

CITY OF HAILEYVILLE, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

Ralph Osborn
Certified Public Accountant
500 South Chestnut
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Haileyville, Oklahoma

I have audited the accompanying financial statements of the Town of Haileyville, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Haileyville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

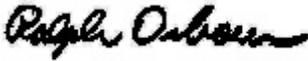
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Haileyville as of June 30, 2015, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 4, 2016, on my consideration of Town of Haileyville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in considering Town of Haileyville, Oklahoma's* internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
April 4, 2016

CITY OF HAILEYVILLE, OKLAHOMA
 HAILEYVILLE, OKLAHOMA
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 JUNE 30, 2015

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,253	\$ 21,276	\$ 26,529
Investments	-	35,856	35,856
Due from other funds	28,293	(28,293)	-
Capital assets:			
Land	-	32,306	32,306
Other capital assets net of accumulated depreciation	<u>235,682</u>	<u>1,451,569</u>	<u>1,687,251</u>
Total assets	<u>269,228</u>	<u>1,512,714</u>	<u>1,781,942</u>
LIABILITIES:			
Customer deposits	-	36,204	36,204
Long-term liabilities:			
Due within one year	-	26,460	26,460
Due in more than one year	<u>-</u>	<u>27,428</u>	<u>27,428</u>
Total liabilities	<u>-</u>	<u>90,092</u>	<u>90,092</u>
NET POSITION			
Invested in capital assets, net of related debt	235,682	1,429,987	1,665,669
Unrestricted	<u>33,546</u>	<u>(7,365)</u>	<u>26,181</u>
Total net position	<u>\$ 269,228</u>	<u>\$1,422,622</u>	<u>\$1,691,850</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HAILEYVILLE, OKLAHOMA
 HAILEYVILLE, OKLAHOMA
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Function/Programs	Expenses	Charges for Operating Services Grants		Net (Expense) Revenue and Changes in Net Position		
				Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities:						
Administration	\$ 58,596	\$ -	\$ 6,127	\$ (52,469)	\$ -	\$ (52,469)
Street and Alley	6,565	-	5,936	(629)	-	(629)
Public Safety	126,697	69,489	21,470	(35,738)	-	(35,738)
Total governmental activities	191,858	69,489	33,533	(88,836)	-	(88,836)
Business-type activities:						
Utilities	459,881	376,854	99,999	-	16,972	16,972
Total business-type activities	459,881	376,854	99,999	-	16,972	16,972
Total primary government	\$ 651,739	\$ 446,343	\$ 133,532	\$ (88,836)	\$ 16,972	\$ (71,864)
General revenues						
Taxes:						
Sales and use taxes				\$ 49,653	\$ -	\$ 49,653
Franchise taxes				20,867	-	20,867
Cigarette taxes				543	-	543
Gasoline taxes				914	-	914
Investment income				11	164	175
Miscellaneous				18,893	-	18,893
Donations				1,076	-	1,076
Total general revenue				91,957	164	92,121
Change in net position				3,121	17,136	20,257
Net position - beginning				266,107	1,405,486	1,671,593
Net position - ending				\$ 269,228	\$1,422,622	\$1,691,850

The accompanying notes are an integral part of this financial statement.

CITY OF HAILEYVILLE, OKLAHOMA
 HAILEYVILLE, OKLAHOMA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS
 JUNE 30, 2015

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 5,253	\$ 5,253
Due from other funds	<u>28,293</u>	<u>28,293</u>
TOTAL ASSETS	<u>\$ 33,546</u>	<u>\$ 33,546</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Due to other funds	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES:		
Unrestricted	<u>33,546</u>	<u>33,546</u>
TOTAL FUND BALANCES	<u>33,546</u>	33,546
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,546</u>	
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		<u>235,682</u>
Net position of governmental activities		<u>\$ 269,228</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HAILEYVILLE, OKLAHOMA
 HAILEYVILLE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Sales tax	\$ 47,261	\$ 47,261
Use tax	2,392	2,392
Franchise tax	20,867	20,867
Alcoholic beverage tax	6,127	6,127
Cigarette tax	543	543
Gas tax	914	914
Motor vehicle tax	5,936	5,936
Fines and court fees	69,489	69,489
Investment income	11	11
Grant	21,470	21,470
Miscellaneous	18,893	18,893
Donations	<u>1,076</u>	<u>1,076</u>
Total revenues	<u>194,979</u>	<u>194,979</u>
Expenditures:		
Administration	56,101	56,101
Street and alley	6,565	6,565
Public Safety	<u>134,054</u>	<u>134,054</u>
Total expenditures	<u>196,720</u>	<u>196,720</u>
Net change in fund balance	(1,741)	(1,741)
Fund balances, beginning	<u>35,287</u>	
Fund balances, ending	<u>\$ 33,546</u>	

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

Acquisition of fixed assets	21,470	
Depreciation expense	<u>(16,608)</u>	<u>4,862</u>

Change in net position of governmental activities \$ 3,121

The accompanying notes are an integral part of this financial statement.

CITY OF HAILEYVILLE, OKLAHOMA
 HAILEYVILLE, OKLAHOMA
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
 MODIFIED CASH BASIS
 JUNE 30, 2015

	<u>Haileyville Public Works Authority</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 21,276
Investments	<u>35,856</u>
Total current assets	<u>57,132</u>
Non-current assets:	
Land	32,306
Capital assets, net of depreciation	<u>1,451,569</u>
Total non-current assets	<u>1,483,875</u>
Total assets	<u>1,541,007</u>
LIABILITIES:	
Current liabilities:	
Customer deposits	36,204
Due to other funds	28,293
Notes payable - current portion	<u>26,460</u>
Total current liabilities	<u>90,957</u>
Non-current liabilities:	
Notes payable	<u>27,428</u>
Total non-current liabilities	<u>27,428</u>
Total liabilities	<u>118,385</u>
Invested in capital assets, net of related debt	1,429,987
Unrestricted	<u>(7,365)</u>
Total net position	<u>\$ 1,422,622</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HAILEYVILLE, OKLAHOMA
 HAILEYVILLE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Haileyville Public Works Authority</u>
OPERATING REVENUES:	
Water	\$ 136,801
Sewer	71,614
Sanitation	82,575
User fees	77,365
Miscellaneous	<u>8,499</u>
Total operating revenues	<u>376,854</u>
OPERATING EXPENSES:	
Wages	59,998
Payroll taxes	17,975
Water Purchases	112,289
Sanitation	67,377
Insurance	30,157
Maintenance & operations	102,332
Professional fees	500
Office and postage	5,669
Depreciation	<u>61,037</u>
Total operating expenses	<u>457,334</u>
Operating income (loss)	<u>(80,480)</u>
NON-OPERATING REVENUE (EXPENSES):	
Grant income	99,999
Interest income	164
Interest expense	<u>(2,547)</u>
Total non-operating revenue (expenses)	<u>97,616</u>
Change in net position of business type activities	17,136
Total net position, beginning	<u>1,405,486</u>
Total net position, ending	<u>\$ 1,422,622</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HAILEYVILLE, OKLAHOMA
 HAILEYVILLE, OKLAHOMA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS - MODIFIED CASH BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Haileyville Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 377,956
Payments to suppliers	(318,324)
Payments to employees	<u>(77,973)</u>
Net Cash Provided by Operating Activities	<u>(18,341)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant income	99,999
Change in Due to/from	11,307
Acquisition of fixed assets	(91,631)
Principal paid on capital debt	(25,534)
Interest paid on capital debt	<u>(2,547)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(8,406)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	164
Transferred to investments	<u>(160)</u>
Net Cash Provided by Investing Activities	<u>4</u>
Net Decrease in Cash and Cash Equivalentents	(26,743)
Cash and Cash Equivalentents, Beginning	<u>48,019</u>
Cash and Cash Equivalentents, Ending	<u>\$ 21,276</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income (loss)	\$ (80,480)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	61,037
Changes in assets and liabilities:	
Change in customer deposits	<u>1,102</u>
Net Cash Provided by Operating Activities	<u>\$ (18,341)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed in Note 1.C., the City complies with accounting principles generally accepted in the United States of America (GAAP). These accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For business-type activities and enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2006, the City implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, an omnibus amendment to GASB Statements 21 and 34.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Haileyville
Blended Component Unit:	City of Haileyville Public Works Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and includes all component units of which the City is fiscally accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State Law. A public Trust (Authority) has no taxing power. The Authority is generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the Board of Trustees to delegate certain functions to the governing body (Trustees) of the Authority debt or other Authority generated resources. In addition, in most cases, the City has leased certain existing assets at the creation of the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

BLENDDED COMPONENT UNITS

Blended component units are separate legal entities that meet the GASB 14 component unit criterial and whose governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the City. The component units' funds are blended into the City's by appropriate fund type to comprise the primary government presentation. The component unit that is blended into the primary government's fund types of the City's report is present below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Haileyville Public Works Authority (HPWA)	Created to finance, develop and operate the water, sewer, and solid waste activities of the City. Current Board of Trustees serves as entire governing body (Trustees) of the Authority.	HPWA Enterprise Fund

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

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

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

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. An emphasis is placed on major funds within the governmental and proprietary categories.

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

GOVERNMENTAL FUNDS

General Fund

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

ENTERPRISE FUNDS

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide, Proprietary and Fiduciary Fund Financial Statements

In the government-wide Statement of Net Position and the Statement of Activities, and the proprietary and fiduciary fund statements the "economic resources" measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below, is applied.

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

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spending financial resources during a given period. These funds use fund balance as their measurement of available spendable financial resources at the end of the period.

B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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

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

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include all demand accounts, savings accounts, money market investment in trust accounts, certificates of deposit and short-term investments with an original maturity of three months or less. Investments in open-ended mutual fund shares are also considered cash.

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Investments

Investments classified on the balance sheet consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost. Additional cash and investment disclosures are presented in Note 2.B. and Note 3.A.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2015 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets of enterprise funds and similar discretely presented component units that are legally restricted as to their use. The primary restricted assets are related to debt reserves and revenue bond trustee accounts.

Capital Assets and Depreciation

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	40
Improvements, other than buildings	02-50
Mobile equipment	05-10
Furniture , machinery, and equipment	10-20
Utility system	05-60

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources and business-type and similar discretely presented component unit resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable.

Equity Classifications

Government-Wide Financial Statements:

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

1. Invested in capital assets, net of related debt - 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.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservations include reserves for encumbrances. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City presently levies a three-cent sales tax on taxable sales within the city. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Oklahoma Tax Commission. The Oklahoma Tax Commission receives the sales tax approximately one month after collection by vendors.

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Property Tax

At the present time, the City levies no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Program Revenues

In the Statement of Activities, revenues are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and permits, royalties and rental income.
Public Safety	Fine revenue operating and capital grants and contributions.
Street & Alley	Commercial vehicle and gasoline excise tax shared by the State.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds and similar discretely presented component unit are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures/expenses are classified as follows:

Governmental Funds - By Character: Current (further classified by activity);
Capital outlay; or Debt service
Proprietary funds - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

1.F. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF HAILEYVILLE
 HAILEYVILLE, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

1.G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

Fund Financial Statements:

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

1. Inter-fund loans - amounts provided with a requirement for repayment are reported as inter-fund receivables and payables.
2. Inter-fund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Inter-fund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Inter-fund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resource.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies, in all material respects, with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By
Public Works Authority	Loan Agreement

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state and local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions Of Use
Gasoline Excise Tax	Street and Alley purposes
Commercial Vehicle Tax	Street and Alley purposes
Water and Sewer Revenue	Debt Service and Utility Operations

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General Long-term Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purpose to no more than 10% of net assessed valuation. For the year ended June 30, 2015, the City had no general obligation debt outstanding.

Other Long-term Debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

Revenue Bond Debt

The loan agreement relating to the revenue bond from the Oklahoma Water Resources Board, loans of the Haileyville Public Works Authority contained a number of restrictions or covenant that are financial related.

Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit of fund balance in any individual fund.

NOTE 3. DETAILED NOTES - TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. DEPOSITS AND INVESTMENTS

Schedule of Deposit and Investments by type as of June 30, 2015:

<u>Type</u>	Fair Value	<u>Maturities in Years</u>		
		On Demand	Less Than One	More Than One
Primary Government				
Demand Accounts	\$ 26,529	\$ 26,529	\$ -	\$ -
Subtotal	\$ 26,529	\$ 26,529	\$ -	\$ -
Certificates of Deposit	35,856			
Total Investments & Deposits	\$ 62,385			

Reconciliation to Statement of Net Position:

Cash & Cash Equivalents	\$ 26,529
Investments	35,856
Total	\$ 62,385

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Primary Government Deposits

Investment Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various instruments.

Custodial Credit Risk:

Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralization with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the City's name.

At June 30, 2015 the City was exposed to custodial credit risk. As required by the Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

Concentration or Investment Credit Risk:

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represents a significant percent or total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2015, the City had no concentration of credit risk as defined above.

3.B. LONG-TERM DEBT

The City's long-term debt is the amounts to be repaid from proprietary type funds (Enterprise Fund Debt).

Enterprise Fund Long-Term Debt

As of June 30, 2015, the long-term debt payable from business-type activities resources consisted of the following:

Note payable with OERB dated March 15, 1998, original Note of \$419,000 with an annual interest rate of 3.056%, due in semi-annual installments, for twenty years.	<u>\$ 53,888</u>
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CITY OF HAILEYVILLE
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Current Portion	\$ 26,460
Non-Current Portion	<u>27,428</u>
Total Notes Payable	<u><u>\$ 53,888</u></u>

Debt Service Requirements to Maturity:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 26,460	\$ 1,715	\$ 28,175
2017	<u>27,428</u>	<u>746</u>	<u>28,174</u>
Total	<u><u>\$ 53,888</u></u>	<u><u>\$ 2,461</u></u>	<u><u>\$ 56,349</u></u>

3.D. CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2014	\$ 252,000	\$ -	\$ 298,237	\$ 550,237	\$ -
Increases	-	-	21,470	21,470	-
Decreases	-	-	-	-	-
Balance, June 30, 2015	<u>252,000</u>	<u>-</u>	<u>319,707</u>	<u>571,707</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2014	175,840	-	143,577	319,417	
Increase	3,360	-	13,248	16,608	
Decreases	-	-	-	-	
Balance, June 30, 2015	<u>179,200</u>	<u>-</u>	<u>156,825</u>	<u>336,025</u>	
Governmental activities Capital Assets, Net	<u><u>\$ 72,800</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 162,882</u></u>	<u><u>\$ 235,682</u></u>	<u><u>\$ -</u></u>
Business-type activities					
Balance, June 30, 2014	\$ 64,000	\$ 2,245,267	\$ 36,497	\$ 2,345,764	\$ 32,306
Increases	-	91,631	-	91,631	-
Decreases	-	-	-	-	-
Balance, June 30, 2015	<u>64,000</u>	<u>2,336,898</u>	<u>36,497</u>	<u>2,437,395</u>	<u>32,306</u>
Accumulated Depreciation					
Balance, June 30, 2014	58,400	833,460	32,929	924,789	
Increase	1,600	58,152	1,285	61,037	
Decreases	-	-	-	-	
Balance, June 30, 2015	<u>60,000</u>	<u>891,612</u>	<u>34,214</u>	<u>985,826</u>	
Business-type Activities Capital Assets, Net	<u><u>\$ 4,000</u></u>	<u><u>\$ 1,445,286</u></u>	<u><u>\$ 2,283</u></u>	<u><u>\$ 1,451,569</u></u>	<u><u>\$ 32,306</u></u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u><u>\$ 76,800</u></u>	<u><u>\$ 1,445,286</u></u>	<u><u>\$ 165,165</u></u>	<u><u>\$ 1,687,251</u></u>	<u><u>\$ 32,306</u></u>

CITY OF HAILEYVILLE
HAILEYVILLE, OKLAHOMA
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DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
Administration	\$ 2,495	Public works	\$ 61,037
Community Service	14,113		

NOTE 4. OTHER NOTES

Contingencies:

Grant Program Involvement

In the normal course of operations, the City 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.

Litigation

The City and the Public Works Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provision 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 City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. This statutory taxing ability is not available to the City's public trusts (Authorities).

While the outcome of the above proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Pension Obligation

Oklahoma Firefighter's Pension and Retirement System

The City participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

CITY OF HAILEYVILLE
 HAILEYVILLE, OKLAHOMA
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Eligibility to Participate	All full-time or voluntary Firefighters of a Participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution full time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of credited service with reduced benefits
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
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

The City is required to contribute \$60 per year per volunteer firefighter. For those years in which the City General Fund revenue falls below a statutory amount, the City is not required to make a contribution.

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 900	100%
2014	\$ 660	100%
2013	\$ 840	100%

Note 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 4, 2016, the date on which the financial statements were available to be issued. The City does not believe there are any events requiring disclosure.

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

To the Honorable Members of the Board of Trustees
Town of Haileyville
Haileyville, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Haileyville, Oklahoma, modified cash basis, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Haileyville's basic financial statements and have issued my report thereon dated April 4, 2016 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Haileyville, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The general fund actual expenses exceeded the approved expenditure budget. The town failed to approve a supplemental budget for the additional expenditures when they had sufficient revenue to do so.

Purpose of the Report

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

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
April 4, 2016