Cash Basis

At June 30, 2017, the Town as a whole had \$3,235,124 in long term debt arising from modified cash basis transactions compared to \$3,319,865 at June 30, 2016. At June 30, 2017, \$79,302 of the debt is related to governmental activities and \$3,155,822 related to business-type activities. (See table below).

Primary Government Long-Term Debt – Modified Cash Basis

	<u>2016</u>	<u>2017</u>
Governmental debt:		
Lease purchase to Welch St Bank	\$ 94,076	\$ 79,302
Total business-type debt	<u>94,076</u>	<u>79,302</u>
Business-type debt:		
Refundable utility deposits	\$ 61,080	\$ 62,321
OWRB note payable	114,438	99,532
RUS note payable	<u>3,050,271</u>	<u>2,993,969</u>
Total business-type debt	<u>3,225,789</u>	<u>3,155,822</u>
Total all debt	<u>\$ 3,319,865</u>	<u>\$ 3,235,124</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected officials and staff considers many factors in setting the 2016-2017 budget, tax rates and service rates being the main sources and personal services and utility costs being the main uses of funds.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF ARKOMA, OKLAHOMA

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and cash equivalents	\$493,760	\$227,862	\$721,622
Due from other Governments		3,366	3,366
Capital assets (Note 2.C.):			
Land and construction in progress	10,000	16,000	26,000
Other capital assets, net of accumulated depreciation	451,675	4,848,125	5,299,800
Loan application cost, net of accumulated amortization		0	0
Total assets	955,435	5,095,353	6,050,788
LIABILITIES			
Payroll taxes payable	517	241	758
Due to other governments	4,090		4,090
Refundable deposits		62,321	62,321
Long term liabilities (Note 2.D.)			
Due within one year	15,316	72,673	87,989
Due in more than one year	63,986	3,020,828	3,084,814
Total Liabilities	83,909	3,156,063	3,239,972
NET ASSETS			
Net investment in capital assets	382,373	1,770,624	2,152,997
Restricted for:			
Street and Alley	349,954		349,954
Fire Department	91,540		91,540
Debt service		68,627	68,627
Other purposes		54,234	54,234
Unrestricted	47,659	45,805	93,464
Total Net Position	\$871,526	\$1,939,290	\$2,810,816

See accompanying notes to the basic financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities							
General Government	\$27,892	\$6,696			(21,196)		(\$21,196)
Total general government	27,892	6,696	0	0	(21,196)	0	(21,196)
Public Safety:							
Police	286,294	99,551			(186,743)		(186,743)
Fire	61,502	2,500	3,817		(55,185)		(55,185)
Animal Control	66				(66)		(66)
Emergency Management	3,243				(3,243)		(3,243)
Total Public safety	351,104	102,051	3,817	0	(245,236)	0	(245,236)
Transportation:							
Streets	121,548				(121,548)		(121,548)
Total transportation	121,548	0	0	0	(121,548)	0	(121,548)
Cultural, Parks and Recreation:							
Library	1,851				(1,851)		(1,851)
Total cultural, parks and recreation	1,851	0	0	0	(1,851)	0	(1,851)
Total governmental activities	502,394	108,747	3,817	0	(389,830)	0	(389,830)
Business-type activities:							
Water	389,272	396,483				7,211	7,211
Sewer	534,921	283,285				(251,636)	(251,636)
Sanitation	99,091	103,344				4,253	4,253
Total business-type activities	1,023,284	783,113	0	0	0	(240,172)	(240,172)
Total primary government	\$1,525,678	\$891,860	\$3,817	\$0	(\$389,830)	(\$240,172)	(\$630,002)
					Governmental	Business-Type	Total
					(\$389,830)	(\$240,172)	(\$630,002)
General revenues:							
Taxes:							
Sales Tax					98,280		98,280
Use Tax					21,719		21,719
Franchise and public service taxes					63,524		63,524
Cigarette Tax					1,166		1,166
Intergovernmental revenue not restricted to specific programs					35,591		35,591
Interest income					1,196	660	1,856
Gain (loss) on sale of assets					0		0
Miscellaneous					30,602		30,602
Transfers intenal activity					(15,535)	15,535	0
Total general revenues and transfers					236,543	16,195	252,738
					(153,286)	(223,977)	(377,263)
Net position-beginning					1,024,812	2,163,267	3,188,079
Net position- ending					\$871,526	\$1,939,290	\$2,810,816

See accompanying notes to the basic financial statements.

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

JUNE 30, 2017

	General Fund	Street & Alley Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, and cash equivalents	\$51,941	\$349,383	\$90,375	\$2,061	493,760
Due from General Fund		582	1,164		1,746
Total assets	<u>51,941</u>	<u>349,965</u>	<u>91,539</u>	<u>2,061</u>	<u>\$495,506</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	506	11			517
Due to other governments	725				725
Due to Street Fund	582				582
Due to Fire Fund	1,164				1,164
Due to AMA	3,366				3,366
Total Liabilities	<u>6,343</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>6,354</u>
Fund Balances:					
Restricted for:					
Street and Alley		349,954			349,954
Fire Department			91,540		91,540
Assigned					0
Unassigned	45,598			2,061	47,659
Total Fund Balances	<u>45,598</u>	<u>349,954</u>	<u>91,540</u>	<u>2,061</u>	<u>489,153</u>
Total Liabilities and Fund Balances	<u>\$51,941</u>	<u>\$349,965</u>	<u>\$91,540</u>	<u>\$2,061</u>	

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$ 1,681,412 net of accumulated depreciation of \$ 1,219,737 are not financial resources and, therefore, are not reported in funds 461,675

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. (79,302)

Net position of governmental activities \$871,526

See accompanying notes to the financial statements.

TOWN OF ARKOMA, OKLAHOMA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Street & Alley Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	119,169	32,760	32,760		184,689
Intergovernmental	17,260	18,331	3,817		39,408
Charges for services	136		2,500		2,636
Fines and forfeitures	99,551				99,551
Licenses and permits	6,560				6,560
Interest income	240	763	193		1,196
Miscellaneous	24,898	647	5,057		30,602
Total Revenues	<u>267,814</u>	<u>52,501</u>	<u>44,327</u>	<u>0</u>	<u>364,642</u>
Expenditures:					
Current:					
General Government:	24,720				24,720
Public Safety:					
Police	264,284				264,284
Fire			30,556		30,556
Emergency Management	245				245
Street and Public Works:					
Streets		106,974			106,974
Culture and Recreation:					
Library	999				999
Capital Outlay		36,884	4,795		41,679
Debt Service			17,949		17,949
Total Expenditures	<u>290,248</u>	<u>143,858</u>	<u>53,300</u>	<u>0</u>	<u>487,406</u>
Excess (deficiency) of revenues over expenditures	(22,434)	(91,357)	(8,973)	0	(122,764)
Other Financing Sources (Uses):					
Transfers in	6,000				6,000
Transfers out		(15,535)	(6,000)		(21,535)
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>(15,535)</u>	<u>(6,000)</u>	<u>0</u>	<u>(15,535)</u>
Net change in fund balances	(16,434)	(106,892)	(14,973)	0	(138,299)
Fund balances - beginning	62,032	456,846	106,513	2,061	627,452
Fund balances - ending	<u>45,598</u>	<u>349,954</u>	<u>91,540</u>	<u>2,061</u>	<u>489,153</u>
Reconciliation to the Statement of Activities:					
Net change in fund balances -total governmental funds					(\$138,299)
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					41,679
Depreciation expense					(71,440)
Debt service principal payments are not considered expenditures in the governmental activities report					14,774
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)					0
					<u>(14,987)</u>
Change in Net Position of Governmental Activities					<u>(\$153,286)</u>

See accompanying notes to the basic financial statements.

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

June 30, 2017

	<u>Arkoma Municipal Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$43,921
Due from other governments	3,366
Total current assets	<u>47,287</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	183,941
Land and construction-in-progress	16,000
Other capital assets, net of accumulated depreciation	4,848,125
Total noncurrent assets	<u>5,048,066</u>
Total Assets	<u>5,095,353</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	241
Notes payable - current portion	72,673
Total current liabilities	<u>72,914</u>
Noncurrent Liabilities:	
Refundable deposits	62,321
Notes payable - long-term portion	3,020,828
Total noncurrent liabilities	<u>3,083,149</u>
Total Liabilities	<u>3,156,063</u>
NET POSITION	
Net investment in capital assets	1,770,624
Restricted for debt service	68,627
Restricted for other purposes	54,234
Unrestricted	45,805
Total net position	<u><u>1,939,290</u></u>

See accompanying notes to combined financial statements.

TOWN OF ARKOMA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Arkoma Municipal Authority Enterprise Fund</u>
Operating Revenues:	
Charges for services:	
Water	\$375,429
Sewer	269,688
Sanitation	98,383
Penalties	17,716
Water & Sewer Taps	2,125
Reconnect Fees	5,050
Other	14,721
Total Operating Revenues	<u>783,112</u>
Operating Expenses:	
Administration/General	64,378
Water	201,713
Sewer	384,283
Sanitation	90,530
Depreciation	214,736
Amortization	0
Total Operating Expenses	<u>955,640</u>
Net Operating Income (Loss)	(172,528)
Non-Operating Revenue (Expense):	
Investment income	660
Interest expense and fiscal agent fees	(67,644)
Total Non-Operating Revenue (Expense)	<u>(66,984)</u>
Net Income (Loss) Before Operating Transfers	(239,512)
Transfers In	<u>15,535</u>
Changes in net position	(223,977)
Total Net Position-Beginning	<u>2,163,267</u>
Total Net Position-Ending	<u>\$1,939,290</u>

See accompanying notes to combined financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Arkoma Municipal Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$783,112
Payments to suppliers	(665,020)
Payments to employees	(75,884)
Receipts of customer utility deposits	15,032
Refunds of customer utility deposits	(13,791)
Net Cash Provided by Operating Activities	<u>43,449</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	(2,142)
Decrease in payroll taxes payable	(156)
Transfers from other funds	15,535
Net Cash Provided (Used) by Operating Activities	<u>13,237</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(67,907)
Principal paid on capital debt	(71,208)
Interest and fiscal agent fees paid on capital debt	(67,644)
Net Cash Used in Capital and Related Financing Activities	<u>(206,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	660
Net Cash Provided by Investing Activities	<u>660</u>
Net Increase in Cash and Cash Equivalents	(149,413)
Balance- beginning of the year	<u>377,275</u>
Balance- end of the year	<u><u>\$227,862</u></u>
Reconciliation of operating income (loss) to net cash provided	
by operating activities:	
Operating income (loss)	(\$172,528)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	214,736
Amortization expense	0
Change in assets and liabilities:	
Refundable deposits	1,241
Net cash provided by operating activities	<u><u>\$43,449</u></u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

BLENDED COMPONENT UNIT

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

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Special Revenue Funds

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

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

Capital Project Funds

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

Proprietary Funds

Enterprise Fund

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

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

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

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

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

MEASUREMENT FOCUS

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

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

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

BASIS OF ACCOUNTING

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

BASIS OF ACCOUNTING, (Cont.)

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

CAPITAL ASSETS

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

Government-Wide Statements

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

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Government-Wide Statements, (Cont.)

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

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

Fund Financial Statements

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

LONG-TERM DEBT

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

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

EQUITY CLASSIFICATION

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Government-Wide Statements, (Cont.)

- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

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

Fund Financial Statements

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

1. E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

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

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

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

OPERATING REVENUE AND EXPENSES

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS. (Cont.)

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

1.G. FUND EQUITY

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

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

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

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

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

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

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

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

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, 2017. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

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

Custody Credit Risk Category

Type of Deposits	Balance	Total Bank			
		1	2	3	
Insured deposits	250,000	250,000	-	-	
Uninsured deposits					
Collateralized	478,266	-	478,266	-	
Uncollateralized	-	-	-	-	
					Total Carrying Value
Total Deposits	728,266	250,000	478,266	-	<u>721,222</u>
Petty Cash					<u>400</u>
					<u>721,622</u>
<u>Reconciliation to Government-Wide Statements of Net Position:</u>					
					<u>721,622</u>
					<u>Cash and cash equivalents</u>

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

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

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

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$58,825. Additionally, a certificate of deposit is held for debt service on the OWRB promissory note in the amount of \$15,000. Also, the amounts held to comply with the RUS water and sewer project debt service requirements are \$53,627 in the debt reserve account and \$56,489 in the short lived asset reserve account.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

2.C. CAPITAL ASSETS

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

	<i>Balance at July 1, 2016</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2017</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	0	0	10,000
Total capital assets not being depreciated	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>
Other capital assets:				
Buildings	221,401	0	0	221,401
Vehicles	108,352	0	0	108,352
Machinery and equipment	762,691	41,679	0	804,370
Infrastructure	537,289	0	0	537,289
Total other capital assets at historical cost	<u>1,629,733</u>	<u>41,679</u>	<u>0</u>	<u>1,671,412</u>
Less accumulated depreciation for:				
Buildings	139,202	5,431	0	144,633
Vehicles	57,609	19,643	0	77,252
Machinery and equipment	528,559	36,677	0	565,236
Infrastructure	422,927	9,689	0	432,616
Total accumulated depreciation	<u>1,148,297</u>	<u>71,440</u>	<u>0</u>	<u>1,219,737</u>
Other capital assets, net	<u>481,436</u>	<u>(29,761)</u>	<u>0</u>	<u>451,675</u>
Governmental activities capital assets, net	<u>491,436</u>	<u>(29,761)</u>	<u>0</u>	<u>461,675</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	16,000	0	0	16,000
Construction-in-process	0	0	0	0
Total capital assets not being depreciated	<u>16,000</u>	<u>0</u>	<u>0</u>	<u>16,000</u>
Other capital assets:				
Buildings	22,370	0	0	22,370
Machinery and equipment	243,113	0	0	243,113
Utility property & improvements	7,821,347	67,907	0	7,889,254
Total other capital assets at historical cost	<u>8,086,830</u>	<u>67,907</u>	<u>0</u>	<u>8,154,737</u>
Less accumulated depreciation for:				
Buildings	7,943	617	0	8,560
Machinery and equipment	189,324	15,500	0	204,824
Utility property & improvements	2,894,609	198,619	0	3,093,228
Total accumulated depreciation	<u>3,091,876</u>	<u>214,736</u>	<u>0</u>	<u>3,306,612</u>
Other capital assets, net	<u>4,994,954</u>	<u>(146,829)</u>	<u>0</u>	<u>4,848,125</u>
Business-type activities capital assets, net	<u>5,010,954</u>	<u>(146,829)</u>	<u>0</u>	<u>4,864,125</u>

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

Primary Government	
Government Activities:	
General Government	3,172
Police	22,009
Fire	27,770
Street & Alley	14,574
Animal Control	66
Library	851
Emergency Management	2,998
Total depreciation expense for governmental activities	<u>71,440</u>
Business-Type Activities:	
Administration	319
Water	90,054
Sewer	124,363
Total depreciation expense for business-type activities	<u>214,736</u>

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

2.D. LONG-TERM DEBT

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

GOVERNMENTAL ACTIVITIES

Lease Purchase Obligations

As of June 30, 2017, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease purchase obligations due Welch State Bank:

3.64% interest with 120 monthly payments of a principal and interest of 1,496 due April 15, 2022, secured by 2012 International 4400 Commercial Rescue Pumper. Scheduled debt service payments to the Fire Fund. \$ 79,302

Total Lease Purchases Outstanding \$ 79,302

Current portion	\$ 15,316
Non-current portion	<u>63,986</u>
Total Notes Payable	\$ <u>79,302</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2017, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Notes Payable:

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

BUSINESS-TYPE ACTIVITIES, (Cont.)

Promissory Note to the Oklahoma Water Resources Board in the amount of 287,364 with a 2.495% interest and a .5% administration fee. Interest and principal payments are due semiannually with a stated principal payment of \$8,875 beginning September 15, 2003. The note proceeds are for sewer system improvements. 99,532

Note due to Rural Utilities Service Department of Agriculture in the amount of \$3,241,000. The note was completely funded on April 9, 2014. The note is for the purpose of providing a portion of the cost of acquiring and constructing of Arkoma Municipal Authority water and sewer improvements. The original principal amount of \$3,241,000 will have a fixed interest rate of 2.125% with 480 monthly payments of principal and interest of \$10,048 due June 2053. 2,993,969

Total Notes Payable Outstanding \$ 3,093,501

Current portion	\$ 72,673
Non-current portion	<u>3,020,828</u>
Total Notes Payable	\$ <u>3,093,501</u>

Refundable Deposits:

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

Utility Deposits –Refundable	\$ <u>62,321</u>
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CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

Type of Debt	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	94,076		14,774	79,302	15,316
Business-Type Activities:					
Refundable Deposits	61,080	15,032	13,791	62,321	
Notes Payable	3,164,709		71,208	3,093,501	72,673
Total Business-Type Activities:	3,319,865	15,032	99,773	3,235,124	87,989

TOWN OF ARKOMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2017, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2018	15,316.14	2,632.74	72,672.81	65,453.19
2019	15,883.04	2,065.84	74,287.54	63,838.46
2020	16,470.92	1,477.96	75,938.29	62,187.71
2021	17,080.56	868.32	77,625.92	60,500.08
2022	14,551.52	241.66	79,351.19	58,774.81
2023-2027			353,612.71	269,483.52
2028-2032			371,169.70	231,710.30
2033-2037			412,739.01	190,140.99
2038-2042			458,963.83	143,916.17
2043-2047			510,365.69	92,514.31
2048-2052			567,524.30	35,355.70
2053			39,249.89	155.47
Total	<u>79,302.18</u>	<u>7,286.52</u>	<u>3,093,500.88</u>	<u>1,274,030.71</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The Municipal Authority's OWRB Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The agreement OWRB contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service and a debt reserve fund of 10% of the note balance. As of June 30, 2017 the Authority's meets the debt service coverage percentage. The Authority's reserve balance for the OWRB debt is \$15,000 and RUS debt is \$53,627 both meeting the promissory note requirements.

The Municipal Authority's RUS Promissory Notes are collateralized by the revenue of the Arkoma Municipal Authority Water and Sewer System. The Authority is required to set aside at least 10% of the annual debt service in a debt reserve account. The Authority is required to monthly deposit \$1,055 beginning January 2017 into the debt reserve until a balance of \$298,600 is reached. The Authority began the year with \$121,069 has added monthly deposits of \$6,030 and interest of \$158 less expenditures for replacement assets of \$73,630 leaving a ending balance of \$53,627 in the short lived asset reserve account as of June 30, 2017. The Authority is required to monthly deposit \$1,255 beginning April 2014 into a short lived asset reserve account until a balance of \$316,853 is reached. The Authority began the year with \$64,277 has added monthly deposits of \$15,060 and interest of \$99 less expenditures for replacement assets of \$22,947 leaving a ending balance of \$56,489 in the short lived asset reserve account as of June 30, 2017.

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

2.E. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2017, were as follows:

<u>MAJOR FUNDS:</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Fire Fund	\$ 6,000	\$ -
Total General Fund	<u>6,000</u>	<u>-</u>
STREET FUND:		
Arkoma Municipal Authority	-	15,535
Total Street Fund	<u>-</u>	<u>15,535</u>
FIRE FUND:		
General Fund	-	6,000
Total Fire Fund	<u>-</u>	<u>6,000</u>
ARKOMA MUNICIPAL AUTHORITY:		
Street Fund	15,535	-
Total Street Fund	<u>15,535</u>	<u>-</u>
GRAND TOTALS	<u>\$ 21,535</u>	<u>\$ 21,535</u>

INTERFUND BALANCES

At June 30, 2017, the General Fund owed the Street Fund \$582, the Fire Fund \$1,164 and the Arkoma Municipal Authority \$3,366.

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Rural Fire Defense Grant - The Town received a grant of \$3,817 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

TOWN OF ARKOMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

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, 2016 thru June 30, 2017 the Town of Arkoma Fire Department had a beginning balance of \$37,421.38 the department has been appropriated \$29,437.64 for its benefit and has expended \$16,391.56 leaving a balance of \$50,467.46 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

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

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	Oklahoma Firefighter's Pension and <u>Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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 and made for each of the past three fiscal years are:

2015	\$ 900
2016	\$ 960
2017	\$ 960

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

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Agent Multiple-Employer, Defined Contribution Plan

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

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

The Town's total payroll in the fiscal year 2017 was \$269,569. The Town's contributions were calculated using the base salary amount of \$194,469. Both the Town and the covered employees made the required contribution of 3% and 1% respectively.

The employer required contributions from the current year wages amounted to \$5,833. The covered employees required contributions amounted to \$1,944 and additional voluntary contributions above the required 1% totaled \$4,682 for total plan employee/employer contributions of \$12,459.

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

Related-Party Investments

As of June 30, 2017, the System held no related-party investments of the Town or of its component units.

3.D. RISK MANAGEMENT

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

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The Town manages these various risks of loss as follows:

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

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

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

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2017, the City had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$5,355 at June 30, 2017, can be summarized as follows:

	<u>Town</u>	<u>Street & Alley</u>	<u>AMA</u>	<u>Total</u>
Vacation	\$ 4,388	\$ 0	\$ 967	\$ 5,355

TOWN OF ARKOMA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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.

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, 2017.

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”).

**BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<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	62,032	62,032	62,032	-
Revenues:				
Taxes				
Sales tax	32,750	38,000	32,760	(5,240)
Use tax	16,000	23,000	21,719	(1,281)
Franchise tax	70,000	70,000	63,524	(6,476)
Cigarette tax	1,000	1,100	1,166	66
Total Taxes	<u>119,750</u>	<u>132,100</u>	<u>119,169</u>	<u>(12,931)</u>
Intergovernmental:				
Alcoholic beverage tax	15,000	15,000	17,260	2,260
Grants	0	0	0	0
Total Intergovernmental	<u>15,000</u>	<u>15,000</u>	<u>17,260</u>	<u>2,260</u>
Charges for services	<u>100</u>	<u>100</u>	<u>136</u>	<u>36</u>
Fines and forfeitures				
Court Fines	132,000	132,000	99,551	(32,449)
Total Fines and Forfeitures	<u>132,000</u>	<u>132,000</u>	<u>99,551</u>	<u>(32,449)</u>
Licenses and Permits	<u>5,000</u>	<u>4,500</u>	<u>6,560</u>	<u>2,060</u>
Interest Income	<u>500</u>	<u>500</u>	<u>240</u>	<u>(260)</u>
Miscellaneous:				
Oil & Gas Royalties	0	0	102	102
Donations	0	0	832	832
Misc. Revenue	25,000	20,000	23,964	3,964
Total Miscellaneous	<u>25,000</u>	<u>20,000</u>	<u>24,898</u>	<u>4,898</u>
Other Financing Sources:				
Transfers from other funds	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Amounts available for appropriation	<u>359,382</u>	<u>366,232</u>	<u>335,846</u>	<u>(30,386)</u>

TOWN OF ARKOMA, OKLAHOMA
BUDETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<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	19,063	19,063	15,959	3,104
Materials and supplies	400	500	1,328	(828)
Other services and charges	6,000	6,000	7,433	(1,433)
Capital outlay	0	0	0	0
Total General Government	<u>25,463</u>	<u>25,563</u>	<u>24,720</u>	<u>843</u>
Police:				
Personal services	192,481	192,481	207,733	(15,252)
Materials and supplies	18,300	18,300	14,485	3,815
Other services and charges	45,600	46,500	42,066	4,434
Capital outlay	5,000	5,000	0	5,000
Total Police	<u>261,381</u>	<u>262,281</u>	<u>264,284</u>	<u>(2,003)</u>
Library:				
Materials and supplies	200	200	0	200
Other services and charges	800	800	999	(199)
Total Library	<u>1,000</u>	<u>1,000</u>	<u>999</u>	<u>1</u>
Emergency Management:				
Other services and charges	500	100	245	(145)
Total Emergency Management	<u>500</u>	<u>100</u>	<u>245</u>	<u>(145)</u>
Other Financing Sources:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	<u>288,344</u>	<u>288,944</u>	<u>290,248</u>	<u>(1,304)</u>
Ending Budgetary Fund Balance	<u>71,038</u>	<u>77,288</u>	<u>45,598</u>	<u>(31,690)</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SPECIAL REVENUE FUNDS				
STREET AND ALLEY				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	456,846	456,846	456,846	0
Resources (Inflows):				
Taxes	26,000	26,000	32,760	6,760
Intergovernmental	15,500	15,500	18,331	2,831
Interest	700	700	763	63
Miscellaneous	1,000	1,000	647	(353)
Amounts available for appropriation	<u>500,046</u>	<u>500,046</u>	<u>509,347</u>	<u>9,301</u>
Charges to appropriations (Outflows):				
Street:				
Personal services	22,624	23,937	19,745	4,192
Materials and supplies	15,400	15,400	67,615	(52,215)
Other services and charges	21,800	21,800	19,614	2,186
Capital outlay	50,000	200,000	36,884	163,116
Total Street	<u>109,824</u>	<u>261,137</u>	<u>143,858</u>	<u>117,279</u>
Other Financing Uses:				
Transfers to other funds	0	0	(15,535)	(15,535)
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>(15,535)</u>	<u>(15,535)</u>
Total Charges to Appropriations	109,824	261,137	159,393	132,814
Ending Budgetary Fund Balance	<u>390,222</u>	<u>238,909</u>	<u>349,954</u>	<u>142,115</u>

SPECIAL REVENUE FUNDS				
FIRE				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	106,513	106,513	106,513	0
Resources (Inflows):				
Taxes	26,000	26,000	32,760	6,760
Intergovernmental	0	0	3,817	3,817
Charges for services	500	500	2,500	2,000
Interest	200	200	193	(7)
Miscellaneous	4,000	4,000	5,057	1,057
Amounts available for appropriation	<u>137,213</u>	<u>137,213</u>	<u>150,840</u>	<u>13,627</u>
Charges to appropriations (Outflows):				
Fire:				
Personal services	15,909	15,909	12,477	3,432
Materials and supplies	6,500	6,500	3,776	2,724
Other services and charges	16,100	16,100	14,303	1,797
Capital outlay	5,000	5,000	4,795	205
Debt service	18,000	18,000	17,949	51
Total Fire	<u>61,509</u>	<u>61,509</u>	<u>53,300</u>	<u>8,209</u>
Other Financing Uses:				
Transfers to other funds	0	0	(6,000)	(6,000)
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>(6,000)</u>	<u>6,000</u>
Total Charges to Appropriations	61,509	61,509	59,300	2,209
Ending Budgetary Fund Balance	<u>75,704</u>	<u>75,704</u>	<u>91,540</u>	<u>15,836</u>

TOWN OF ARKOMA, OKLAHOMA

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2017

Budget Law

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

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

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

Basis of Accounting

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

OTHER SUPPLEMENTARY INFORMATION

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

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

June 30, 2017

SPECIAL REVENUE FUNDS

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

TOWN OF ARKOMA, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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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 Arkoma, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arkoma, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Arkoma, Oklahoma's basic financial statements, and have issued our report thereon dated June 27, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected

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and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

June 27, 2018