

**TOWN OF EAST DUKE, OKLAHOMA
DUKE, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2015**

TOWN OF EAST DUKE, OKLAHOMA
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TOWN OF EAST DUKE, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Dennis Hennessey, Mayor

Herbert Turner, Vice-Mayor

Todd Warren

Victoria Bustos

Roger Herron

TOWN CLERK

Cheyenne Houska

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David O. Tate

Certified Public Accountant
112 North Oklahoma, Suite A
Mangum, Oklahoma 73554

Independent Auditor's Report

The governing body of the
Town of East Duke

Report on the financial statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of East Duke as of and for the year ended June 30, 2015, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. Those standards require that I 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the Town of East Duke as of June 30, 2015 and respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 24, 2015, on my consideration of the Town of East Duke's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of East Duke's internal control over financial reporting and compliance.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 and budgetary comparison information on page 29 be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information previously referred to in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant
November 24, 2015

Our discussion and analysis of the Town of Duke's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Summary

- For the fiscal year ended June 30, 2015, the Town's total net position of \$1,830,547 decreased by \$9,258 or 1% from the prior year net position of \$1,839,805.
- During the year, Town's expenses for governmental activities amounted to \$127,118 and were funded by program revenues of \$30,680 and further funded programs with taxes and other general revenues totaling \$42,261.
- In the Town's business-type activities, program revenues exceeded program expenses by \$20,036. After funding transfers to governmental activities, business-type activities noted a \$996 increase in net position, a 0% year over year change.
- At June 30, 2015, total governmental funds reported an unassigned fund balance of \$70,978, an increase over prior year of \$11,052.

Overview of the Financial Statements

This discussion and analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the statement of net position. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the statement of activities, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions of the revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general governments, public safety, public services, and culture and recreation. Business-type activities include water utilities, solid waste management, and wastewater utilities.

The Town's financial reporting entity includes the funds and blended organizations of the Town (primary government). These legally separate organizations operate like Town departments, serve as financing vehicles for Town services, or are governed by a Board of Trustees wholly comprised of the Town's Mayor and Council. These organizations are blended into the primary government for financial reporting purposes. The Duke Municipal Authority a blended organization.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

Governmental funds

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with the fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating accrual financing requirements of the governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as utilities.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds and individual component units.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to gain a full understanding of the government-wide and fund financial statements. The notes of the financial statements begin immediately following the basic financial statements.

Other information

Major funds and component units are reported in the basic financial statements as discussed.

**TOWN OF EAST DUKE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015**

Financial Analysis of the Town as a Whole

Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at June 30, 2015 was \$1,830,547. Refer to the summary below for comparison to prior year.

Summary of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>		
Current assets	\$ 240,524	\$ 377,431	\$ 268,749	\$ 310,465	\$ 509,273	\$ 687,896	\$ (178,623)	-26%
Capital assets, net	-	2,444	1,529,025	1,580,182	1,529,025	1,582,626	(53,601)	-3%
Total assets	\$ 240,524	\$ 379,875	\$ 1,797,774	\$ 1,890,647	\$ 2,038,298	\$ 2,270,522	\$ (232,224)	-10%
Current liabilities	\$ 65,192	\$ 196,733	\$ (37,007)	\$ 34,345	\$ 28,185	\$ 231,078	\$ (202,893)	-88%
Non-current liabilities	-	-	179,566	202,083	179,566	202,083	(22,517)	-11%
Total liabilities	\$ 65,192	\$ 196,733	\$ 142,559	\$ 236,428	\$ 207,751	\$ 433,161	\$ (225,410)	-52%
Net position								
Net investment in capital assets	\$ -	\$ 2,444	\$ 1,344,368	\$ 1,374,934	\$ 1,344,368	\$ 1,377,378	\$ (33,010)	-2%
Restricted	104,354	172,090	13,300	126,475	117,654	298,565	(180,911)	-61%
Unrestricted	70,978	11,052	297,547	152,810	368,525	163,862	204,663	125%
Total net position	\$ 175,332	\$ 185,586	\$ 1,655,215	\$ 1,654,219	\$ 1,830,547	\$ 1,839,805	\$ (9,258)	-1%

The Town reported positive balances in total net position for both governmental and business-type activities. Total assets decreased as liquid assets were used to pay down current obligations of the Town, resulting in a decrease in the total liabilities for the municipality. Net position for the Town remained consistent with prior year, noting a 1% change.

TOWN OF EAST DUKE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2015

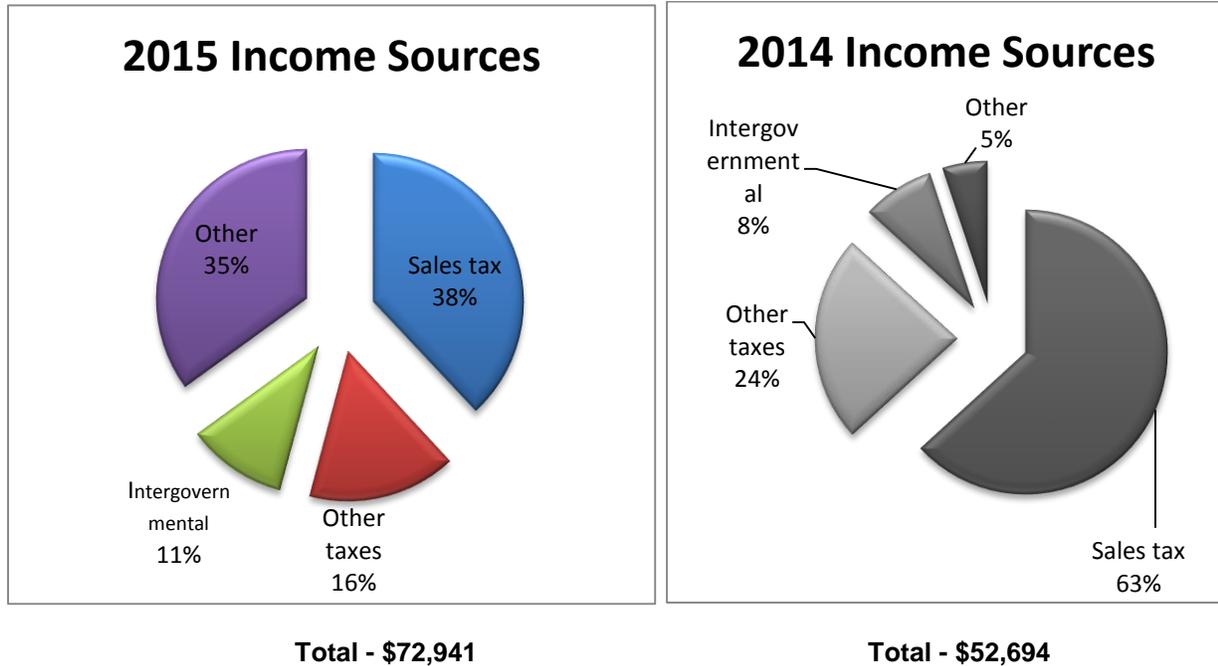
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2015	2014	2015	2014	2015	2014		
Revenues								
Program revenues	\$ 30,680	\$ 5,765	\$ 747,735	\$ 739,795	\$ 778,415	\$ 745,560	\$ 32,855	4%
Taxes and other general revenues	41,087	41,801	25,425	2,521	66,512	44,322	22,190	50%
Total revenues	71,767	47,566	773,160	742,316	844,927	789,882	55,045	7%
Expenses								
General government	61,006	37,984	-	-	61,006	37,984	23,022	61%
Public safety and judiciary	57,448	53,008	-	-	57,448	53,008	4,440	8%
Transportation	3,955	322	-	-	3,955	322	3,633	1128%
Cultural, parks, and recreation	4,709	1,948	-	-	4,709	1,948	2,761	142%
Water	-	-	565,034	520,584	565,034	520,584	44,450	9%
Sewer	-	-	41,286	32,929	41,286	32,929	8,357	25%
Sanitation	-	-	61,190	61,802	61,190	61,802	(612)	-1%
Customer service	-	-	60,189	78,722	60,189	78,722	(18,533)	-24%
Total expenses	127,118	93,262	727,699	694,037	854,817	787,299	67,518	8%
Excess (deficiency) before transfers	(55,351)	(45,696)	45,461	48,279	(9,890)	2,583	(12,473)	126%
Investment Income	597	606	35	32	632	638	(6)	-1%
Transfers	44,500	53,800	(44,500)	(53,800)	-	-	-	0%
Increase (decrease) in net position	\$ (10,254)	\$ 8,710	\$ 996	\$ (5,489)	\$ (9,258)	\$ 3,221	\$ (12,479)	135%

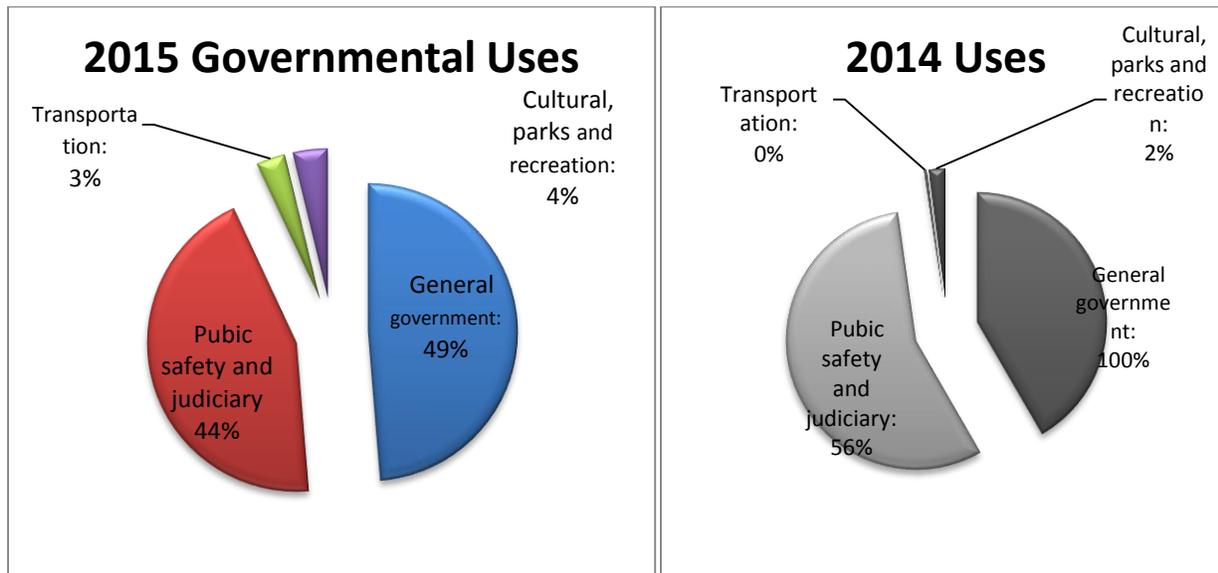
Overall, total revenues increased 7%, which is attributed to insurance reimbursement received in the current year coupled with increase in utility billing revenues generated by the Town's business-type activities. Correspondingly, operating expenses increased 8% compared to prior year resulting from the additional demand on the utility systems in water production.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2015.

Governmental Activities

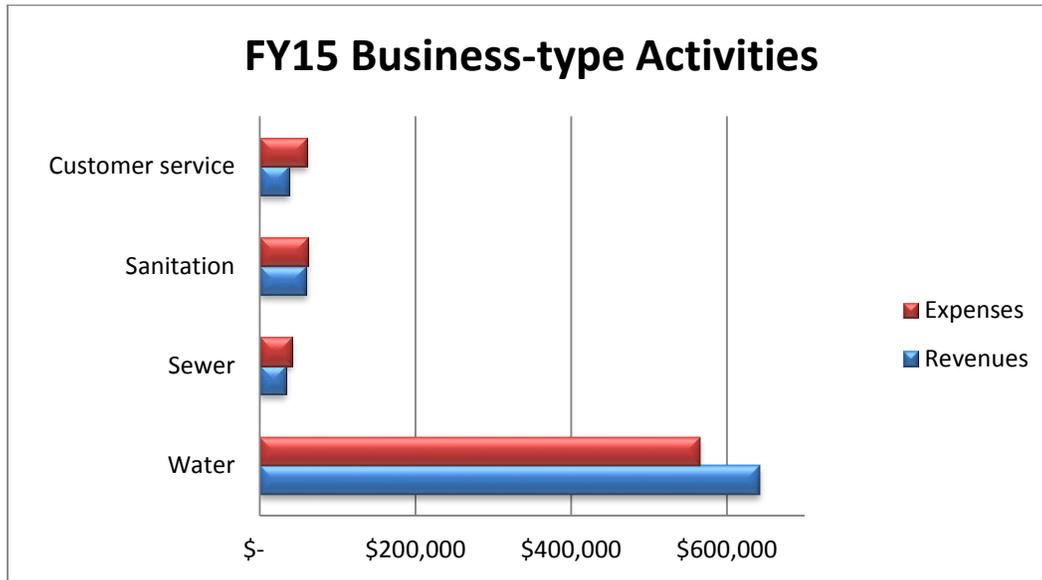


Sales tax provided for 38% of the City's governmental revenues in fiscal year 2015, down from 63% in 2014. This change is due to the significant increase in insurance reimbursement received in fiscal year 2015, which is shown in other income (35%) above.



This graph shows the total governmental activities cost of \$125,251 for 2015. Of this amount, general government expense of \$61,006 was the largest operating service cost, at 49% of total cost of services in 2015. These costs, as well as all governmental activities expense, were primarily funded by grant revenues and taxes.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with no user charges.

Financial Analysis of the Town's Funds

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2015 was \$92,713. Council approved budget amendments during the fiscal year increasing the budget by \$47,274, for a final amended budget of \$139,987, prior to transfers. The Town did not adopt a budget for fiscal year 2015. The General Fund budget complied with financial policies approved by the Town.

Capital Asset and Debt Administration

Capital Assets

Town's net investment in capital assets, for governmental and business-type activities as of June 30, 2015 was \$0 and \$1,529,025 respectively. Refer to the table below for a summary of assets.

Primary Government Capital Assets (net of accumulated depreciation)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ -	\$ -	\$ 29,645	\$ 29,645	\$ 29,645	\$ 29,645
Machinery & equipment	-	2,444	4,440	1,616	4,440	4,060
Utility property & improvements	-	-	1,494,940	1,548,921	1,494,940	1,548,921
Totals	\$ -	\$ 2,444	\$ 1,529,025	\$ 1,580,182	\$ 1,529,025	\$ 1,582,626

Long-Term Debt

At the end of the fiscal year, the Town had \$179,566 in long-term debt outstanding attributable to the business-type activities. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Business-type	
	<u>Activities</u>	
	<u>2015</u>	<u>2014</u>
Notes payable	\$ 184,657	\$ 189,523
Revenue bonds	-	15,725
	<hr/>	<hr/>
subtotal	184,657	205,248
less current portion	(5,091)	(20,592)
Totals	<u><u>\$ 179,566</u></u>	<u><u>\$ 184,656</u></u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the Oklahoma Economic Report, "revenue growth from the past year has been erased and indications are the situation is going to get worse before it gets better" stated by State Treasurer, Ken Miller in October 2015. The economic environment of the state sheds light on the local economy.

The Town of East Duke (the "Town") is striving to continue to provide the best possible service with the limited resources available. Fiscal year 2016 will reflect an increase in water and sewer utility rates for the Town to cover the cost of providing services to the citizens. The Town has anticipated no growth in the sales tax base and no capital additions to the Town's infrastructure.

The Town will focus on priorities established by the elected officials for the upcoming fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at PO Box 340, Duke, Oklahoma, 73532 or phone at (580) 679-3400.

Town of East Duke, Oklahoma
Statement of Net Position
June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 36,301	\$ 188,924	\$ 225,225
Investments, including time deposits	177,000	-	177,000
Taxes receivable	2,822	-	2,822
Accounts receivable (net)	-	64,126	64,126
Prepaid assets	1,544	2,399	3,943
Total current assets	<u>217,667</u>	<u>255,449</u>	<u>473,116</u>
Restricted assets:			
Cash and cash equivalents	22,857	13,300	36,157
Total restricted assets	<u>22,857</u>	<u>13,300</u>	<u>36,157</u>
Noncurrent Assets:			
Land and construction in progress	-	29,645	29,645
Other capital assets (net of accumulated depreciation)	-	1,499,380	1,499,380
Total noncurrent assets	<u>-</u>	<u>1,529,025</u>	<u>1,529,025</u>
Total assets	<u>\$ 240,524</u>	<u>\$ 1,797,774</u>	<u>\$ 2,038,298</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,000	\$ -	\$ 3,000
Payroll liabilities	175	351	526
Due to other funds	62,017	(62,017)	-
Notes payable, current	-	5,091	5,091
Total current liabilities	<u>65,192</u>	<u>(56,575)</u>	<u>8,617</u>
Liabilities payable from restricted assets:			
Customer deposits payable	-	19,568	19,568
Total liabilities payable from restricted assets	<u>-</u>	<u>19,568</u>	<u>19,568</u>
Noncurrent liabilities:			
Notes payable, non-current	-	179,566	179,566
Total noncurrent liabilities	<u>-</u>	<u>179,566</u>	<u>179,566</u>
Total liabilities	<u>65,192</u>	<u>142,559</u>	<u>207,751</u>
NET POSITION			
Net investment in capital assets	-	1,344,368	1,344,368
Restricted	104,354	13,300	117,654
Unrestricted	70,978	297,547	368,525
Total net position	<u>\$ 175,332</u>	<u>\$ 1,655,215</u>	<u>\$ 1,830,547</u>

Town of East Duke, Oklahoma
Statement of Activities
June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 61,006	\$ 272	\$ 3,500	\$ 19,747	\$ (37,487)
Total general government	<u>61,006</u>	<u>272</u>	<u>3,500</u>	<u>19,747</u>	<u>(37,487)</u>
Public safety and judiciary:					
Police	51,751	-	500	-	(51,251)
Fire	5,697	-	-	-	(5,697)
Total public safety and judiciary	<u>57,448</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>(56,948)</u>
Transportation:					
Street	3,955	-	3,886	-	(69)
Total transportation	<u>3,955</u>	<u>-</u>	<u>3,886</u>	<u>-</u>	<u>(69)</u>
Cultural, parks and recreation:					
Park	945	-	-	-	(945)
Community Building	3,764	2,775	-	-	(989)
Total cultural, parks and recreation	<u>4,709</u>	<u>2,775</u>	<u>-</u>	<u>-</u>	<u>(1,934)</u>
Total governmental activities	<u>127,118</u>	<u>3,047</u>	<u>7,886</u>	<u>19,747</u>	<u>(96,438)</u>
Business-type activities:					
Utility services:					
Water	565,034	641,761	-	-	76,727
Sewer	41,286	33,958	-	-	(7,328)
Sanitation	61,190	59,641	-	-	(1,549)
Customer service	60,189	12,375	-	-	(47,814)
Total business-type activities	<u>727,699</u>	<u>747,735</u>	<u>-</u>	<u>-</u>	<u>20,036</u>
Total primary government	<u>\$ 854,817</u>	<u>\$ 750,782</u>	<u>\$ 7,886</u>	<u>\$ 19,747</u>	<u>\$ (76,402)</u>

Town of East Duke, Oklahoma
Statement of Activities (continued)
June 30, 2015

Changes in Net Position:	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (96,438)	\$ 20,036	\$ (76,402)
General revenues:			
Taxes:			
Sales taxes	27,774	-	27,774
Franchise taxes	9,143	-	9,143
Alcoholic beverage tax	2,258	-	2,258
Cigarette tax	329	-	329
Investment income	597	35	632
Loss on sale of assets	(577)	-	(577)
Miscellaneous	2,160	25,425	27,585
Transfers - Internal activity, net	44,500	(44,500)	-
Total general revenues and transfers	86,184	(19,040)	67,144
 Change in net position	 (10,254)	 996	 (9,258)
 Net position-beginning	 185,586	 1,654,219	 1,839,805
Net position-ending	\$ 175,332	\$ 1,655,215	\$ 1,830,547

**Town of East Duke, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2015**

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 36,301	\$ -	\$ 36,301
Investments, including time deposits	177,000	-	177,000
Restricted cash	6,472	16,385	22,857
Prepaid Assets	1,544	-	1,544
Taxes Receivable	2,822	-	2,822
Due from other funds	60,279	18,396	78,675
Total assets	<u>\$ 284,418</u>	<u>\$ 34,781</u>	<u>\$ 319,199</u>
LIABILITIES			
Accounts payable	\$ 3,000	\$ -	\$ 3,000
Due to other funds	140,692	-	140,692
Payroll liabilities	175	-	175
Total liabilities	<u>143,867</u>	<u>-</u>	<u>143,867</u>
FUND BALANCES			
Nonspendable	\$ 63,101	\$ 18,396	\$ 81,497
Restricted	6,472	16,385	22,857
Unassigned	70,978	-	70,978
Total fund balances	<u>140,551</u>	<u>34,781</u>	<u>175,332</u>
Total liabilities and fund balances	<u>\$ 284,418</u>	<u>\$ 34,781</u>	<u>\$ 319,199</u>
Total fund balance- total governmental funds			\$ 175,332

Amounts reported for governmental activities in the Statement of Net Position are different because:

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.

Capital assets	10,334	
Less: Accumulated depreciation	<u>(10,334)</u>	<u>-</u>
Net position of governmental activities		<u>\$ 175,332</u>

Town of East Duke, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Sales tax	\$ 27,774	\$ -	\$ 27,774
Beverage tax	2,258	-	2,258
Franchise taxes	9,143	-	9,143
Cigarette tax	329	-	329
Licenses and permits	3,047	-	3,047
Investment income	597	-	597
Intergovernmental	4,000	3,886	7,886
Miscellaneous	21,907	-	21,907
Total revenues	<u>69,055</u>	<u>3,886</u>	<u>72,941</u>
<u>EXPENDITURES</u>			
General government:			
Materials and supplies	1,904	-	1,904
Other services and charges	59,102	-	59,102
Total general government	<u>61,006</u>	<u>-</u>	<u>61,006</u>
Fire:			
Personal Services	900	-	900
Materials and supplies	821	-	821
Other services and charges	3,976	-	3,976
Total fire	<u>5,697</u>	<u>-</u>	<u>5,697</u>
Police:			
Personal Services	45,857	-	45,857
Materials and supplies	2,718	-	2,718
Other services and charges	1,309	-	1,309
Total police	<u>49,884</u>	<u>-</u>	<u>49,884</u>
Community Building:			
Materials and supplies	356	-	356
Other services and charges	3,408	-	3,408
Total community building	<u>3,764</u>	<u>-</u>	<u>3,764</u>
Parks and Recreation			
Other services and charges	945	-	945
Total parks and recreation	<u>945</u>	<u>-</u>	<u>945</u>
Street:			
Other services and charges	-	3,955	3,955
Total street	<u>-</u>	<u>3,955</u>	<u>3,955</u>
Total expenditures	<u>121,296</u>	<u>3,955</u>	<u>125,251</u>
Excess (deficiency) of revenues over expenditures	<u>(52,241)</u>	<u>(69)</u>	<u>(52,310)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	44,500	21,631	66,131
Transfer out	(21,631)	-	(21,631)
Total other financing sources and uses	<u>22,869</u>	<u>21,631</u>	<u>44,500</u>
Net change in fund balances	(29,372)	21,562	(7,810)
Fund balances - beginning	169,923	13,219	183,142
Fund balances - ending	<u>\$ 140,551</u>	<u>\$ 34,781</u>	<u>\$ 175,332</u>

Town of East Duke, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

Reconciliation of the change in fund balances - total governmental funds
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ (7,810)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Depreciation expense (1,867)

In the statement of activities, the loss on the disposal of assets is reported,
whereas in the governmental funds, the proceeds from the sale increase financial
resources. The change in net position differs from the change in fund balance
by the cost of the assets disposed, net of related accumulated depreciation.

Loss on disposal of assets - government-wide (577)

Change in Net Position of Governmental Activities \$ (10,254)

Town of East Duke, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Duke Municipal Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 188,924
Accounts receivable (net)	64,126
Due from other funds	122,749
Prepaid assets	2,399
Total	<u>378,198</u>
Restricted assets:	
Cash and cash equivalents	13,300
Total restricted assets	<u>13,300</u>
Noncurrent assets:	
Capital assets (net)	1,529,025
Total noncurrent assets	<u>1,529,025</u>
Total assets	<u>\$ 1,920,523</u>
LIABILITIES	
Current liabilities:	
Due to other funds	\$ 60,732
Payroll liabilities	351
Notes payable, current	5,091
Total current liabilities	<u>66,174</u>
Liabilities payable from restricted assets:	
Customer deposits payable	19,568
Total liabilities payable from restricted assets	<u>19,568</u>
Noncurrent liabilities:	
Notes payable, non-current	179,566
Total noncurrent liabilities	<u>179,566</u>
Total liabilities	<u>265,308</u>
NET POSITION	
Invested in capital assets, net of related debt	1,344,368
Restricted	13,300
Unrestricted	297,547
Total net position	<u><u>\$ 1,655,215</u></u>

Town of East Duke, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities
	Duke Municipal Authority
<u>Operating revenues:</u>	
Charges for services:	
Water charges	\$ 641,761
Sewer charges	33,958
Sanitation charges	59,641
Total charges for services	735,360
Miscellaneous	25,425
Penalty	12,375
Total operating revenues	773,160
 <u>Operating expenses:</u>	
Cost of Goods Sold	480,618
Personal services	72,671
Materials and supplies	34,470
Other services and charges	74,302
Depreciation and amortization	55,657
Total operating expenses	717,718
Net operating income	\$ 55,442
 <u>Nonoperating revenue (expense):</u>	
Investment income	35
Bad debt expense	(742)
Interest expense	(9,239)
Total nonoperating revenue (expense)	(9,946)
Net income before contributions and transfers	45,496
Transfers to other funds, net	(44,500)
Change in net position	996
Net position-beginning of year	1,654,219
Net position-end of year	\$ 1,655,215

**Town of East Duke, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015**

	Business-type Activities
	Duke Municipal Authority
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 742,113
Payments to suppliers	(630,258)
Payments to employees	(86,073)
Other operating revenues	25,425
Net cash provided (used) by operating activities	51,207
<u>Cash flows from non-capital financing activities:</u>	
Transfers to other funds	(44,500)
Net cash provided (used) by non-capital financing activities	(44,500)
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(4,500)
Principal paid on capital debt	(20,592)
Interest paid on capital debt	(9,239)
Net cash provided (used) by capital and related financing activities	(34,331)
<u>Cash flows from investing activities:</u>	
Investment income	35
Net cash provided (used) by investing activities	35
Net increase (decrease) in cash and cash equivalents	(27,589)
Cash and cash equivalents, July 1, 2014	216,513
Cash and cash equivalents, June 30, 2015	\$ 188,924
Cash, including time deposits	\$ 188,924
Total cash and cash equivalents, end of year	\$ 188,924
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 55,442
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	55,657
Bad debt expense	(742)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,880)
(Increase) decrease in due from other funds	(40,610)
(Increase) decrease in prepaid assets	(2,399)
Increase (decrease) in wages & benefits payable	(13,402)
Increase (decrease) in deposits subject to refund	2,141
Net cash provided (used) by operating activities	\$ 51,207

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety, street maintenance, utility (sanitation, water and sewer), culture-recreation, public improvements, and general administrative services.

The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Duke. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Duke.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Unit Reported with Primary Government:

Duke Municipal Authority (the "Authority") – was created April 1, 1968 under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides water, sewer, and trash services to the citizens of East Duke. Accounts of the Authority are recorded in business-type activities.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities which display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Individual funds are not displayed by the statements. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The Town has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough

thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Date of Management's Review

Subsequent events were evaluated through November 24, 2015, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is 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 another fund.

Major Proprietary Funds

Duke Municipal Authority

The Duke Municipal Authority (DMA) accounts for transactions relating to utility services including water, sewer, and sanitation.

Management has elected to report all funds as major in the fund financial statements. This election is in accordance with GASB reporting models.

D. Budgets and Budgetary Accounting

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Receivables and Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Sales and use tax are considered fully collectable. Only customer receivables that were collected within 30 days of year end were recorded. No allowance for uncollectible accounts was recorded.

Property, Plant and Equipment

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

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|-------------------------------------|-------------|
| • Buildings | 40-50 years |
| • Other improvements | 10-25 years |
| • Machinery, furniture & equipment | 3-20 years |
| • Utility property and improvements | 10-50 years |
| • Infrastructure | 25-50 years |

Fund Financial Statement

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

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net position

Both proprietary fund financial statements and government-wide financial statements report net position. Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net investment in capital assets

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their 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.

F. Revenues, Expenditures and Expenses

Revenues

Sales Tax

The Town levied a 2% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Net position/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town had no deficit fund net position or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2015, the Town did not overspend in any department-level category.

C. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. At June 30, 2015, the Town's deposits were properly collateralized.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Governmental Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 177,000	\$ 177,000	N/A	41
Total investments	177,000	177,000		

TOWN OF EAST DUKE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Restricted assets consist of the following:

Primary Government

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents			
Community Building cash	\$ 6,472	\$ -	\$ 6,472
Street & Alley cash	16,385	-	16,385
Debt Service	-	13,300	13,300
Total cash and cash equivalents	22,857	13,300	36,157
Total restricted assets	\$ 22,857	\$ 13,300	\$ 36,157

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2015 follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Machinery, furniture, & equipment	\$ 12,432	\$ -	\$ 2,098	\$ 10,334
Total	12,432	-	2,098	10,334
Less accumulated depreciation	9,989	1,867	1,522	10,334
Fixed assets, net	<u>\$ 2,443</u>	<u>\$ (1,867)</u>	<u>\$ (576)</u>	<u>\$ -</u>

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2015 follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Duke Municipal Authority				
Land	\$ 29,645	\$ -	\$ -	\$ 29,645
Machinery, furniture, & equipment	26,953	-	-	26,953
Utility property and improvements	2,159,257	4,500	-	2,163,757
Total	2,215,855	4,500	-	2,220,355
Less accumulated depreciation	635,673	55,657	-	691,330
Fixed assets, net	<u>\$ 1,580,182</u>	<u>\$ (51,157)</u>	<u>\$ -</u>	<u>\$ 1,529,025</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

TOWN OF EAST DUKE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:	
Public safety & judiciary	\$ 1,867
Total governmental activities depreciation expense	\$ 1,867
Depreciation expense charges to business-type activities:	
Water	22,516
Sewer	32,365
Administration	776
Total business-type activities depreciation expense	\$ 55,657

C. LONG-TERM DEBT

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

NOTES PAYABLE

Business-Type Activities:

DMA entered into a promissory note with the United States Department of Agriculture in the amount of \$244,000 at 4.5% interest for a period of 40 years. Debt was issued on May 15, 1997. Monthly payments of \$1,108 are made; debt matures May 2037.	\$ 184,657
DMA entered into a promissory note with the Oklahoma Water Resources Board in the amount of \$200,000 at variable interest for a period of 25 years. Debt was issued on March 21, 1990. Semi-annual installment payments are made; debt matures February 2015.	-0-
	\$ 184,657

Changes in Long-Term Debt:

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

<u>Type of Debt</u>	<u>Balance at June 30, 2014</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Notes Payable</i>					
USDA	\$ 189,523	\$ -	\$ 4,867	\$ 184,656	\$ 5,091
OWRB	15,725	-	15,725	-	-
Total business-type activities	205,248	-	20,592	184,656	5,091

The Town recorded \$9,239 of interest expense in business-type activities for the year ended June 30, 2015.

TOWN OF EAST DUKE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015 follow:

<u>Year Ending June 30</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,091	\$ 8,205
2017	5,324	7,972
2018	5,569	7,727
2019	5,825	7,471
2020	6,093	7,203
2021-2025	34,927	31,553
2026-2030	43,722	22,758
2031-2035	54,731	11,749
2036-2037	23,374	1,022
Totals	<u>\$ 184,656</u>	<u>\$ 105,660</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2015 were as follows:

<u>Due To/Due From</u>	<u>Receivable</u>	<u>Payable</u>
GOVERNMENTAL FUND: General Fund		
Street & Alley	\$ -	\$ 17,943
Municipal Authority (Enterprise Fund)	60,279	122,749
GOVERNMENTAL FUND: Street and Alley		
General Fund	17,943	-
Municipal Authority (Enterprise Fund)	453	-
ENTERPRISE FUND: Public Works		
General Fund	122,749	60,279
Street & Alley	-	453
Grand Total	<u>\$ 201,424</u>	<u>\$ 201,424</u>

<u>Transfer To/Transfer From</u>	<u>To</u>	<u>From</u>
GOVERNMENTAL FUND: General Fund		
Street & Alley	\$ 21,631	\$ -
Municipal Authority (Enterprise Fund)	-	44,500
GOVERNMENTAL FUND: General Fund		
General Fund	-	21,631
ENTERPRISE FUND: Municipal Authority		
General Fund	44,500	-
Grand Total	<u>\$ 66,131</u>	<u>\$ 66,131</u>

(4) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. 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 for reimbursement, which 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.

(5) OTHER NOTES

A. Employee Benefit Plans

The Town participates in a defined contribution plan (under section 401(a) and 501 (a) of the IRS Code) known as the Town of East Duke and Duke Municipal Authority Plan (the "Plan") which covers full-time employees 6 months after their date of employment. Employees are required to contribute 3% to the Plan, but can contribute more, although these additional contributions shall be nondeductible for tax purposes. The Town contributes 2.5% of the covered employee's payroll. Employees are 50% vested in employer contributions after 5 years of service with increasing vesting percentages until they are fully vested after 10 years of service.

Total employer contribution expense was \$1,176 for fiscal year 2015, while the employees contributed \$1,411. Total forfeitures for the fiscal year were \$1,142. The Plan is administered by the Oklahoma Municipal Retirement Fund. The Plan has been established and can be amended by Town Council's approval of an ordinance and Joinder agreement.

Town of East Duke, Oklahoma
General Fund
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales taxes	\$ 29,260	\$ -	\$ 29,260	\$ 27,774	\$ (1,486)
Beverage tax	2,016	50	2,066	2,258	192
Franchise taxes	8,258	500	8,758	9,143	385
Investment income	500	75	575	597	22
Charges for services	-	-	-	3,047	3,047
Intergovernmental	3,245	1,225	4,470	4,329	(141)
Miscellaneous	750	27,324	28,074	21,907	(6,167)
Total revenues before carryover	<u>44,029</u>	<u>29,174</u>	<u>73,203</u>	<u>69,055</u>	<u>(4,148)</u>
EXPENDITURES					
General government					
Personal services	-	4,574	4,574	-	4,574
Materials & supplies	4,000	(2,500)	1,500	1,904	(404)
Other services & charges	31,200	36,000	67,200	59,102	8,098
Capital outlay	-	1,500	1,500	-	1,500
Total general government	<u>35,200</u>	<u>39,574</u>	<u>74,774</u>	<u>61,006</u>	<u>13,768</u>
Public safety and judiciary:					
Police					
Personal services	48,893	-	48,893	45,857	3,036
Materials & supplies	3,500	-	3,500	2,718	782
Other services & charges	1,000	-	1,000	1,309	(309)
Fire					
Materials & supplies	1,500	-	1,500	821	679
Other services & charges	1,000	3,000	4,000	4,876	(876)
Animal Control					
Personal services	1,320	-	1,320	-	1,320
Total public safety and judiciary	<u>57,213</u>	<u>3,000</u>	<u>60,213</u>	<u>55,581</u>	<u>4,632</u>
Cultural, parks and recreation:					
Parks					
Other services & charges	-	1,000	1,000	945	55
Community Building					
Other services & charges	300	3,700	4,000	3,764	236
Total cultural, parks and recreation	<u>300</u>	<u>4,700</u>	<u>5,000</u>	<u>4,709</u>	<u>291</u>
Total expenditures	<u>92,713</u>	<u>47,274</u>	<u>139,987</u>	<u>121,296</u>	<u>18,691</u>
Revenue over (under) expenditures	(48,684)	(18,100)	(66,784)	(52,241)	(22,839)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	50,000	-	50,000	44,500	(5,500)
Net other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>44,500</u>	<u>(5,500)</u>
Revenues and other financing sources over (under) expenditures and other uses	1,316	(18,100)	(16,784)	(7,741)	(28,339)
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>150,529</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 142,788	<u>\$ (28,339)</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(2,237)	
Fund balance at end of year (GAAP basis)				<u>\$ 140,551</u>	

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The governing body of the Town of East Duke

I 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, the financial statements of the governmental activities, the business-type activities, each major fund of the Town of East Duke as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of East Duke's basic financial statements, and have issued my report thereon dated November 24, 2015.

Internal control over financial reporting

In planning and performing my audit, I considered the Town of East Duke's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of East Duke's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of East Duke'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 East Duke's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my 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.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant
November 24, 2015