

TOWN OF PAOLI, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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Independent Auditor's Report

The Board of Trustees
Town of Paoli, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paoli, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

TOWN OF PAOLI, OKLAHOMA
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Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Paoli, Oklahoma as of June 30, 2015, and the changes in its modified cash basis financial position and, where applicable, its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

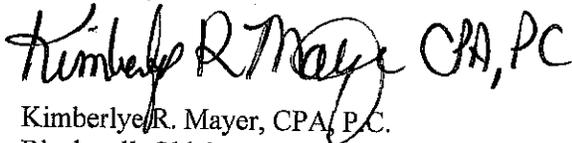
We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2016 on our consideration of the Town of Paoli, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain 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* and should be read in conjunction with this report in considering the results of our audit.



Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
February 9, 2016

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

The Board of Trustees
Town of Paoli, Oklahoma

We have audited the financial statements of Town of Paoli, Oklahoma as of and for the year ended June 30, 2015 and have issued our report thereon dated February 9, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements were 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control that there is 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 Paoli, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

 Kimberley R. Mayer CPA, PC

Kimberley R. Mayer, CPA, P.C.

Blackwell, Oklahoma

February 9, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF PAOLI
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 26,960	\$ 77,463	\$ 104,423
Certificates of deposit	20,373		20,373
Due from other funds	127		127
Capital assets (Note 2):			
Land	5,000	4,134	9,134
Capital assets (net of accumulated depreciation)	270,298	535,833	806,131
Work in progress		212,995	212,995
Total Assets	<u>322,758</u>	<u>830,425</u>	<u>1,153,183</u>
Liabilities:			
Due to other funds		127	127
Payroll withholding	956	1,291	2,247
Customer meter deposits		15,972	15,972
Total Liabilities	<u>956</u>	<u>17,390</u>	<u>18,346</u>
Net Position:			
Net investment in capital assets	275,298	752,962	1,028,260
Restricted for:			
Cemetery care	36,030		36,030
Unrestricted	10,474	60,073	70,547
Total Net Position	<u>\$ 321,802</u>	<u>\$ 813,035</u>	<u>\$ 1,134,837</u>

The accompanying report and notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF PAOLI
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 11,303	\$ 15,657	\$ 26,960
Certificates of deposit		20,373	20,373
Due from other funds	127		127
Total Assets	<u>11,430</u>	<u>36,030</u>	<u>47,460</u>
Liabilities and Fund Balance:			
Liabilities:			
Payroll withholding	956		956
Due to other funds			
Total Liabilities	<u>956</u>	<u> </u>	<u>956</u>
Fund balances:			
Nonspendable			
Restricted		36,030	36,030
Committed			
Assigned			
Unassigned	10,474		10,474
Total Fund Balances	<u>\$ 10,474</u>	<u>\$ 36,030</u>	<u>\$ 46,504</u>

RECONCILIATION TO STATEMENT OF NET POSITION:

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

Capital assets used in governmental activities of \$537,892, net of accumulated depreciation of \$262,594, are not financial resources and, therefore, are not reported in the funds.

Net position of governmental activities

275,298

\$ 321,802

The accompanying report and notes are an integral part of these financial statements.

TOWN OF PAOLI
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 23,492	\$ 3,468	\$ 26,960
Certificates of deposit		20,373	20,373
Due from other funds	127		127
Total Assets	23,619	23,841	47,460
 Liabilities and Fund Balance:			
Liabilities:			
Payroll withholding	956		956
Due to other funds			
Total Liabilities	956		956
 Fund balances:			
Nonspendable			
Restricted		23,841	23,841
Committed			
Assigned			
Unassigned	22,663		22,663
Total Fund Balances	\$ 22,663	\$ 23,841	\$ 46,504

RECONCILIATION TO STATEMENT OF NET POSITION:

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

Capital assets used in governmental activities of \$537,892, net of accumulated depreciation of \$262,594, are not financial resources and, therefore, are not reported in the funds.

275,298

Net position of governmental activities

\$ 321,802

The accompanying report and notes are an integral part of these financial statements.

TOWN OF PAOLI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 83,920	\$	\$ 83,920
Charges for services	462	288	750
Fines and fees	25,742		25,742
Investment income	306	104	410
Grants and donations	8,655		8,655
Miscellaneous	11,498		11,498
Total Revenues	130,583	392	130,975
Expenditures:			
Current:			
General Government	26,911		26,911
Police Department	108,883		108,883
Fire Department	8,158		8,158
Streets	10,727		10,727
Cultural and Recreation	1,658		1,658
Cemetery	9,553		9,553
Total Expenditures	165,890		165,890
Excess (deficiencies) of revenues over expenditures	(35,307)	392	(34,915)
Other Financing Sources (Uses):			
Transfers in (out)	41,485	(9,512)	31,973
Net changes in fund balances	6,178	(9,120)	(2,942)
Fund balances, beginning of year	16,485	32,961	49,446
Fund balances, end of year	\$ 22,663	\$ 23,841	46,504
 RECONCILIATION TO THE STATEMENT OF ACTIVITIES:			
Net changes in fund balances - total governmental funds			\$ (34,915)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital asset purchases capitalized			41,568
Write off of damaged asset			(12,787)
Depreciation expense			(18,304)
			10,477
Change in Net Assets of Governmental Activities			\$ (24,438)

The accompanying report and notes are an integral part of these financial statements.

TOWN OF PAOLI
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2015

	Public Works Authority Enterprise Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 77,463
Due from other funds	
Total Current Assets	77,463
Noncurrent Assets:	
Land	4,134
Other capital assets, net of accumulated depreciation (Note 2)	535,833
Work in progress	212,995
Total Noncurrent Assets	752,962
Total Assets	830,425
Liabilities:	
Current Liabilities:	
Due to other funds	127
Payroll withholdings	1,291
Total Current Liabilities	1,418
Noncurrent liabilities:	
Customer meter deposits	15,972
Total Noncurrent Liabilities	15,972
Total Liabilities	17,390
Net Position:	
Net investment in capital assets	752,962
Restricted for debt service	
Unrestricted	60,073
Total Net Position	\$ 813,035

The accompanying report and notes are an integral part of these financial statements.

TOWN OF PAOLI
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water	\$ 82,936
Sewer	53,726
Sanitation	46,074
Grants	
Other income	7,090
Total Operating Revenues	189,826
Operating Expenses:	
Water Department	69,478
Sewer Department	66,186
Sanitation Department	37,882
Depreciation	45,017
Total Operating Costs	218,563
Operating income (loss)	(28,737)
Non-Operating Revenues (Expenses):	
Interest income	286
Interest expense	
Total Non-Operating Revenues (Expenses)	286
Changes in Net Position	(28,451)
Transfers	(31,973)
Net Position, beginning of year	873,459
Net Position, end of year	\$ 813,035

The accompanying report and notes are an integral part of these financial statements.

TOWN OF PAOLI
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities:	
Cash received from customers	\$ 189,826
Other operating cash receipts	
Cash payments to suppliers for goods and services	(117,827)
Cash payments to employees	(54,919)
Net cash provided (used) by Operating Activities	17,080
Cash Flows From Non-Capital Financing Activities:	
Cash Flows From Capital And Related Financing Activities:	
Transfers in (out)	(31,973)
Acquisition and construction of capital assets	(41,075)
Principle payments	(1,067)
Net cash provided (used) by Financing Activities	(74,115)
Cash Flows From Investing Activities:	
Interest on cash and investments	286
Change in due to (from)	2,748
(Increase) decrease in restricted accounts	
Net cash provided (used) by Investing Activities	3,034
Net increase (decrease) in cash and cash equivalents	(54,001)
Beginning cash and cash equivalents	131,464
Ending cash and cash equivalents	\$ 77,463
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (Loss) from operations	(28,737)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	45,017
Change in assets and liabilities:	
Payroll liabilities	106
Customer deposits	694
Net cash provided (used) by operating activities	\$ 17,080

The accompanying report and notes are an integral part of these financial statements.

TOWN OF PAOLI, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity

The Town of Paoli, Oklahoma (Town) operates under the Town Board of Trustees form of government and provides the following services as authorized by its charter: public safety, streets, public improvements, recreation, planning and zoning, and general administration. The Town's financial reporting entity is composed of the following:

Primary Government: Town of Paoli, Oklahoma
Blended Component Unit: Town of Paoli, Oklahoma Public Works Authority

Blended Component Unit

The Paoli Public Works Authority (PWA), an entity legally separate from the Town but having the Town as its beneficiary, is governed by the same board of trustees as governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its primary purpose is to finance and provide water, sewer, and trash services to the citizens of the Town.

Basis of Presentation

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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

TOWN OF PAOLI, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental Funds

The General Fund is the primary 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 other funds.

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

Cemetery Care Fund – used to account for 12 ½% of revenue from lot sales. These funds are restricted for purchasing cemetery land or making cemetery capital improvements.

Proprietary Funds

The enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Public Works Authority Fund. This fund is used to account for the activities in providing water, sewer, and sanitation services to the public. This fund is classified as a major fund.

Basis of Accounting

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

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

TOWN OF PAOLI, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Equity Classification

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Nonspendable fund balance: This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance: This classification includes revenue sources that are restricted to specific purposes internally imposed by creditors, grantors or imposed by law.

Committed fund balance: This classification includes the portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Town's trustees.

Assigned fund balance: This classification includes a portion of fund balance that has been budgeted by the board of trustees.

Unassigned fund balance: This classification includes a portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

Budget Policy and Practice

An annual budget is submitted to the Town Trustees for review, and public hearings are held to address the budget. Once the budget is approved, the Town Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Revenues are budgeted by source, and expenditures are budgeted by department and class as follows: personal services, materials and supplies, other services and charges, and capital outlay. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions are subject to final review by the Town Trustees.

The budget for the operating funds is prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders is expected to be paid. The actual financial statements are reported on the modified cash basis.

TOWN OF PAOLI, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Budget and Budgetary Accounting

The Town adopts annual budgets for the general and proprietary funds.

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts (excluding restricted accounts) and certificates of deposit with a maturity of three months or less.

NOTE 2 – PROPERTY AND EQUIPMENT:

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

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

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

TOWN OF PAOLI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 2 – PROPERTY AND EQUIPMENT (continued):

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
Governmental activities:				
Fire Department equipment	\$ 199,572	\$	\$	\$ 199,572
Police Department equipment	47,121	41,568	(30,827)	57,862
Parks and Recreation	49,441			49,441
Land	5,000			5,000
Buildings	129,212			129,212
General equipment	10,826			10,826
Street improvements	85,979			85,979
Totals	<u>527,151</u>	<u>41,568</u>	<u>(30,827)</u>	<u>537,892</u>
Less accumulated depreciation:				
Equipment	193,002	14,144	(16,944)	190,202
Buildings	53,501	2,554		56,055
Street improvements	14,827	1,510		16,337
Totals	<u>261,330</u>	<u>18,208</u>	<u>(16,944)</u>	<u>262,594</u>
Capital assets, net	<u>\$ 265,821</u>	<u>\$ 23,360</u>	<u>\$ (13,883)</u>	<u>\$ 275,298</u>
Business-type activities:				
Land	\$ 4,134	\$	\$	\$ 4,134
Buildings	21,674			21,674
Utility equipment	252,706	34,050		286,756
Water & sewer system	909,404	7,025		916,429
Totals	<u>1,187,918</u>	<u>41,075</u>		<u>1,228,993</u>
Less accumulated depreciation:				
Buildings	14,086	2,167		16,253
Utility equipment	164,437	20,005		184,442
Water & sewer system	465,485	22,846		488,331
Totals	<u>644,008</u>	<u>45,018</u>		<u>689,026</u>
Capital assets, net	<u>\$ 543,910</u>	<u>\$ (3,943)</u>	<u>\$</u>	<u>\$ 539,967</u>

TOWN OF PAOLI
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

NOTE 3 – CASH AND DEPOSITS:

The State of Oklahoma allows municipalities to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts of savings certificates; or county, municipal or school district direct debt.

Cash and deposits are categorized for level of risk as follows:

- Category 1 – Insured or collateralized with securities held by the City or by its agent in the Town's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 – Uncollateralized

Cash and deposits, categorized by level of risk, at June 30, 2014 are:

	Bank Balance	Category			Carrying Amount
		1	2	3	
Bank accounts	\$ 103,936	\$ 103,936	\$	\$	\$ 103,936
Certificates of deposit	20,373	20,373			20,373
Totals	<u>124,309</u>	<u>124,309</u>			<u>124,309</u>

NOTE 4 – EQUITY CLASSIFICATION:

Equity in government-wide financial statements is classified as net position and displayed in three components:

Investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position: All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

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

TOWN OF PAOLI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 5 – PENSION PLANS:

The Town's volunteer firemen participate in the Oklahoma State Firefighter's Pension and Retirement System. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The total contribution for the year ended June 30, 2015 was \$900 and covered 15 volunteers.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Town's financial instruments include cash and cash equivalents, certificates of deposits and notes payable. The Town's estimate of the fair value of all financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

NOTE 7 – RISK MANAGEMENT:

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims activity for the year just ended.

NOTE 8 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

The Town has evaluated subsequent events through February 9, 2016, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TOWN OF PAOLI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 16,485	\$ 16,485	\$ 16,485	\$
Resources (Inflows):				
Sales tax	50,000	53,000	53,088	88
Use tax	9,000	4,200	4,580	380
Franchise taxes	15,000	15,000	15,062	62
Alcoholic beverage tax	4,500	4,500	4,892	392
Tobacco tax	600	600	620	20
Motor vehicle and gas taxes	5,500	5,500	5,678	178
Fines	20,520	26,520	25,742	(778)
Other revenues	4,000	12,500	11,960	(540)
Grants/donations		5,000	8,655	3,655
Interest	80	80	306	226
Total Resources	109,200	126,900	130,583	3,683
Charges (Outflows):				
General Government:				
Materials and supplies	1,000	1,500	1,123	377
Other services and charges	10,000	14,500	14,174	326
Capital outlay				
Total General Government	11,000	16,000	15,297	703
Parks:				
Materials and supplies	1,000	1,000	660	340
Other services and charges	1,000	1,500	998	502
Total Parks & Recreation	2,000	2,500	1,658	842
Fire:				
Materials and supplies	4,000	2,500	2,426	74
Other services and charges	1,000	3,800	3,574	226
Capital outlay		2,200	2,158	42
Total Fire	5,000	8,500	8,158	342
Police:				
Personnel services	31,000	36,500	36,083	417
Materials and supplies	10,000	9,000	8,714	286
Other services and charges	15,000	19,000	18,728	272
Capital outlay		41,568	41,568	
Total Police	56,000	106,068	105,093	975
Street and Alley:				
Materials and supplies	2,000	500	86	414
Other services and charges	8,000	9,500	10,641	(1,141)
Total Street and Alley	10,000	10,000	10,727	(727)

"Unaudited Supplemental Information"

TOWN OF PAOLI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND (Continued)
 YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
	\$	\$	\$	\$
Municipal Court:				
Personnel services	1,600	1,700	1,490	210
Other services and charges	2,400	2,400	2,300	100
Total Municipal Court	<u>4,000</u>	<u>4,100</u>	<u>3,790</u>	<u>310</u>
Animal Control:				
Personnel services	100	100		100
Materials and supplies	100	100		100
Other services and charges				
Total Animal Control	<u>200</u>	<u>200</u>		<u>200</u>
Town Clerk/Treasurer:				
Personnel services	8,000	8,000	7,993	7
Town Attorney:				
Other Services and Charges	2,000	1,500	1,282	218
Maintenance:				
Materials and supplies	1,000			
Other services and charges	1,000	2,500	2,339	161
Total Maintenance	<u>2,000</u>	<u>2,500</u>	<u>2,339</u>	<u>161</u>
Cemetery:				
Materials and supplies	1,000	1,100	947	153
Other services and charges	8,000	8,500	8,606	(106)
Total Cemetery	<u>9,000</u>	<u>9,600</u>	<u>9,553</u>	<u>47</u>
Senior Citizens:				
Total Charges	109,200	168,968	165,890	3,078
Other Financing Sources:				
Transfer from other funds		31,900	41,485	9,585
Transfer to other funds				
Total Other Financing Sources			<u>41,485</u>	<u>9,585</u>
Ending budgetary fund balance	<u>\$ 16,485</u>	<u>\$ 6,317</u>	<u>\$ 22,663</u>	<u>\$ 16,346</u>

"Unaudited Supplemental Information"

TOWN OF PAOLI, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2015

Budget Law

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

1. At least 30 days prior to July 1, a proposed operating budget is submitted to the Town Council.
2. A public hearing is held no later than 15 days prior to July 1 for citizen comments.
3. Subsequent to the public hearings but no later than 7 days prior to July 1, the budget is adopted by resolution of the Town Council.
4. The adopted budget is filed with the Office of State Auditor and Inspector.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as minimum legal level of control by department within a fund:

- Personal Service
- Materials and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Fund Transfers

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

Basis of Accounting

The budget is prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions. The Town does not budget for depreciation.