

TOWN OF EARLSBORO, OKLAHOMA

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

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

TOWN OF EARLSBORO, OKLAHOMA

JUNE 30, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION:	
TOWN OFFICIALS	
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	1-3
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	4
STATEMENT OF ACTIVITIES	5
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	7-8
STATEMENT OF NET ASSETS – PROPRIETARY FUND	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUND	10
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	11
NOTES TO FINANCIAL STATEMENTS	12-20

TOWN OF EARLSBORO, OKLAHOMA

JUNE 30, 2015

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)	21
OTHER SUPPLEMENTARY INFORMATION:	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	22
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERN- MENTAL FUNDS	23
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY– FIDUCIARY FUND – MUNICIPAL COURT	24
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY – FIDUCIARY FUND – MUNICIPALA COURT	25
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON ANAUDIT OF FINANCIAL STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26-27

TOWN OF EARLSBORO, OKLAHOMA

JUNE 30, 2015

TOWN OFFICIALS

BOARD OF TRUSTEES

AMBER BENART-DAVIS
LA COSTA RAWLS - VICE MAYOR
JIMMY CARTER
THOMAS HERRON SR.
CONRAD HARGRAVE

MAYOR
TRUSTEE
TRUSTEE
TRUSTEE
TRUSTEE

SAMUEL S ALEXANDER

Certified Public Accountant

304 South Hayes
Wagoner, Oklahoma 74467
918.485.2733 – Facsimile 918.485.3666
E-mail: ndncpa@samuelalexandercpa.com

INDEPENDENT AUDITOR'S REPORT

To the Mayor Steve and
The Board of Trustees
Town of Earlsboro
Earlsboro, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions of these financial statements based on my 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 of material misstatement.

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

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

Basis for Qualified Opinion on the General Fund

As discussed in Note 1 to the financial statements, management has not recorded capital assets, including general infrastructure assets, in the governmental activities and, accordingly has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including general infrastructure assets, be capitalized and depreciated, which would increase the assets, net assets and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the General Fund”, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Town of Earlsboro, Oklahoma, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the Town of Earlsboro, Oklahoma, as of June 30, 2015, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Town of Earlsboro, Oklahoma, has not presented Management’s Discussion and Analysis.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Earlsboro’s basic financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information

has been subjected to the auditing procedures applied in the audit of the basic 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. Except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not recorded capital assets and the related depreciation expense on those assets in the General Fund, the combining and individual nonmajor fund financial statements and budgetary schedules, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Wagoner, Oklahoma
September 28, 2016

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF NET ASSETS
June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 465,693	\$ 15,369	\$ 481,062
Accounts receivable	133,618	2,149	135,767
Total current assets	<u>599,311</u>	<u>17,518</u>	<u>616,829</u>
Noncurrent assets:			
Capital assets:			
Depreciable buildings, property and equipment	657,094	628,940	1,286,034
Less: Accumulated Depreciation	-	(312,589)	(312,589)
Total capital assets	<u>657,094</u>	<u>316,351</u>	<u>973,445</u>
Total assets	<u>1,256,405</u>	<u>333,869</u>	<u>1,590,274</u>
 LIABILITIES			
Current liabilities:			
Notes Payable	-	53,157	53,157
Accounts payable	18,392	550	18,942
Payroll liabilities	2,779	-	2,779
Total current liabilities	<u>21,171</u>	<u>53,707</u>	<u>74,878</u>
 NET ASSETS			
Invested in capital assets, net of related debt	657,094	263,194	920,288
Restricted	265,108	4,716	269,824
Unrestricted	<u>313,032</u>	<u>12,252</u>	<u>325,284</u>
Total net assets	<u>\$ 1,235,234</u>	<u>\$ 280,162</u>	<u>\$ 1,515,396</u>

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the fiscal year ended June 30, 2015

	Net (Expenses) Revenues and Changes in Net Assets						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business- type Activities	Totals
Functions/programs:							
Governmental Activities:							
General government	\$231,267	\$ -	\$4,484	\$ 1,003	\$ (225,780)	\$ -	\$ (225,780)
Governmental Activities:	25,830	-	-	-	(25,830)	-	(25,830)
CDBG grant	9,090	-	9,090	-	-	-	-
Capital Outlay	4,688	-	-	-	(4,688)	-	(4,688)
Forestry grant	8,555	-	8,555	-	-	-	-
Total governmental activities	<u>279,430</u>	<u>-</u>	<u>22,129</u>	<u>1,003</u>	<u>(256,298)</u>	<u>-</u>	<u>(256,298)</u>
Business-type activities							
Water, sewer and trash	39,224	26,277	-	-	-	(12,947)	(12,947)
Totals	<u>\$318,654</u>	<u>\$ 26,277</u>	<u>\$ 22,129</u>	<u>\$ 1,003</u>	<u>(256,298)</u>	<u>(12,947)</u>	<u>(269,245)</u>
General revenues							
Sales taxes					126,192	-	126,192
Other taxes					10,154	-	10,154
Unrestricted interest earnings					653	9	662
Franchise and other fees					12,469		12,469
Miscellaneous					1,984	-	1,984
Total general revenues					<u>151,452</u>	<u>9</u>	<u>151,461</u>
Change in net assets					(104,846)	(12,938)	(117,784)
Net Assets, beginning of year					<u>1,340,080</u>	<u>293,100</u>	<u>1,633,180</u>
Net Assets, end of year					<u>\$ 1,235,234</u>	<u>\$ 280,162</u>	<u>\$ 1,515,396</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF EARLSBORO, OKLAHOMA
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 169,689	\$ 296,004	\$ 465,693
Accounts receivable	129,922	3,696	133,618
Accounts receivable - other funds	34,592	-	34,592
Total assets	\$ 334,203	\$ 299,700	\$ 633,903
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 18,392	\$ -	\$ 18,392
Payroll liabilities	2,779		2,779
Accounts payable - other funds	-	34,592	34,592
Total liabilities	21,171	34,592	55,763
Fund balances:			
Unreserved:			
Undesignated, reported in:			
General fund	313,032	-	313,032
Special revenue funds	-	265,108	265,108
Total fund balances	313,032	265,108	578,140
Total liabilities and fund balances	\$ 334,203	\$ 299,700	\$ 633,903

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales taxes	\$ 84,128	\$ 42,064	\$ 126,192
Other taxes	10,154	-	10,154
Franchise and other fees	11,969	500	12,469
Grants	9,090	8,555	17,645
Forest operational grant	-	4,484	4,484
Interest	491	162	653
Donations	527	476	1,003
Miscellaneous	1,984	-	1,984
Total revenues	<u>118,343</u>	<u>56,241</u>	<u>174,584</u>
Expenditures:			
General government	126,213	105,054	231,267
Public safety	25,830	-	25,830
Capital Outlay	4,688	-	4,688
Grant expenditures	9,090	8,555	17,645
Total expenditures	<u>165,821</u>	<u>113,609</u>	<u>279,430</u>
Excess of revenues over (under) expenditures	(47,478)	(57,368)	(104,846)
Fund balances - beginning	<u>360,510</u>	<u>322,476</u>	<u>682,986</u>
Fund balances - ending	<u>\$ 313,032</u>	<u>\$ 265,108</u>	<u>\$ 578,140</u>

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
For the fiscal year ended June 30, 2015

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

Net change in fund balances - governmental funds	\$ 578,140
--	------------

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases, capitalized	657,094
Depreciation	-

Note: The Town of Earlsboro does not maintain a record of the Town's capital outlay and does not record depreciation of the Town's fixed assets.

Change in net assets of governmental activities	<u>\$ 1,813,374</u>
---	---------------------

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2015

	ASSETS	Earlsboro Public Works Authority
Current assets		
Cash and cash equivalents		\$ 15,369
Accounts receivable		2,149
Total current assets		17,518
Proper, plant & equipment		
Lagoon		628,940
Less: Accumulated depreciation		(312,589)
Net property, plant & equipment		316,351
Total assets		333,869
	LIABILITIES AND FUND EQUITY	
Current liabilities		
Accounts payable		550
Note Payable		53,157
Total current liabilities		53,707
	NET ASSETS	
Invested in capital assets, net of related debt		263,194
Restricted		4,716
Unrestricted		12,252
Total net assets		\$ 280,162

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND

For the fiscal year ended June 30, 2015

	Earlsboro Public Works Authority
Operating revenues	
Sewer collections	\$ 26,277
Operating expenses	
Administrative costs	312
Maintenance and operations	9,927
Engineering fees	5,000
Lab testing	6,690
Depreciation	14,791
Total operating expenses	36,720
Operating income (loss)	(10,443)
Non-operating revenues (expenses)	
Interest income	9
Interest expense	(2,504)
Net income	(12,938)
Net assets - beginning of year	293,100
Net assets - end of year	\$ 280,162

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the fiscal year ended June 30, 2015

	<u>Earlsboro Public Works Authority</u>
Cash flows from operating activities	
Receipts from customers	\$ 25,962
Payments to suppliers	<u>(34,429)</u>
Net cash provided (used) by operating activities	<u>(8,467)</u>
Cash flows from capital and related financing activities	
Reduction of notes payable	(2,141)
Interest expense	<u>(2,575)</u>
Net cash used by capital and related financing activities	<u>(4,716)</u>
Cash flows from investing activities	
Interest received	9
Net increase (decrease) in cash and cash equivalents	<u>(13,174)</u>
Net cash and cash equivalents - beginning of year	<u>28,543</u>
Net cash and cash equivalents - end of year	<u><u>\$ 15,369</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ (10,443)
Adjustments to reconcile net income to net cash provided by operating activities - Depreciation	14,791
(Increase) decrease in	
Accounts receivable	(315)
Accounts payable	<u>(12,500)</u>
Net cash provided by operations	<u><u>\$ (8,467)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Earlsboro (the “Town”) comply with accounting principles generally accepted in the United States of America (U.S. GAAP) with respect to business-type activities but do not comply with U.S. GAAP with respect to governmental activities as discussed in Note 1 (D). Except for the omission described in Note 1 (D), in the government-wide financial statements, 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. The accounting framework and the more significant accounting policies are discussed in subsequent subsections of Note 1.

A. REPORTING ENTITY

Management considered all potential component units (and applicable criteria) in defining the Town for reporting purposes. Based upon the application of appropriate criteria, the Earlsboro Public Works Authority (the “Authority”) is included with the Town as the reporting entity.

The Authority is a public trust created under applicable Oklahoma statutes; the Town is the beneficiary of the trust. The Authority operates and maintains the water and sewer system. The Authority’s governing board of trustees is the same as the Town’s governing body. Transactions of the Authority are included in these financial statements as the enterprise fund.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed by fees charged to external parties for 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 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. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION

Fund Financial Statements

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

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund

The general fund is the primary operating fund of the Town and 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

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by the enterprise funds.

Proprietary Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurements similar to the private sector. The reporting entity includes the Porter Public Works Authority.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds, a Meter Deposit Fund and Court Bond Fund. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. BASIS OF PRESENTATION

Major and Non-Major funds

<u>Major Funds:</u>	<u>Brief Description</u>
General	See above
Proprietary Fund- Porter Public Works Authority	See above
Non-Major Funds	
Special Revenue Funds	
Police Fund	Accounts for revenues & expenditures for streets.
Volunteer Fire Fund	Accounts for revenues & expenditures for cemetery care.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

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

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both the governmental and business-like activities are presented using the accrual basis method of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets, liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All proprietary funds utilize the accrual basis of accounting.

D. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, cash including time deposits includes all demand, savings accounts and certificates of deposit of the Town. Investments are carried at fair value. Additional cash and investment disclosures are presented in Note 2.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. All accounts receivable are considered collectable at year end. Major receivable balances for the governmental activities include sales tax, grants and contracts as they become both measureable and available. Business-type activities report utilities and interest earnings as their major receivables.

Inventories

The value of consumable inventories at June 30, 2015 is insignificant; purchases of inventory items are treated as expenditures.

Fixed Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets for the proprietary fund. The Town does not maintain a record of the capital assets or infrastructure assets for governmental funds and accordingly does not record depreciation expense on those assets. All fixed assets of the enterprise fund are recorded at historical cost except donated fixed assets recorded at estimated fair values.

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND FUND EQUITY

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. Depreciation is provided over the asset's estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset follows.

Infrastructure	10-40 years
Machinery & equipment	5-15 years
Vehicles	5 years

In the government-wide financial statements, all machinery, equipment, furniture and automobiles costing \$500 or more have been capitalized and depreciated over the estimated useful life. Repairs, remodeling and construction costing \$1,500 or more have been capitalized and depreciated over the estimated useful life.

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 in the proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation time permits employees to accumulate earned but unused vacation leave. The liability for these compensated absences is considered and recorded as short-term debt in government-wide statements. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

Equity Classifications

Equity is classified as net assets and displayed in three components.

- a. 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 debt attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets consist of net assets with constraints placed on the use whether by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND FUND EQUITY

c. Unrestricted net assets consist of 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, with unreserved further split between designated or undesignated.

E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax Revenue

The Town presently levies a four-cent sales tax (on the dollar) on taxable sales within the Town. Three and one half cents of the sales tax is recorded in the General Fund and on half cent is recorded in the Street & Alley Fund.

Operating Revenues and Expense

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes 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 classified by function of governmental activities. In the fund financial statements, governmental funds report expenditures of financial resources. Those expenditures are classified by character: Current (further classified by function), Debt Service and Capital Outlay.

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. CASH AND INVESTMENTS

The Town’s investment policies are governed by state statutes. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, banks and trust companies; and savings accounts or savings certificates of savings and loan associations. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by FDIC amounts. Investments are carried at cost which approximates market value.

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/AMOUNTS

Cash

The Town’s cash deposits at June 30, 2015 are categorized to give an indication of the level of risk assumed by the Town at year end.

Investments

The Town’s investments consist of certificates of deposit and are categorized to give an indication of risk assumed by the Town at year end.

Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the Town or by its agent in the Town’s name.

(B) Collateralized with securities held by the pledging financial institution’s trust department or agent in the Town’s name.

(C) Uncollateralized.

	Category			Bank Balance	Carrying Amount	Market Value
	(A)	(B)	(C)			
Cash	\$ 250,000		231,062	489,428	481,062	481,062

B. RECEIVABLES

Receivables consist of governmental and business-type activities. Receivables at June 30, 2015 consist of the following.

Sewer	\$ 2,149
Taxes and franchise fees	<u>133,618</u>
	<u>\$ 135,767</u>

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/AMOUNTS - CONTINUED

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 follows:

	<u>Beginning of Year</u>	<u>Additions (deletions)</u>	<u>End of Year</u>
Business-type activities:			
Lagoon	\$628,940		\$628,940
Less accumulated depreciation	<u>297,798</u>	14,791	<u>312,589</u>
Business-type activities capital assets, net	<u>\$331,142</u>	14,791	<u>\$316,351</u>

D. ACCOUNTS PAYABLE

Accounts payable consists of amounts payable to vendors.

E. LONG-TERM DEBT

The following is a summary of the long-term debt transactions belonging to the Towns Public Works Authority. This is a Rural Development note 92-01 @ 5%.

Outstanding balance June 30, 2014	\$55,298
Less retirements	<u>2,141</u>
Outstanding balance June 30, 2015	<u>\$53,157</u>

Annual debt requirements are as follows:

Year ended 6/30/16	\$ 2,249
Year ended 6/30/17	2,363
Years ended 6/30/15 – 6/30/22	13,736
Years ended 6/30/21 – 6/30/27	17,583
Years ended 6/30/28 - 6/30/31	<u>17,226</u>
Total	<u>\$53,157</u>

TOWN OF EARLSBORO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3 – OTHER NOTES

A. LEGAL COMPLIANCE - BUDGETS

A proposed budget is presented to the Town's Board of Trustees. The Board of Trustees holds a public hearing and may add to, subtract from, or change appropriation but may not change form of the budget. Any changes to the budget must be within the revenues and reserve estimated as available by the Town's management or the revenue estimates must be changed by an affirmative vote of the majority of the Town's Board of Trustees. During the year, supplemental appropriations were necessary.

Expenditures may not legally exceed budgeted appropriations at the activity level.

B. EMPLOYEE RETIREMENT SYSTEM

The Town does not offer any retirement plan or early retirement incentive.

C. RISK MANAGEMENT

The Town participates in a risk pool for Worker's Compensation coverage in which there is a transfer or pooling of risk among the participants of that pool. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense.

D. CONTINGENT LIABILITIES

According to management, there were no known contingent liabilities as of June 30, 2015 that would have a material effect on the financial statements.

E. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 31, 2016, with no items noted for reporting.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VS. ACTUAL COMPARISON
GENERAL FUND

For the fiscal year ended June 30, 2015

	<u>Budgeted</u>	<u>Amounts</u>		Variance with
Revenue	Original	Final	Actual	Final Budget
				Pos (Neg)
Sales tax	\$ 104,000	\$ 104,000	\$ 84,128	\$ (19,872)
Franchise fees	9,500	9,500	11,969	2,469
Motor vehicle tax	4,400	4,400	4,841	441
Alcohol beverage tax	2,200	2,200	2,478	278
Cigarette tax	1,800	1,800	1,635	(165)
Gas tax	1,300	1,300	1,200	(100)
Grant CDBG	9,090	9,090	9,090	-
Grants - other	4010	4010		
Interest	500	500	491	(9)
Miscellaneous	900	900	1,984	1,084
Total Revenues	<u>137,700</u>	<u>137,700</u>	<u>117,816</u>	<u>(19,884)</u>
Expenditures				
General government	104,350	104,350	130,901	(26,551)
Police and fire department	39,000	39,000	25,830	13,170
Grant CDBG	9,090	9,090	9,090	-
Total Expenditures	<u>152,440</u>	<u>152,440</u>	<u>165,821</u>	<u>(13,381)</u>
Excess of revenues over (under) expenditures	<u>\$ (14,740)</u>	<u>\$ (14,740)</u>	(48,005)	<u>\$ (33,265)</u>
Fund balance, beginning of year			<u>360,510</u>	
Fund balance, end of year			<u>\$ 312,505</u>	

OTHER SUPPLEMENTARY INFORMATION

TOWN OF EARLSBORO, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the fiscal year ended June 30, 2015

ASSETS	Fire Fund	Police Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 9,575	\$ 286,429	\$ 296,004
Accounts Receivable	-	3,696.00	3,696
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 9,575</u>	<u>\$ 290,125</u>	<u>\$ 299,700</u>
LIABILITIES AND FUND BALANCE			
Liabilities	<u>\$ -</u>	<u>\$ 34,592</u>	<u>\$ 34,592</u>
Fund balances			
Undesignated	<u>9,575</u>	<u>255,533</u>	<u>265,108</u>
Total fund balances	<u>9,575</u>	<u>255,533</u>	<u>265,108</u>
Total liabilities and fund balances	<u>\$ 9,575</u>	<u>\$ 290,125</u>	<u>\$ 299,700</u>

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2015

	Fire Fund	Police Fund	Nonmajor Governmental Funds
Revenues			
Sales tax	\$ -	\$ 42,064	\$ 42,064
Fees	300	200	500
Interest	6	156	162
Grant - Forestry	8,555	-	8,555
Forest Operational Grant	4,484	-	4,484
Donations	274	202	476
Total Revenues	13,619	42,622	56,241
Expenditures			
General government			
Personal services	-	35,088	35,088
Grant expenditures	8,555		8,555
Grant operational expenditures	4,484		4,484
Maintenance & operations	16	65,466	65,482
Total Expenditures	13,055	100,554	113,609
Excess of revenues over (under) expenditures	564	(57,932)	(57,368)
Fund balances - beginning	9,011	313,465	322,476
Fund balances - ending	\$ 9,575	\$ 255,533	\$ 265,108

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

TOWN OF EARLSBORO, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - MUNICIPAL COURT
June 30, 2015

ASSETS

Cash and demand deposits	<u>\$ 7,735</u>
Total Assets	<u><u>\$ 7,735</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	<u>\$ -</u>
Fund equity	
Cash Fund Balance - Restricted	<u>7,735</u>
Total Fund Equity	<u>7,735</u>
Total Liabilities and Fund Equity	<u><u>\$ 7,735</u></u>

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

TOWN OF EARLSBORO, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 FIDUCIARY FUND - MUNICIPAL COURT
 FOR THE YEAR ENDED JUNE 30, 2015

<u>REVENUES</u>	
Fines and fees	\$ 6,368
Interest Income	<u>1</u>
Total revenues	<u>6,369</u>
<u>EXPENDITURES</u>	
Bank fees	55
Fees	279
Miscellaneous	<u>300</u>
Total expenditures	<u>634</u>
Excess of revenue over/(under) expenses	5,735
Fund balance - beginning of year	<u>2,000</u>
Fund balance - end of year	<u><u>\$ 7,735</u></u>

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

SAMUEL S ALEXANDER
Certified Public Accountant

304 South Hayes
Wagoner, Oklahoma 74467
918.485.2733 – Facsimile 918.485.3666
E-mail: ndncpa@samuelalexandercpa.com

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 Mayor and
The Board of Trustees
Town of Earlsboro
Earlsboro, 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, each major fund, and the aggregate remaining fund information of the Town of Earlsboro, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Earlsboro, Oklahoma's basic financial statements, and have issued my report thereon dated September 28, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit of the financial statements, I considered the Town of Porter, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance 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 Earlsboro, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Earlsboro, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Town of Earlsboro, Oklahoma's financial statements are free from 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 our tests disclosed no instances of noncompliance or other matters that are required to be reported **under** *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Wagoner, Oklahoma
September 28, 2016