

**TOWN OF OKEENE, OKLAHOMA
OKEENE, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2012**

TOWN OF OKEENE, OKLAHOMA
TABLE OF CONTENTS
For the fiscal year ended JUNE 30, 2012

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	4-11
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	12
Statement of Activities	13-14
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16-17
Statement of Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Net Assets – Fiduciary Funds	21
Statement of Changes in Net Assets – Fiduciary Funds	22
Notes to Basic Financial Statements	23-36
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	37-38
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	39-40

TOWN OF OKEENE, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Wayne Carter, Mayor

Mary Dungan

Robert Jones

Thomas Outhier, Jr.

Ron Pittman

TOWN MANAGER

John Ramey

TOWN TREASURER AND TOWN CLERK

Roberta Brickman

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Okeene, OK

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Okeene, OK as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Okeene, OK's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Okeene, OK, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 37 through 38 be presented to supplement the basic financial statements. Such information, although 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. We have applied certain limited procedures to the required supplementary information 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 comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Okeene, OK's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing

procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Derrel S. White, CPA

Woodward, OK

November 8, 2012

Our discussion and analysis of the Town of Okeene's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. 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 HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$5,539,458 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$4,987,691.
- Total liabilities of the Town increased by \$102,935 from \$2,151,579 to \$2,254,514 during the fiscal year. This is attributable to new debt issued for the fire department and water department, as well as an increase in payroll liabilities, offset by debt payments during the year.
- Total net assets are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$3,581,561 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets. This compares to \$3,401,571 in prior year.
 - 2) Unrestricted net assets of \$1,516,070 represent the portion available to maintain the Town's continuing obligations to citizens and creditors compared to \$1,586,120, last year.
 - 3) Reserve for restricted purposes of \$441,827 is restricted for debt and other obligations.
- The Town's governmental funds reported total ending fund balance of \$634,777 this year. This compared to the prior year ending fund balance of \$469,093, showing an increase of \$165,684 during the current year. The most significant portion of fund balance is committed to the Library.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's 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. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual reporting 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 Assets*. 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 assets. Over time, increases or decreases in net assets may serve as a useful indication 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 financial factors such as diversification of the taxpayer base or the condition of the 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 assets 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 on 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 includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-type activities include utility services

provided by the Town. Fiduciary activities such as the Okeene Municipal Charitable Trust are not included in the government-wide statements since these assets are not available to fund Town programs.

The Town's financial reporting entity includes the funds of the Town (primary government) and organization for which the Town is accountable (component units). The Okeene Municipal Hospital and Schallmo Authority is a separate legal entity which operates independently and provides services directly to the citizens though the Town remains accountable for their actions. As such, the Okeene Municipal Hospital is reported separately from the primary government though included in the Town's overall reporting entity. More comprehensive information about the Town's component units can be found in footnotes.

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.

The Town has three kinds of 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 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 annual financing requirements of 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 fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, 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 water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly 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.

Fiduciary funds such as the Okeene Municipal Charitable Trust are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Town's programs. Fiduciary fund statements report similarly to proprietary funds.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net assets at fiscal yearend were \$5,539,458. This is a \$551,767 increase over last year's net assets of \$4,987,691. The following table provides a summary of the Town's net assets at June 30:

	Governmental Activities		Business-Type Activities		Totals		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Current assets	\$ 851,978	\$ 555,310	\$ 1,494,493	\$ 1,223,563	\$ 2,346,471	\$ 1,778,873	\$ 567,598	32%
Non-current assets	-	-	74,631	81,416	74,631	81,416	(6,785)	-8%
Capital assets, net	1,835,243	1,830,247	3,537,627	3,448,734	5,372,870	5,278,981	93,889	2%
Total assets	\$ 2,687,221	\$ 2,385,557	\$ 5,106,751	\$ 4,753,713	\$ 7,793,972	\$ 7,139,270	\$ 654,702	9%
Current liabilities	\$ 239,225	\$ 101,643	\$ 330,998	\$ 278,818	\$ 570,223	\$ 380,461	\$ 189,762	50%
Non-current liabilities	46,560	33,634	1,637,731	1,737,484	1,684,291	1,771,118	(86,827)	-5%
Total liabilities	285,785	135,277	1,968,729	2,016,302	2,254,514	2,151,579	102,935	5%
Net assets								
Invested in capital assets, net of related debt	1,835,243	1,830,247	1,746,318	1,571,324	3,581,561	3,401,571	179,990	5%
Restricted	288,446	-	153,381	-	441,827	-	441,827	100%
Unrestricted	277,747	420,033	1,238,323	1,166,087	1,516,070	1,586,120	(70,050)	-4%
Total net assets	\$ 2,401,436	\$ 2,250,280	\$ 3,138,022	\$ 2,737,411	\$ 5,539,458	\$ 4,987,691	\$ 551,767	11%

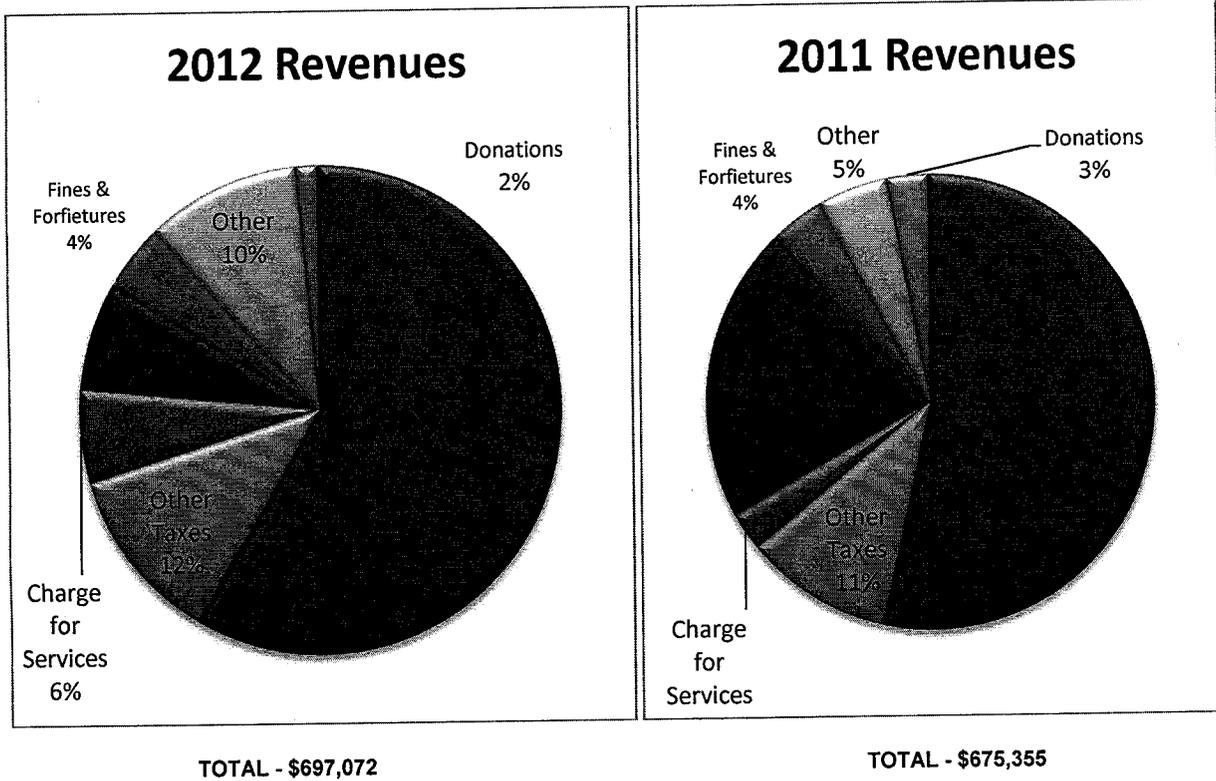
The Town reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$151,156 or 7% for governmental activities and \$400,611 or 15% for business-type activities. The Town's overall financial position improved 11% during fiscal year 2012.

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Revenues								
Program revenues	\$ 150,264	\$ 230,655	\$ 2,883,955	\$ 2,474,083	\$ 3,034,219	\$ 2,704,738	\$ 329,481	12%
Taxes and other general revenues	506,807	445,843	84,854	8,904	591,661	454,747	136,914	30%
Total revenues	657,071	676,498	2,968,809	2,482,987	3,625,880	3,159,485	466,395	15%
Expenses								
General government	217,325	219,331	-	-	217,325	219,331	(2,006)	-1%
Public safety and judiciary	255,917	237,977	-	-	255,917	237,977	17,940	8%
Transportation	89,853	92,366	-	-	89,853	92,366	(2,513)	-3%
Cultural, parks, and recreation	136,534	134,465	-	-	136,534	134,465	2,069	2%
Electric	-	-	1,716,561	1,397,017	1,716,561	1,397,017	319,544	23%
Water	-	-	136,120	142,033	136,120	142,033	(5,913)	-4%
Sewer	-	-	149,947	151,311	149,947	151,311	(1,364)	-1%
Sanitation	-	-	83,040	90,094	83,040	90,094	(7,054)	-8%
Customer service	-	-	200,930	185,846	200,930	185,846	15,084	8%
Total expenses	699,629	684,139	2,286,598	1,966,301	2,986,227	2,650,440	335,787	13%
Excess (deficiency) before transfers	(42,558)	(7,641)	682,211	516,686	639,653	509,045	130,608	26%
Transfers	281,600	239,927	(281,600)	(239,927)	-	-	-	0%
Transfers to component units	(87,886)	(85,254)	-	-	(87,886)	(85,254)	(2,632)	3%
Increase (decrease) in net assets	\$ 151,156	\$ 147,032	\$ 400,611	\$ 276,759	\$ 551,767	\$ 423,791	\$ 127,976	30%

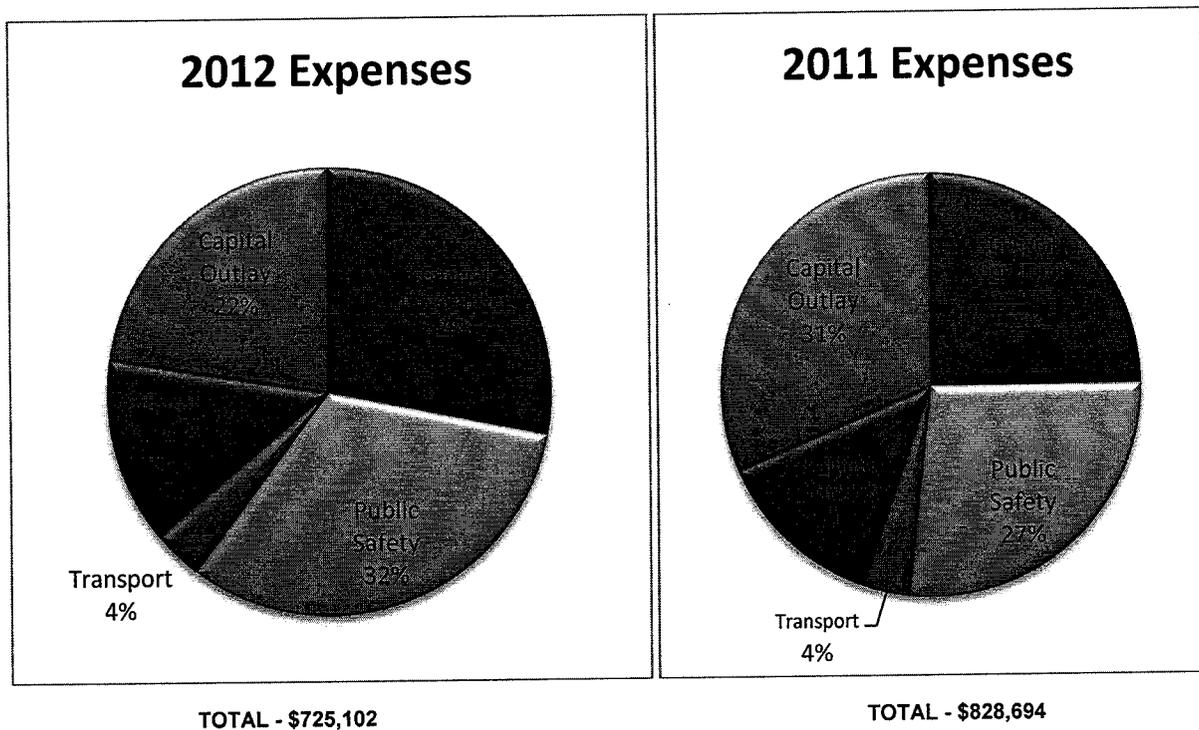
Revenues noted an increase of 15% year over year. The majority of this increase is attributable to an increase in program revenues in the Okeene Public Works Authority. The Authority received \$314,000 in grant funds used for infrastructure improvements during the fiscal year. Additionally, the Authority noted revenue increase based upon rate changes approved by the Board at the end of fiscal year 2011. Taxes and general revenues increased 30% when compared to prior year. This change is a function of increasing sales tax dollars as well as the sale of property during the fiscal year.

Operating expenses increased 13% in fiscal year 2012. The Electric department noted the most significant change. The increase is a function of the increasing cost of electrical power and depreciation on assets held by the Authority.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2012.



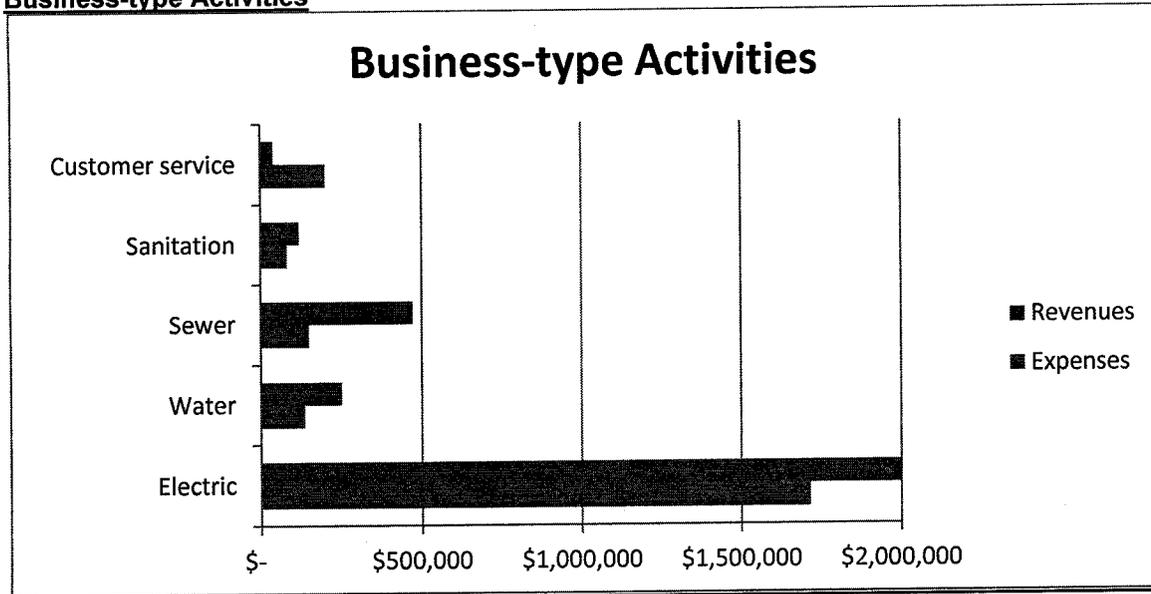
Sales tax provided for 59% of the Town's governmental revenues in fiscal year 2012 as compared to 53% in 2011. Grant income noted a decrease in 2012 mainly due to a decrease in grant funds at the municipal airport. Other income increased from 5% to 10% of revenues based upon proceeds from the issuance of debt. Other revenue sources noted no significant change.



This graph shows the total governmental activities cost of \$725,1024 for 2012. Of this amount, public safety at \$232,825, was the largest operating service cost, at 32% of total cost of services in 2012. These costs, as well as all governmental activities expense, were primarily funded by taxes and utility revenues transferred from the Okeene Public Works Authority. It should be noted that governmental

expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer, water, and electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

Charges for services for business-type activities increased \$409,872. The most significant portion of this increase is due to grant funds used for infrastructure improvements. The remaining portion is a result of increases in the utility rates and usage by customers. Costs were controlled as part of the Town's efforts to utilize existing structures and limiting improvements.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2012 was \$583,996. Council approved budget amendments during the fiscal year increasing the budget by \$39,025, for a final amended budget of \$623,021, prior to transfers. This was a increase over the previous year budget attributable to an increase in capital projects. The General Fund budget complied with financial policies approved by the Town.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the Town had \$3,581,561 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 2,100	\$ -	\$ 267,250	\$ 267,250	\$ 269,350	\$ 267,250
Construction in process	-	-	437,030	81,319	437,030.00	81,319
Buildings	36,497	39,104	-	-	36,497	39,104
Other improvements	1,534,810	1,526,307	-	-	1,534,810	1,526,307
Machinery & equipment	261,836	264,836	145,961	90,228	407,797	355,064
Utility property & improvements	-	-	2,687,386	3,009,937	2,687,386	3,009,937
Totals	\$ 1,835,243	\$ 1,830,247	\$ 3,537,627	\$ 3,448,734	\$ 5,372,870	\$ 5,278,981

- In Governmental Activities, the most significant additions included street repairs, the airport taxiway project, and a tri-fold mower in the cemetery department.
- In Business-type Activities, capital additions included a new backhoe and continued work on the sewer lagoon project and well fields.

Long-Term Debt

At year-end, the Town had \$1,684,291 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ -	\$ -	\$ 1,535,000	\$ 1,645,000	\$ 1,535,000	\$ 1,645,000
Notes payable	68,584	49,060	256,309	232,410	324,893	281,470
subtotal	68,584	49,060	1,791,309	1,877,410	1,859,893	1,926,470
less current portion	(22,024)	(15,426)	(153,578)	(139,926)	(175,602)	(155,352)
Totals	\$ 46,560	\$ 33,634	\$ 1,637,731	\$ 1,737,484	\$ 1,684,291	\$ 1,771,118

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

The economic outlook of the Town of Okeene is based, in a small way, of that of the Oklahoma City market area. The City of Oklahoma City noted improvement from the national recession beginning in May 2011. Furthermore, the City of Oklahoma City surpassed revenue expectations in fiscal year 2011 and 2012.

The Town has noting noted steady decrease in sales tax revenues since fiscal year ending June 30, 2009. Sales tax decreased 2% in fiscal year 2010 and an additional 2% in fiscal year 2011. However,

the Town recognized a rebound in fiscal year 2012 with a 6% increase in sales tax collections. Revenues from utility billings increased 4% over the prior fiscal year. This increase is a function of an increase in rates enacted by the Council coupled with an increase in usage. In light of the declining economic conditions, the Town took a two-prong approach in addressing the fiscal year 2012 budget with the goal of striving to continue to provide the best possible service with limited resources available.

The projected budget for fiscal year 2012 includes sales and use tax at 90% of current year collections. The Board passed rate increases for all utility services provided by the Town. The increase is expected to generate approximately \$77,790 in additional revenues.

The Town has approved \$236,340 in capital projects for fiscal year 2013. The most significant projects include \$55,000 in paving roadways, \$45,000 in repairs for the public swimming pool, \$22,000 for a metal roof in the OPWA building, and \$27,500 in fire department equipment as well as other equipment and improvements for the Town.

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 800, Okeene, Oklahoma, 73763 or phone at (580) 822-3035.

Town of Okeene, Oklahoma
Statement of Net Assets
June 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 130,573	\$ 728,808	\$ 859,381	\$ 1,501,318
Investments, including time deposits	27,320	115,734	143,054	-
Accounts receivable, net	51,990	227,311	279,301	1,180,364
Due from other funds	228,566	18,693	247,259	-
Inventory	-	-	-	158,769
Prepaid expenses	-	-	-	31,333
Total current assets	438,449	1,090,546	1,528,995	2,871,784
Restricted assets:				
Cash and cash equivalents	140,061	84,925	224,986	1,011,794
Investments, including time deposits	273,468	319,022	592,490	-
Total restricted assets	413,529	403,947	817,476	1,011,794
Noncurrent Assets:				
Unamortized bond issue costs	-	74,631	74,631	312,908
Land and construction in progress	2,100	704,280	706,380	-
Other capital assets (net of accumulated depreciation)	1,833,143	2,833,347	4,666,490	6,166,335
Total noncurrent assets	1,835,243	3,612,258	5,447,501	6,479,243
Total assets	\$ 2,687,221	\$ 5,106,751	\$ 7,793,972	\$ 10,362,821
 LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,101	\$ 831	\$ 4,932	\$ 131,339
Accrued expenses payable	39,950	3,552	43,502	239,485
Deferred revenue	921	-	921	-
Due to other funds	172,229	75,000	247,229	-
Notes payable, current	22,024	33,578	55,602	-
Bonds payable, current	-	120,000	120,000	98,542
Estimated amounts due to third-party payers	-	-	-	-
Total current liabilities	239,225	232,961	472,186	469,366
Liabilities payable from restricted assets:				
Accrued interest payable	-	98,037	98,037	255,500
Customer deposits payable	-	98,037	98,037	-
Total liabilities payable from restricted assets	-	98,037	98,037	255,500
Noncurrent liabilities:				
Notes payable, non-current	46,560	222,731	269,291	-
Bonds payable, non-current	-	1,415,000	1,415,000	6,972,551
Total noncurrent liabilities	46,560	1,637,731	1,684,291	6,972,551
Total liabilities	285,785	1,968,729	2,254,514	7,697,417
 NET ASSETS				
Invested in capital assets, net of related debt	1,835,243	1,746,318	3,581,561	107,150
Reserved for restricted purposes	288,446	153,381	441,827	57,294
Unrestricted	277,747	1,238,323	1,516,070	2,500,960
Total net assets	\$ 2,401,436	\$ 3,138,022	\$ 5,539,458	\$ 2,665,404

Town of Okeene, Oklahoma
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 177,697	\$ 13,724	\$ -	\$ -	\$ (163,973)
Library	39,628	1,638	4,746	-	(33,244)
Total general government	<u>217,325</u>	<u>15,362</u>	<u>4,746</u>	<u>-</u>	<u>(197,217)</u>
Public safety and judiciary:					
Police	181,461	29,246	-	-	(152,215)
Fire	74,456	24,909	650	-	(48,897)
Total public safety and judiciary	<u>255,917</u>	<u>54,155</u>	<u>650</u>	<u>-</u>	<u>(201,112)</u>
Transportation:					
Street	20,841	-	10,967	-	(9,874)
Airport	69,012	9,367	-	33,228	(26,417)
Total transportation	<u>89,853</u>	<u>9,367</u>	<u>10,967</u>	<u>33,228</u>	<u>(36,291)</u>
Cultural, parks and recreation:					
Park	12,021	-	-	-	(12,021)
Golf Course	53,378	7,627	-	-	(45,751)
Cemetery	13,343	3,600	-	-	(9,743)
Community building	10,653	-	-	-	(10,653)
Swimming Pool	47,139	2,562	8,000	-	(36,577)
Total cultural, parks and recreation	<u>136,534</u>	<u>13,789</u>	<u>8,000</u>	<u>-</u>	<u>(114,745)</u>
Total governmental activities	<u>699,629</u>	<u>92,673</u>	<u>24,363</u>	<u>33,228</u>	<u>(549,385)</u>
Business-type activities:					
Utility services:					
Electric	1,716,561	2,000,246	-	-	283,685
Water	136,120	251,474	-	-	115,354
Sewer	149,947	158,590	-	314,000	322,643
Sanitation	83,040	119,642	-	-	36,602
Customer service	200,930	20,003	20,000	-	(160,927)
Total business-type activities	<u>2,286,598</u>	<u>2,549,955</u>	<u>20,000</u>	<u>314,000</u>	<u>597,357</u>
Total primary government	<u>\$ 2,986,227</u>	<u>\$ 2,642,628</u>	<u>\$ 44,363</u>	<u>\$ 347,228</u>	<u>\$ 47,992</u>
Component unit					
Hospital:					
Patient services	5,681,854	5,994,583	143,588	-	456,317
Total component unit	<u>\$ 5,681,854</u>	<u>\$ 5,994,583</u>	<u>\$ 143,588</u>	<u>\$ -</u>	<u>\$ 456,317</u>

Revenue Reconciliation

Pg 16	697,072.00	
Less pg 14	(506,807.00)	
	<u>190,265.00</u>	
Total Rev	<u>150,264.00</u>	debt issuance
	<u>40,001.00</u>	

Expense Reconciliation

Pg 17	725,102.00
Minus Cap Outlay	(162,834.00)
Add Accum Dep	157,838.00
Minus debt exp	(20,476.00)
	<u>699,630.00</u>
Total Exp	<u>699,629.00</u>
	<u>1.00</u>

Town of Okeene, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2012

Changes in Net Assets:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (549,365)	\$ 597,357	\$ 47,992	\$ 456,317
General revenues:				
Taxes:				
Sales taxes	384,450	-	384,450	-
Use taxes	39,331	-	39,331	-
Franchise taxes	19,518	-	19,518	-
Alcoholic beverage tax	13,744	-	13,744	-
Cigarette tax	5,407	-	5,407	-
Investment income	5,260	7,252	12,512	19,356
Gain on sale of assets	27,123	77,602	104,725	-
Miscellaneous	11,974	-	11,974	-
Transfers - Other governments, net	(87,886)	-	(87,886)	-
Transfers - Internal activity, net	281,600	(281,600)	-	-
Total general revenues and transfers	700,521	(196,746)	503,775	19,356
Change in net assets	151,156	400,611	551,767	475,673
Net assets-beginning	2,250,280	2,737,411	4,987,691	2,189,731
Net assets-ending	\$ 2,401,436	\$ 3,138,022	\$ 5,539,458	\$ 2,665,404

**Town of Okeene, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
ASSETS							
Cash	\$ 130,573	\$ 48,383	\$ 12,539	\$ 3,475	\$ 72,101	\$ 3,563	\$ 270,634
Investments, including time deposits	27,320	-	-	207,156	-	66,312	300,788
Due from other funds	186,414	-	-	-	42,152	-	228,566
Taxes receivable	51,990	-	-	-	-	-	51,990
Total assets	<u>\$ 396,297</u>	<u>\$ 48,383</u>	<u>\$ 12,539</u>	<u>\$ 210,631</u>	<u>\$ 114,253</u>	<u>\$ 69,875</u>	<u>\$ 851,978</u>
LIABILITIES							
Accounts payable	\$ 44,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,051
Deferred revenue	-	-	-	-	921	-	921
Due to other funds	42,160	-	-	12,735	72,520	44,814	172,229
Total liabilities	<u>86,211</u>	<u>-</u>	<u>-</u>	<u>12,735</u>	<u>73,441</u>	<u>44,814</u>	<u>217,201</u>
FUND BALANCES							
Nonspendable	196,244	-	-	-	-	-	196,244
Restricted	-	48,383	-	-	40,812	3,007	92,202
Committed	22,204	-	-	197,896	-	-	220,100
Assigned	-	-	12,539	-	-	22,054	34,593
Unassigned	91,638	-	-	-	-	-	91,638
Total fund balances	<u>310,086</u>	<u>48,383</u>	<u>12,539</u>	<u>197,896</u>	<u>40,812</u>	<u>25,061</u>	<u>634,777</u>
Total liabilities and fund balances	<u>\$ 396,297</u>	<u>\$ 48,383</u>	<u>\$ 12,539</u>	<u>\$ 210,631</u>	<u>\$ 114,253</u>	<u>\$ 69,875</u>	<u>\$ 851,978</u>
Total fund balance- total governmental funds							\$ 634,777
Amounts reported for governmental activities in the Statement of Net assets are different because:							
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.							
				\$ 2,661,669			
				Less: Accumulated depreciation	(826,426)		1,835,243
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							(68,584)
Net assets of governmental activities							<u>\$ 2,401,436</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2012

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
REVENUES							
Sales tax	\$ 384,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 384,450
Use tax	39,331	-	-	-	-	-	13,744
Beverage tax	13,744	-	-	-	-	-	19,518
Franchise taxes	19,518	-	-	-	-	-	5,407
Cigarette tax	5,407	-	-	-	-	-	1,844
Licenses and permits	1,844	-	-	-	-	-	29,246
Fines and forfeitures	29,246	-	-	-	-	-	5,260
Investment income	318	-	399	3,472	135	936	40,337
Charges for services	35,099	-	-	1,638	-	3,600	20,538
Rental income	11,880	-	-	-	8,658	-	47,932
Intergovernmental	-	10,967	-	3,737	33,228	-	9,659
Donations	8,650	-	-	1,009	-	-	40,000
Proceeds from debt issuance	40,000	-	-	-	709	-	39,806
Miscellaneous	39,097	-	-	-	-	-	697,072
Total revenues	<u>628,584</u>	<u>10,967</u>	<u>399</u>	<u>9,856</u>	<u>42,730</u>	<u>4,536</u>	
EXPENDITURES							
General government:							170,217
General government	170,217	-	-	-	-	-	34,114
Library	-	-	-	34,114	-	-	204,331
Total general government	<u>170,217</u>	<u>-</u>	<u>-</u>	<u>34,114</u>	<u>-</u>	<u>-</u>	
Public safety and judiciary:							177,481
Police	177,481	-	-	-	-	-	55,344
Fire	55,344	-	-	-	-	-	232,825
Total public safety and judiciary	<u>232,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Transportation:							20,841
Street	-	20,841	-	-	-	-	5,568
Airport	-	-	-	-	5,568	-	26,409
Total transportation	<u>-</u>	<u>20,841</u>	<u>-</u>	<u>-</u>	<u>5,568</u>	<u>-</u>	
Cultural, parks and recreation:							9,414
Park	9,399	-	15	-	-	-	48,282
Golf Course	48,282	-	-	-	-	8,227	8,227
Cemetery	-	-	-	-	-	-	5,851
Community Building	5,851	-	-	-	-	-	26,929
Swimming Pool	26,929	-	-	-	-	8,227	98,703
Total cultural, parks and recreation	<u>90,461</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	
Capital outlay	61,471	53,393	-	-	37,970	-	162,834
Total expenditures	<u>554,974</u>	<u>74,234</u>	<u>15</u>	<u>34,114</u>	<u>43,538</u>	<u>18,227</u>	725,102
Excess (deficiency) of revenues over expenditures	<u>73,610</u>	<u>(63,267)</u>	<u>384</u>	<u>(24,258)</u>	<u>(808)</u>	<u>(13,691)</u>	(28,030)
OTHER FINANCING SOURCES (USES)							
Transfers out to other governments	(87,886)	-	-	-	-	-	(87,886)
Transfers in	231,600	85,229	-	14,081	-	-	330,910
Transfers out	(48,962)	-	(348)	-	-	-	(49,310)
Total other financing sources and uses	<u>94,752</u>	<u>85,229</u>	<u>(348)</u>	<u>14,081</u>	<u>-</u>	<u>-</u>	193,714
Net change in fund balances	168,362	21,962	36	(10,177)	(808)	(13,691)	165,684
Fund balances - beginning	141,724	26,421	12,503	208,073	41,620	38,752	469,093
Fund balances - ending	<u>\$ 310,086</u>	<u>\$ 48,383</u>	<u>\$ 12,539</u>	<u>\$ 197,896</u>	<u>\$ 40,812</u>	<u>\$ 25,061</u>	<u>\$ 634,777</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2012

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

Net change in fund balances - total governmental funds	\$ 165,684
<p>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.</p>	
Capital asset purchases capitalized	162,834
Depreciation expense	(157,838)
<p>The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Debt principal	20,476
Long-term debt issued	<u>(40,000)</u>
Change in Net Assets of Governmental Activities	<u>\$ 151,156</u>

Town of Okeene, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Business-type Activities</u>		<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital and Schallmo Authority</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 728,808	\$ 728,808	\$ 1,501,318
Investments	115,734	115,734	-
Due from other funds	18,693	18,693	-
Accounts receivable (net)	227,311	227,311	1,180,364
Supplies	-	-	158,769
Prepaid expenses and other current assets	-	-	31,333
Total current assets	<u>1,090,546</u>	<u>1,090,546</u>	<u>2,871,784</u>
Restricted assets:			
Cash and cash equivalents	84,925	84,925	1,011,794
Investments	319,022	319,022	-
Total restricted assets	<u>403,947</u>	<u>403,947</u>	<u>1,011,794</u>
Noncurrent assets:			
Unamortized bond issue costs	74,631	74,631	312,908
Capital assets (net)	3,537,627	3,537,627	6,166,335
Total noncurrent assets	<u>3,612,258</u>	<u>3,612,258</u>	<u>6,479,243</u>
Total assets	<u>\$ 5,106,751</u>	<u>\$ 5,106,751</u>	<u>\$ 10,362,821</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 831	\$ 831	\$ 131,339
Accrued payables	3,552	3,552	239,485
Due to other funds	75,000	75,000	-
Notes payable, current	33,578	33,578	-
Bonds payable, current	120,000	120,000	98,542
Total current liabilities	<u>232,961</u>	<u>232,961</u>	<u>469,366</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	-	255,500
Customer deposits payable	98,037	98,037	-
Total liabilities payable from restricted assets	<u>98,037</u>	<u>98,037</u>	<u>255,500</u>
Noncurrent liabilities:			
Notes payable, non-current	222,731	222,731	-
Bonds payable, noncurrent	1,415,000	1,415,000	6,972,551
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	1,415,000	1,415,000	6,972,551
Total noncurrent liabilities	<u>1,637,731</u>	<u>1,637,731</u>	<u>6,972,551</u>
Total liabilities	<u>1,968,729</u>	<u>1,968,729</u>	<u>7,697,417</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,746,318	1,746,318	107,150
Restricted	-	-	57,294
Unrestricted	<u>1,391,704</u>	<u>1,391,704</u>	<u>2,500,960</u>
Total net assets	<u>\$ 3,138,022</u>	<u>\$ 3,138,022</u>	<u>\$ 2,665,404</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	<u>Business-type Activities</u>		<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital and Schallmo Authority</u>
<u>Operating revenues:</u>			
Charges for services:			
Electric charges	\$ 2,000,246	\$ 2,000,246	\$ -
Water charges	251,474	251,474	-
Sewer charges	158,590	158,590	-
Sanitation charges	119,642	119,642	-
Penalties	20,003	20,003	-
Net patient and service charges	-	-	5,749,959
Total charges for services	<u>2,549,955</u>	<u>2,549,955</u>	<u>5,749,959</u>
Miscellaneous	97,602	97,602	244,624
Total operating revenues	<u>2,647,557</u>	<u>2,647,557</u>	<u>5,994,583</u>
<u>Operating expenses:</u>			
Cost of goods sold	1,340,572	1,340,572	-
Personal services	228,088	228,088	2,808,520
Materials and supplies	202,706	202,706	1,488,981
Other services and charges	87,866	87,866	430,511
Depreciation and amortization	354,368	354,368	427,005
Total operating expenses	<u>2,213,600</u>	<u>2,213,600</u>	<u>5,155,017</u>
Net operating income	\$ 433,957	\$ 433,957	839,566
<u>Nonoperating revenue (expense):</u>			
Investment income	7,252	7,252	19,356
Interest expense	(72,998)	(72,998)	(526,837)
Noncapital contributions	-	-	143,588
Capital grants and contributions	314,000	314,000	-
Total nonoperating revenue (expense)	<u>248,254</u>	<u>248,254</u>	<u>(363,893)</u>
Net Income before contributions and transfers	682,211	682,211	475,673
Transfers to other funds, net	<u>(281,600)</u>	<u>(281,600)</u>	<u>-</u>
Change in net assets	400,611	400,611	475,673
Net assets-beginning of year	2,737,411	2,737,411	2,189,731
Net assets-end of year	<u>\$ 3,138,022</u>	<u>\$ 3,138,022</u>	<u>\$ 2,665,404</u>

Town of Okeene, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	<u>Business-type Activities</u>		<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital and Schallmo Authority</u>
<u>Cash flows from operating activities:</u>			
Receipts from customers/patients	\$ 2,556,334	\$ 2,556,334	\$ 4,114,714
Payments to suppliers	(1,642,614)	(1,642,614)	(1,889,584)
Payments to employees	(228,088)	(228,088)	(2,812,918)
Other operating revenues	97,602	97,602	244,624
Net cash provided (used) by operating activities	<u>783,234</u>	<u>783,234</u>	<u>(343,164)</u>
<u>Cash flows from non-capital financing activities:</u>			
Noncapital contributions	-	-	143,588
Transfers to other funds	(281,600)	(281,600)	-
Net cash provided (used) by non-capital financing activities	<u>(281,600)</u>	<u>(281,600)</u>	<u>143,588</u>
<u>Cash flows from capital and related financing activities:</u>			
Capital grants/contributions	314,000	314,000	-
Purchase of capital assets	(436,478)	(436,478)	(40,239)
Principal paid on capital debt	(86,101)	(86,101)	(108,845)
Interest paid on capital debt	(72,998)	(72,998)	(518,991)
Net cash provided (used) by capital and related financing activities	<u>(281,577)</u>	<u>(281,577)</u>	<u>(668,075)</u>
<u>Cash flows from investing activities:</u>			
Proceeds from sale of investments	147,505	147,505	-
Investment income	7,252	7,252	19,356
Net cash provided (used) by investing activities	<u>154,757</u>	<u>154,757</u>	<u>19,356</u>
Net increase (decrease) in cash and cash equivalents	374,814	374,814	(848,295)
Cash and cash equivalents, July 1, 2011	757,941	757,941	2,662,407
Cash & cash equivalents, June 30, 2012	<u>\$ 1,132,755</u>	<u>\$ 1,132,755</u>	<u>\$ 1,814,112</u>
Cash, including time deposits	\$ 728,808	\$ 728,808	\$ 1,501,318
Restricted cash, including time deposits	403,947	403,947	312,794
Total cash and cash equivalents, end of year	<u>\$ 1,132,755</u>	<u>\$ 1,132,755</u>	<u>\$ 1,814,112</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ 433,957	\$ 433,957	\$ 839,566
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	354,368	354,368	427,005
Non-operating revenue (expense)			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	9,805	9,805	401,848
(Increase) decrease in supplies	-	-	16,311
(Increase) decrease in due from other funds	(3,426)	(3,426)	(2,037,093)
Increase (decrease) in accounts payable	(20,075)	(20,075)	9,199
Increase (decrease) in accrued expenses	(95)	(95)	-
Increase (decrease) in deposits subject to refund	8,700	8,700	-
Total adjustments	<u>349,277</u>	<u>349,277</u>	<u>(1,182,730.00)</u>
Net cash provided (used) by operating activities	<u>\$ 783,234</u>	<u>\$ 783,234</u>	<u>\$ (343,164)</u>

Town of Okeene, Oklahoma
Statement of Net Assets
Fiduciary Fund
June 30, 2012

	<u>Charitable Trust Fund</u>
ASSETS	
Cash, including time deposits	\$ 199,602
Notes receivable, net	<u>7,000</u>
Total assets	<u><u>206,602</u></u>
LIABILITIES	
Due to other governments	\$ 30
Total liabilities	<u>30</u>
NET ASSETS	
Net assets, held in trust	<u>206,572</u>
Total net assets	<u>206,572</u>
Total liabilities and net assets	<u><u>\$ 206,602</u></u>

Town of Okeene, Oklahoma
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

	<u>Charitable Trust Fund</u>
<u>REVENUES</u>	
Investment income	\$ 2,040
Total revenues	<u>2,040</u>
<u>EXPENDITURES</u>	
Charitable trust	<u>3,904</u>
Total charitable trust	<u>3,904</u>
Net change in net assets	(1,864)
Net assets - beginning	208,436
Net assets - ending	<u><u>\$ 206,572</u></u>

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

A. Organization

The Town of Okeene, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, sewer, and electric), culture, recreation, public improvements, municipal cemetery, 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 Okeene. 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 Okeene.

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 Units Reported with Primary Government

Okeene Public Works Authority (the "Authority") – was created 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 electric, water, sewer, and trash services to the citizens of Okeene. Accounts of the Authority are recorded in business-type activities.

Okeene Industrial Trust Authority (ITA) – was established to promote industrial development within the Town. The trustees of the ITA are the same that govern the Town. ITA is inactive in the current year, and therefore; not included in the report for the period ended.

Discretely Presented Component Unit:

Okeene Municipal Hospital and Schallmo Authority (MHSA) – MHSA has a separate board of trustees who are appointed by the trustees of the Town. The Authority provides hospital, medical and residential care of the citizens of the Town. MHSA issues separately audited financial statements that can be obtained at Town Hall. For purposes of this report, MHSA is reported as a discretely presented component unit. Audited financial statements for MHSA are available at the business location.

Fiduciary Component Unit

Okeene Municipal Charitable Trust (MCT) – its trustees are the same trustees that govern the Town. MCT provides supporting for the library and other educational and recreational facilities of the Town. MCT is reported as a Fiduciary Fund in the financial statements.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities, which consists of the Okeene Municipal Charitable Trust. 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. Individual funds are not displayed by the statements.

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 usage 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.

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 for goods or utility services.

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.

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 60 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 8, 2012, 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.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

<u>FUND</u>	<u>BRIEF DESCRIPTION</u>
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Industrial Park	Accounts for the operations, includes grants, of the Town's Industrial Park
Library Fund	Accounts for the investments and operations of the Town's Library
Airport	Accounts for the operations of the Airport
Cemetery	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.

Major Proprietary Funds

<u>FUND</u>	<u>BRIEF DESCRIPTION</u>
<u>Okeene Public Works Authority</u>	Accounts for the activities of the Authority in providing electric, water, sewer, and solid waste services to the public.
<u>Okeene Industrial Trust Authority</u>	Accounts for the industrial development within the town of Okeene, which was inactive during the year

Fiduciary Fund

<u>FUND</u>	<u>BRIEF DESCRIPTION</u>
<u>Okeene Charitable Trust Fund</u>	Accounts for the activities of the trust in providing support for the library and other education and recreational facilities of the Town.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Clerk submits an annual budget to the Board of Trustees in accordance with the Town Charter and the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Clerk and must be approved by the board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statements 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.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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.

Allowance for 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. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

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 Assets. 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	25-50 years
• Other improvements	2-50 years
• Machinery, furniture & equipment	5-20 years
• Infrastructure	25-50 years

Fund Financial Statements:

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 a liability.

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 Assets

Both proprietary fund financial statements and government-wide financial statements report net assets. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

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 assets

Amounts reported as restricted consist of net assets 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

Sales Tax

The Town levied a 4.25% 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

By its nature as local government unit, the Town and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over town resources follows:

A. Deficit Fund Net Assets/Fund Balance

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

The Town reported no deficit fund net assets or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2012, the Town did not materially 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:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax Cemetery Revenue (12.5%)	Street and Alley Purposes Cemetery Capital Improvements

(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.

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.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

<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	\$ 300,788	\$ 300,788	N/A	248
Total investments	300,788	300,788		
Total governmental investments	\$ 300,788	\$ 300,788		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 27,320
Investments, restricted	273,468
Total governmental investments	\$ 300,788

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 434,756	\$ 434,756	N/A	111
Total investments	434,756	434,756		
Total business-type investments	\$ 434,756	\$ 434,756		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 115,734
Investments, restricted	319,022
Total governmental investments	\$ 434,756

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Restricted assets consist of the following:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
Governmental Activities:			
Cemetery	\$ 3,563	\$ 66,312	\$ 69,875
Airport	72,101	-	72,101
Library	3,475	207,156	210,631
Industrial Park	12,539	-	12,539
Streets & alley fund	48,383	-	48,383
	\$ 140,061	\$ 273,468	\$ 413,529
Business-type Activities:			
Bond proceeds	\$ 10,007	\$ -	\$ 10,007
Capital outlay - Trustee restriction	-	250,566	250,566
Debt service	15,289	-	15,289
Meter deposits	59,629	68,456	128,085
	\$ 84,925	\$ 319,022	\$ 403,947

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2012 follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Construction in process	\$ -	\$ 2,100	\$ -	\$ 2,100
Buildings & structures	52,138	-	-	52,138
Machinery, furniture, & equipment	477,706	160,734	-	638,440
Improvements other than land	1,968,991	-	-	1,968,991
Total	2,498,835	162,834	-	2,661,669
Less accumulated depreciation	668,588	157,838	-	826,426
Fixed assets, net	<u>\$ 1,830,247</u>	<u>\$ 4,996</u>	<u>\$ -</u>	<u>\$ 1,835,243</u>

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2012 follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Okeene Public Works Authority				
Land	\$ 267,250	\$ -	\$ -	\$ 267,250
Machinery, furniture, & equipment	174,101	80,766	-	254,867
Electric system	1,433,188	-	-	1,433,188
Sewer system	1,343,408	-	-	1,343,408
Water system	796,143	-	-	796,143
Construction in process	81,319	355,711	-	437,030
Total	4,095,409	436,477	-	4,531,886
Less accumulated depreciation	646,675	347,584	-	994,259
Fixed assets, net	<u>\$ 3,448,734</u>	<u>\$ 88,893</u>	<u>\$ -</u>	<u>\$ 3,537,627</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 OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Depreciation expense charges to governmental activities:

General government	\$	7,480
Public safety & judiciary		43,569
Transportation		63,444
Cultural, parks & recreation		43,345
Total governmental activities depreciation expense		\$ 157,838

Depreciation expense charges to business-type activities:

Electric	\$	276,511
Water		21,977
Customer service		4,985
Sewer		44,111
Total business-type activities depreciation expense		\$ 347,584

C. NOTES RECEIVABLE

The Okeene Municipal Charitable Trust (MCT) entered into an agreement with the Okeene Emergency Medical Service (EMS) in which the EMS agreed to pay MCT \$250 annually for the rental of office space, office equipment, parking space, and electricity. The EMS assumed the debt service of the ambulance and the Myron Andrews Estate Funds previously expended for ambulance service and agreed to reimburse the Town a total of \$37,000 with \$31,000 due May 15, 2005 and the remaining balance of \$6,000 due May 15, 2006. Based upon an amended agreement between the parties, monthly payments were suspended during FY06. The note carries a balance as of June 30, 2012 of \$14,000. The note receivable was issued at 0% interest. The Town has recorded an allowance for doubtful collection of \$7,000 in the current year.

D. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2012:

NOTE PAYABLE

Governmental Activities:

Note payable to First National Bank in the original amount of \$21,800 for the purchase of a 2008 police vehicle. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 1.2% at June 30, 2012. Loan matures April 2013 and is secured by the police vehicle.	2,853
Note payable to First National Bank, original amount of \$31,500 for the purchase of a 2009 brush pumper for the fire department. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 1.2% at June 30, 2012. Loan matures May 2014.	12,659
Note payable to First National Bank, original amount of \$25,000 for the purchase of a 2010 police vehicle. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 1.2% at June 30, 2012. The loan is secured by the police vehicle.	17,450
Note payable to State Guaranty Bank, original amount of \$40,000 for the purchase of a fire truck bed. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit #16705, which was 0.83% at June 30, 2012. The loan is secured by certificate of deposit.	35,621
	\$ 68,583

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Business-Type Activities:

Loan payable dated 1/24/2002 to the Oklahoma Water Resources Board in the amount of \$343,400 at an interest rate of 2.55%, along with an administrative fee of 0.5%, maturing March 2022. Proceeds were used for water system improvements.	197,503
Note payable to First National Bank in the original amount of \$61,000 for the purchase of a digger truck in the electric department. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 0.95% at June 30, 2012.	4,540
Note payable to State Guaranty Bank in the original amount of \$62,000 for the purchase of a backhoe in the water department. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 1.038% at June 30, 2012.	54,267
OPWA Utility System Revenue Notes, Series 2007 for \$1,990,000 were issued December 18, 2007, maturing December 1, 2022 with an average interest rate (coupon) of 4.052%. Underwriting fees and issuance costs were approximately \$105,000. The bonds refunded prior debt owed by OPWA. Payments are made monthly to a debt service fund. Funds were used for the wastewater project and water transmission lines.	1,535,000
	\$ 1,791,310

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

<u>Type of Debt</u>	<u>Balance at July 1, 2011</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:					
Police Vehicle - First National Bank	\$ 7,731	\$ -	\$ 4,879	\$ 2,852	\$ 2,852
Fire Brush Pumper - FNB	19,051	-	6,391	12,660	6,556
Fire Truck Bed - SGB	-	40,000	4,379	35,621	7,678
Police Vehicle #2 - FNB	22,278	-	4,828	17,450	4,938
Total governmental activities	\$ 49,060	\$ 40,000	\$ 20,477	\$ 68,583	\$ 22,024
Business-type activities:					
<i>Notes Payable</i>					
OWRB #2 note payable	\$ 214,110	\$ -	\$ 16,608	\$ 197,502	\$ 17,141
Digger truck - First National Bank	18,300	-	13,760	4,540	4,540
Backhoe - SGB	-	62,000	7,732	54,268	11,897
Total notes payable	232,410	62,000	38,100	256,310	33,578
<i>Bonds Payable</i>					
2007 Series Revenue Bonds	1,645,000	-	110,000	1,535,000	120,000
Total business-type activities	\$ 1,877,410	\$ 62,000	\$ 148,100	\$ 1,791,310	\$ 153,578
Total primary government debt	\$ 1,926,470	\$ 102,000	\$ 168,577	\$ 1,859,893	\$ 175,602

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012 follow:

Year Ending June 30	Governmental Notes Payable		Business-Type Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 22,024	\$ 1,786	\$ 33,578	\$ 6,584	\$ 120,000	\$ 60,092
2014	18,957	1,190	29,939	5,662	120,000	56,120
2015	13,421	656	30,867	4,824	130,000	51,157
2016	10,626	252	31,811	3,970	135,000	45,889
2017	3,555	25	23,809	3,149	140,000	40,317
2018-2022	-	-	106,306	7,730	800,000	120,719
2023	-	-	-	-	90,000	1,823
Totals	\$ 68,583	\$ 3,909	\$ 256,310	\$ 31,919	\$ 1,535,000	\$ 376,117

E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2012 were as follows:

Receivable from/Payable to	Due From	Due To
GENERAL FUND:		
Okeene Airport Fund	\$ 66,600	\$ 42,152
Cemetery Fund	44,814	-
Okeene Public Works Authority	75,000	12,743
OKEENE AIRPORT FUND:		
General Fund	42,152	66,600
Okeene Public Works Authority	-	5,920
CEMETARY FUND:		
General Fund	-	44,814
ENTERPRISE FUND: Public Works		
General Fund	12,743	75,000
Okeene Airport Fund	5,920	-
Municipal Charitable Trust (fiduciary fund)	30	-
FIDUCIARY FUND: Municipal Charitable		
Okeene Public Works Authority	-	30
Grand Total	\$ 247,259	\$ 247,259

Operating Transfers	Transfers In	Transfers Out
GENERAL FUND:		
Street & Alley	\$ 21,962	\$ -
Okeene Public Works Authority	231,600	-
STREET & ALLEY FUND:		
General Fund	-	21,962
ENTERPRISE FUND: Public Works		
General Fund	-	231,600
Grand Total	\$ 253,562	\$ 253,562

(4) RETIREMENT PLANS

The Town participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the Town's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the Town and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

	<u>As of January 1, 2012</u>
Retired participants and beneficiaries	3
Vested active participants	4
Nonvested active participants	4
Total	<u>11</u>

The following is a summary of eligibility, contribution methods and benefits provisions:

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the Town or Authority, except police, firefighter, and other employees who are covered under another approved system.
b. Contributions Requirement	By Town Ordinance
- Authorization	Yes
- Actuarially Determined	11.15% of covered payroll for FY12
- Employer Rate	3.6% of covered payroll for FY12
- Employee Rate	
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 7 years of service. - Early Retirement after age 55 with 7 years or more of service. - Disability retirement upon disability with 7 years of service. - Termination before retirement age return of employee contributions with interest - Termination after vesting accrued benefit at normal retirement age
e. Benefit Determination Base	Final average compensation – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service. Accrued benefit is 3% of final average compensation multiplied by the number of year of credited service
f. Benefit Determination Methods:	
- Normal Retirement	Accrued benefit payable immediately.
- Early Retirement	Accrued benefit payable starting at normal retirement age or accrued benefit reduced 5% per year for commencement prior to normal retirement age
- Disability Retirement	Accrued benefit payable upon disablement without reduction for early payment
- Death Benefit	50% of accrued benefit is payable to spouse until death or remarriage, non-married participants 50% of the accrued benefit is payable for 5 years
- Prior to 7 Years Service	Return of employee contributions with accrued interest.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

g. Form of Benefit Payments

Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/12	610,664	653,788	43,124	93.4%	282,757	15.3%

a. Date of last Actuarial Valuation

March 2012

b. Significant Actuarial Assumptions Used:

1. Rate of Return on Investments

7.5%

2. Projected Salary Increase

4.0% - 7.42%, rate by age

3. Retirement Age

Normal and Early Rates

4. Mortality Table

UP 1994 mortality (projected)

5. Asset Value

Actuarial cost method

c. Actuarial cost method

Entry age normal cost method

d. Amortization method

Level % of payroll

e. Fiscal Year 2012 Contributions Made

Total Contributions- 14.75% of covered payroll

\$41,444

Employee Contributions- 3.6% of covered payroll

\$10,115

Employer Contributions- 11.15% of covered payroll

\$31,329

B. Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description

The Town participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions. The Town of Okeene is supported by a voluntary force of firefighters.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	Oklahoma Firefighter's Pension and Retirement System	Oklahoma Police Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	0% of covered payroll	8% of covered payroll
Town's contribution rate	\$60 per year, per firefighter	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	NA	20 years credited service, 2 1/2% 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.

Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years
<i>Annual Required Contributions</i>		
Provision for:		
Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes
Valuation Date	7/1/07	7/1/07
Actuarial cost method	Individual entry age normal	Individual entry age
Amortization method/period	Level dollar 30 years, open	Level dollar 30 years, open
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% - 19.0%	4.0% - 10.0%
Post retirement benefit increases	2.0%	2.0%
Inflation	3.0%	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

C. MHSA Pension Plan

Refer to the Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital audit report for June 30, 2012 for discussion of the MHSA pension plan.

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The Town 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. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town.

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.

C. Water Rights Contract

In August 2010, the Town settled litigation with North Blaine Water Corporation (NBWC) regarding water rights. A payment of \$165,867.46 was made to NBWC in accordance with the settlement agreement. The parties agreed to the termination of contractual obligations effective March 19, 2011. The Town retained 44% ownership of their water flowage rights.

Town of Okeene, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2012

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 327,000	\$ 35,000	\$ 362,000	\$ 373,248	\$ 11,248
Use tax	29,400	7,600	37,000	38,700	1,700
Beverage tax	12,250	1,250	13,500	14,027	527
Franchise taxes	18,415	1,750	20,165	20,288	123
Fines and forfeitures	33,700	(6,500)	27,200	29,246	2,046
Investment income	50	250	300	318	18
Charges for services	30,550	22,700	53,250	48,823	(4,427)
Intergovernmental	4,500	40,800	45,300	5,499	(39,801)
Miscellaneous	2,500	11,250	13,750	47,468	33,718
Total revenues before carryover	458,365	114,100	572,465	577,617	5,152
Budgeted carryover (1)	-	-	-	-	-
Total revenues and budgeted carryover	458,365	114,100	572,465	577,617	5,152
EXPENDITURES					
General government:					
General government					
Personal services	125,800	(24,000)	101,800	95,907	5,893
Materials & supplies	200	4,500	4,700	3,997	703
Other services & charges	70,000	2,300	72,300	70,313	1,987
Capital outlay	-	-	-	-	-
Total general government	196,000	(17,200)	178,800	170,217	8,583
Public safety and judiciary:					
Police					
Personal services	114,000	3,500	117,500	117,055	445
Materials & supplies	-	15,000	15,000	14,641	359
Other services & charges	48,000	(12,000)	36,000	34,458	1,542
Capital outlay	7,451	6,525	13,976	12,450	1,526
Debt service	10,560	-	10,560	10,542	18
Fire					
Personal services	18,000	(4,000)	14,000	12,245	1,755
Materials & supplies	-	5,500	5,500	10,089	(4,589)
Other services & charges	32,500	(7,500)	25,000	21,072	3,928
Capital outlay	32,580	35,660	68,240	-	68,240
Interest expense	-	-	-	-	-
Debt service	6,920	4,740	11,660	11,937	(277)
Total public safety and judiciary	270,011	47,425	317,436	244,489	72,947
Cultural, parks and recreation:					
Park					
Personal services	7,500	-	7,500	6,316	1,184
Other services & charges	-	2,250	2,250	2,143	107
Capital outlay	10,000	(7,000)	3,000	939	2,061
Golf Course					
Personal services	22,500	(2,500)	20,000	18,320	1,680
Materials & supplies	2,250	11,000	13,250	11,805	1,445
Other services & charges	20,250	(3,000)	17,250	18,156	(906)
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Community Building					
Personal services	3,485	-	3,485	2,586	899
Other services & charges	3,000	-	3,000	3,266	(266)
Swimming Pool					
Personal services	14,250	1,000	15,250	13,569	1,681
Materials & supplies	550	8,050	8,600	11,877	(3,277)
Other services & charges	9,000	(3,000)	6,000	3,179	2,821
Capital outlay	25,000	2,000	27,000	2,022	24,978
Industrial Park and Economic Development					
Other services & charges	200	-	200	-	200
Total cultural, parks and recreation	117,985	8,800	126,785	94,178	32,607

Town of Okeene, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2012

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Total expenditures	583,996	39,025	623,021	508,884	114,137
Revenue over (under) expenditures	(125,631)	75,075	(50,556)	68,733	119,289
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	132,900	(10,400)	122,500	94,752	(27,748)
Net other financing sources (uses)	132,900	(10,400)	122,500	94,752	(27,748)
Revenues and other financing sources over (under) expenditures and other uses	7,269	64,675	71,944	163,485	91,541
Fund balance at beginning of year (Non-GAAP budgetary basis)				141,724	141,724
Less budgeted carryover (1)					
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 305,209	\$ 233,265
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				10,642	
Expenditure and transfer accruals				(5,765)	
Fund balance at end of year (GAAP basis)				\$ 310,086	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Town of Okeene, OK

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Okeene, OK, as of and for the year ended June 30, 2012, which collectively comprise the Town of Okeene, OK's basic financial statements and have issued our report thereon dated November 8, 2012. 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.

Internal Control Over Financial Reporting

Management of Town of Okeene, OK, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Okeene, OK's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Okeene, OK's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Okeene, OK's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Okeene, OK's financial statements are free of material misstatement, we 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 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*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Derrel S. White, CPA

Woodward, OK
November 8, 2012