TOWN OF AFTON, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

LANGLEY-LITTLEFIELD-OBER
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
124 South Main Street
Miami, Oklahoma 74354

TOWN OF AFTON, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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TOWN OF AFTON, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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TOWN OF AFTON, OKLAHOMA

LIST OF TOWN OFFICIALS

June 30, 2014

City Council

Mayor	Billy Mack Harrison
Member	Sandy Baker
Member	George (Pete) Rozell
Member	Terry Miller
Member	Dean Williams

Treasurer

Margie Johnson

Clerk

Phyllis Driggars

MANAGEMENT'S DISCUSSION AND ANALYSIS

An objective and easily readable analysis of the Town's financial activities. The Management's Discussion and Analysis presents an analytical overview of both short-term and long-term financial information.

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council
Town of Afton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Afton, Oklahoma, as of and for the year ended June 30, 2014, 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 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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, we 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Afton, Oklahoma, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the Town of Afton, Oklahoma's internal control over financial reporting and on our 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 Afton, Oklahoma's internal control over financial reporting and compliance.

Langley - Littlefield - Ober

LANGELY-LITTLEFIELD-OBER
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
June 30, 2015

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

Town Of Afton, Oklahoma
Statement of Net Postition
June 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 511,953.57	$ 358,807.44	$ 870,761.01	$ 2,000.00
Cash held with third party administrator	69,570.17	-	69,570.17	-
Investments	78,468.57	150,136.00	228,604.57	-
Accounts receivable	-	58,135.37	58,135.37	-
Interest receivable	46.95	62.52	109.47	-
Due from other governments	48,439.83	18,864.55	67,304.38	-
Other current assets	-	12,063.00	12,063.00	-
Total Current Assets	708,479.09	598,068.88	1,306,547.97	2,000.00
Non-Current Assets:				
Restricted Assets:				
Cash and cash equivalents	-	47,485.00	47,485.00	-
Investments	-	107,364.00	107,364.00	-
Capital Assets:				
Capital Assets, net of accumulated depreciation	397,730.87	1,427,949.17	1,825,680.04	3,312,594.41
Other Assets:				
Bond issuance costs, net of accumulated amortization	-	-	-	59,957.45
Total Non-Current Assets	397,730.87	1,582,798.17	1,980,529.04	3,372,551.86
Total ASSETS	1,106,209.96	2,180,867.05	3,287,077.01	3,374,551.86
LIABILITIES				
Current Liabilities:				
Accounts payable	3,756.28	30,158.03	33,914.31	-
Accrued payroll taxes payable	-	7,031.80	7,031.80	-
Accrued interest payable	-	384.91	384.91	-
Accrued compensated balances	-	9,449.56	9,449.56	-
Current portion of bonds payable	-	-	-	203,694.29
Current portion of notes payable	-	50,411.19	50,411.19	-
Total Current Liabilities	3,756.28	97,435.49	101,191.77	203,694.29
Non-Current Liabilities:				
Payable from restricted assets:				
Meter deposits payable	-	77,485.00	77,485.00	-
Accrued compensated absences	5,171.25	-	5,171.25	-
Bonds payable	-	-	-	2,289,528.47
Notes payable	-	498,443.04	498,443.04	-
Total Non-Current Liabilities	5,171.25	575,928.04	581,099.29	2,289,528.47
Total Liabilities	8,927.53	673,363.53	682,291.06	2,493,222.76
NET POSITION				
Invested in capital assets, net of related debt	397,730.87	879,094.94	1,276,825.81	881,329.10
Restricted for:				
Debt service	-	77,364.00	77,364.00	-
Meter deposits	-	-	-	-
County fire funds	69,570.17	-	69,570.17	-
Unrestricted	629,981.39	551,044.58	1,181,025.97	-
Total NET POSITION	$ 1,097,282.43	$ 1,507,503.52	$ 2,604,785.95	$ 881,329.10

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

Town of Afton, Oklahoma
Statement of Activities
For the Fiscal Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary Government:								
Governmental activities:								
General Government:								
Personal services	$ 81,040.46	$ -	$ -	$ -	$ (81,040.46)		$ (81,040.46)	
Maintenance and operation	33,168.27	-	-	-	(33,168.27)		(33,168.27)	
Total General Government	114,208.73	-	-	-	(114,208.73)		(114,208.73)	
Public Safety and Judiciary:								
Animal control	6,186.39	85.00	-	-	(6,101.39)		(6,101.39)	
Fire	73,305.84	13,230.00	3,527.13	-	(56,548.71)		(56,548.71)	
Municipal court	50,111.58	60,782.60	-	-	10,671.02		10,671.02	
Police	39,056.93	-	-	-	(39,056.93)		(39,056.93)	
Total Public Safety and Judiciary	168,660.74	74,097.60	3,527.13	-	(91,036.01)		(91,036.01)	
Transportation:								
Street and alley	42,920.95	-	-	-	(42,920.95)		(42,920.95)	
Culture, Parks and Recreation:								
Cemetery	21,652.96	1,200.00	20,534.57	-	81.61		81.61	
Community center	17,080.81	-	-	-	(17,080.81)		(17,080.81)	
Business park	41,153.77	10.00	33,200.07	-	(7,943.70)		(7,943.70)	
Total Culture, Parks and Recreation	79,887.54	1,210.00	53,734.64	-	(24,942.90)		(24,942.90)	
Total Governmental Activities	405,677.96	75,307.60	57,261.77	-	(273,108.59)		(273,108.59)	
Business-type activities:								
Water	148,727.42	316,529.65	-	-	-	$ 167,802.23	167,802.23	
Gas	325,531.59	392,355.47	-	-	-	66,823.88	66,823.88	
Sewer	105,858.60	99,330.87	-	-	-	(6,527.73)	(6,527.73)	
Sanitation	43,543.50	43,543.50	-	-	-	-	-	
Operating and administrative costs	444,942.36	48,405.27	-	-	-	(396,537.09)	(396,537.09)	
Total Business-Type Activities	1,068,603.47	900,164.76	-	-	-	(168,438.71)	(168,438.71)	
Total primary government	$ 1,474,281.43	$ 975,472.36	$ 57,261.77	$ -	(273,108.59)	(168,438.71)	(441,547.30)	

(continued)

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

Town of Afton, Oklahoma
Statement of Activities
For the Fiscal Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Component Units:								
Economic Development Authority	$ 203,253.03	$ 312,453.60	$ -	$ -				$ 109,200.57
Total Component Units	$ 203,253.03	$ 312,453.60	$ -	$ -				109,200.57
General revenues:								
Taxes								
Sales and use taxes					263,749.29	106,399.53	370,148.82	-
Franchise tax					19,188.44	-	19,188.44	-
Cigarette tax					3,801.01	-	3,801.01	-
Occupational tax					270.00	-	270.00	-
Alcoholic beverage tax					5,157.94	-	5,157.94	-
Reimbursements restricted for transportation purposes:								
Motor vehicle tax					8,149.70	-	8,149.70	-
Gasoline tax					987.30	-	987.30	-
Donations					1,500.00	-	1,500.00	-
Investment income					1,661.28	916.08	2,577.36	-
Miscellaneous					5,279.10	-	5,279.10	-
Reimbursement					19,708.32	-	19,708.32	-
Transfers					-	-	-	-
Total general revenues, special items, and transfers					329,452.38	107,315.61	436,767.99	-
Change in net position					56,343.79	(61,123.10)	(4,779.31)	109,200.57
Net position - beginning					1,040,938.64	1,568,626.62	2,609,565.26	772,128.53
Net position - ending					$ 1,097,282.43	$ 1,507,503.52	$ 2,604,785.95	881,329.10

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

Town of Afton, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Cemetery Fund	Street and Alley Fund	Sr. Citizens Center Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 358,524.58	$ 85,005.15	$ 57,800.40	$ 10,623.44	$ 511,953.57
Investments	-	78,468.57	-	-	78,468.57
Cash held with third party administrator	69,570.17	-	-	-	69,570.17
Accrued interest receivable	24.89	22.06	-	-	46.95
Due from other governments	37,567.08	-	10,872.75	-	48,439.83
Total ASSETS	$ 465,686.72	$ 163,495.78	$ 68,673.15	$ 10,623.44	$ 708,479.09
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,622.59	$ -	$ 532.19	$ 601.50	$ 3,756.28
Total LIABILITIES	2,622.59	-	532.19	601.50	3,756.28
Fund Balances:					
Restricted for:					
County fire funds	69,570.17	-	-	-	69,570.17
Unassigned	393,493.96	163,495.78	68,140.96	10,021.94	635,152.64
Total Fund Balances	463,064.13	163,495.78	68,140.96	10,021.94	704,722.81
Total LIABILITIES AND FUND BALANCES	$ 465,686.72	$ 163,495.78	$ 68,673.15	$ 10,623.44	

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of $900,742.72 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of $503,011.85.	397,730.87
Long-term liabilities are not due and payable in the current period and, therefore, are not reported reported in the funds:	
Accrued compensated absences	(5,171.25)
Net assets of governmental activities	$ 1,097,282.43

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

Town of Afton, Oklahoma
Statement Of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Cemetery Fund	Street and Alley Fund	Sr. Citizens Center Fund	Total Governmental Funds
Revenues:					
Taxes	$ 238,950.95	$ -	$ 62,352.73	$ -	$ 301,303.68
Grants	36,727.20	-	-	-	36,727.20
Charges for services	13,325.00	-	-	-	13,325.00
Donations	1,500.00	20,534.57	-	-	22,034.57
Fines and forfeitures	60,782.60	-	-	-	60,782.60
Investment income	930.35	684.92	46.01	-	1,661.28
Property sales	-	1,200.00	-	-	1,200.00
Miscellaneous	5,279.10	-	-	-	5,279.10
Reimbursement	9,600.00	-	662.09	9,446.23	19,708.32
Total Revenues	367,095.20	22,419.49	63,060.83	9,446.23	462,021.75
Expenditures:					
General Government:					
Personal services	81,040.46	-	-	-	81,040.46
Maintenance and operation	28,854.00	-	-	-	28,854.00
Public Safety and Judiciary:					
Animal control	6,186.39	-	-	-	6,186.39
Fire	53,609.82	-	-	-	53,609.82
Municipal court	50,111.58	-	-	-	50,111.58
Police	39,056.93	-	-	-	39,056.93
Transportation:					
Street and alley	-	-	41,390.71	-	41,390.71
Culture, Parks and Recreation:					
Cemetery	-	21,652.96	-	-	21,652.96
Community center	3,993.26	-	-	13,087.55	17,080.81
Business park	41,153.77	-	-	-	41,153.77
Total Expenditures	304,006.21	21,652.96	41,390.71	13,087.55	380,137.43
Excess (deficiency) of revenues over expenditures	63,088.99	766.53	21,670.12	(3,641.32)	81,884.32
Other Financing Sources (Uses):					
Transfer in (out)	(3,022.43)	-	3,022.43	-	-
Total Other Financing Sources (Uses)	(3,022.43)	-	3,022.43	-	-
Net change in fund balances	60,066.56	766.53	24,692.55	(3,641.32)	81,884.32
Fund balance - beginning	402,997.57	162,729.25	43,448.41	13,663.26	622,838.49
Fund balances - ending	$ 463,064.13	$ 163,495.78	$ 68,140.96	$ 10,021.94	$ 704,722.81

(continued)

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

Town of Afton, Oklahoma
Statement Of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds	81,884.32
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:	
Depreciation expense	(25,540.53)
Change in Net Assets of Governmental Activities	$ 56,343.79

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

Town of Afton, Oklahoma
Statement of Net Position
Proprietary Fund
June 30, 2014

	Afton Public Works Authority
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 358,807.44
Investments	150,136.00
Accounts receivable	58,135.37
Accrued interest receivable	62.52
Due from other governments	18,864.55
Other current assets	12,063.00
Total Current Assets	598,068.88
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents	47,485.00
Investments	107,364.00
Capital assets, net of accumulated depreciation	1,427,949.17
Total Noncurrent Assets	1,582,798.17
Total Assets	2,180,867.05
LIABILITIES	
Current Liabilities:	
Accounts payable	30,158.03
Accrued compensated absences	9,449.56
Accrued payroll taxes payable	7,031.80
Loan interest payable	384.91
Current portion of notes payable	50,411.19
Total Current Liabilities	97,435.49
Noncurrent Liabilities:	
Payable from restricted assets:	
Meter deposits	77,485.00
Notes payable	498,443.04
Total Noncurrent Liabilities	575,928.04
Total Liabilities	673,363.53
NET POSITION	
Invested in capital assets, net of related debt	879,094.94
Restricted for debt service and meter deposits	77,364.00
Unrestricted	551,044.58
Total Net Position	$ 1,507,503.52

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

Town of Afton, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Afton Public Works Authority
Operating Revenues:	
Water revenues	$ 316,529.65
Gas revenues	392,355.47
Sewer revenues	99,330.87
Sanitation revenues	43,543.50
Gas tax	17,563.83
Sales tax	106,399.53
Other revenues	30,841.44
Total Operating Revenues	1,006,564.29
Operating Expenses:	
Water distribution costs	148,727.42
Gas operation costs	325,531.59
Sewer operation costs	105,858.60
Sanitation operation costs	43,543.50
Salaries and benefits	221,541.54
System wide costs	112,081.74
Other administration costs	2,541.75
Depreciation	79,881.24
Total Operating Expenses	1,039,707.38
Operating Income (Loss)	(33,143.09)
Non-Operating Revenues (Expenses)	
Interest income	916.08
Interest expense	(28,896.09)
Total Non-operating Revenue (Expenses)	(27,980.01)
Net Income (Loss) Before Transfers	(61,123.10)
Transfers in (out)	-
Change in net position	(61,123.10)
Total net position - beginning	1,568,626.62
Total net position - ending	$ 1,507,503.52

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

Town of Afton, Oklahoma
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Afton Public Works Authority
Cash Flows From Operating Activities	
Cash received for water, gas, sewer, sanitation and rent charges	$ 846,966.95
Cash received for gas tax	17,563.83
Cash received for sales tax	106,851.48
Cash received for other services	30,841.44
Cash paid for operations	(622,481.48)
Cash paid for salaries and benefits	(217,461.05)
Cash paid for goods and services	(114,623.49)
Net Cash Provided by (Used in) Operating Activities	47,657.68
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(30,350.02)
Principal paid on capital debt	(46,631.04)
Interest payments on capital debt	(30,732.96)
Meter deposits	3,630.00
Net Cash Provided by (Used in) Capital and Related Activities	(104,084.02)
Cash Flows From Investing Activities	
Interest	1,234.60
Net Cash Provided by (Used in) Investing Activities	1,234.60
Net increase (decrease) in cash and cash equivalents	(55,191.74)
Beginning cash and cash equivalents	461,484.18
Ending cash and cash equivalents	$ 406,292.44
Reconciliation of net income to net cash provided (used) by operating activities:	
Operating Income (Loss)	$ (33,143.09)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	79,881.24
Change in assets and liabilities:	
Accounts receivable	(4,792.54)
Due from other governments	451.95
Other current assets	(284.00)
Accounts payable	1,463.63
Accrued payroll taxes payable	4,080.49
Net cash provided by (used in) operating activities	$ 47,657.68

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

TOWN OF AFTON, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS

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Town of Afton, Oklahoma
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town of Afton, Oklahoma's ("Town") financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principals (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Position and Statement of Activities, 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. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

1.A. Financial Reporting Entity

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

Primary Government:	Town of Afton, Oklahoma
Blended Component Unit:	Afton Public Works Authority
Discretely Presented Component Unit:	Afton Economic Development Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

Blended Component Units

Component units that are blended into the reporting activity types of the Town's reports are presented below:

Component Unit	Brief Description/Inclusive Criteria	Reporting
Afton Public Works Authority	Created to finance, develop and operate the utilities services activities. The current Town Council serves as the governing body (Trustees). Any issuance of debt would require a two-thirds approval of the Town Council.	Enterprise Fund

Note 1. Summary of Significant Accounting Policies: continued

1.A. Financial Reporting Entity: continued

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Additional detailed information and/or separately issued financial statements for this component unit can be obtained from the Town Council.

Component units that are discretely presented are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Afton Economic Development Authority	Created to finance, develop and operate economic development activities. The current Town Council serves as the governing board.	Special Revenue 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 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 and services.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

Note 1. Summary of Significant Accounting Policies: continued

1.B. Basis of Presentation: continued

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.

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 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 Revenues Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

Proprietary Funds

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. The reporting entity includes the following enterprise fund:

Fund	Brief Description
Afton Public Works Authority	Accounts for the activities of the public trust in providing utility services to the public.

Note 1. Summary of Significant Accounting Policies: continued

1.B. Basis of Presentation: continued

Major and Non-Major Funds

Major:	General Fund	
	Special Revenue Fund:	
	Cemetery Care Fund	Accounts for revenues and expense to maintain the Town cemetery.
	Street and Alley Fund	Accounts for revenues and expense to maintain the Town roads.
	Sr. Citizens Center Fund	Accounts for revenues and expense for the Town community center.
	Proprietary Fund:	
	Afton Public Works Authority	Accounts for activities of the public trust in providing utility services to the public.

1.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

In the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. 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 objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as Net Position.

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

Note 1. Summary of Significant Accounting Policies: continued

1.C. Measurement Focus and Basis of Accounting: continued

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 accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of Statement of Net Position, "cash, including time deposits" includes all demand, savings accounts and certificates of deposit of the City. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Deposits with Third-Party Administrator

Certain sales tax revenues designated for the Fire Department are received by the Ottawa County Clerk. For the year ended June 30, 2014, $25,216.65 was received and $25,737.64was disbursed for fire department expenditures. The cash balance with Ottawa County as of June 30, 2014 was $69,570.17.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water, sewer and gas charges as its major receivable.

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Receivables: continued

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Capital Assets

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.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost is actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated 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.

The range of estimated useful lives by type of asset is as follows:

Asset Class	**Estimated Useful Lives**
Buildings	60 years
Machinery and Equipment	15 to 20 years
Utility System	10 to 40 years
Infrastructure	20 years

Fund Financial Statements

In the fund financial statements, capital assets 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.

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Capital Assets: continued

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the promissory notes with Rural Economic Community Development (RECD) require that funds be held in a reserve account. Under the terms and provisions of the promissory notes, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the notes are outstanding. Also included in restricted assets are funds on deposit representing utility customer meter deposits, which are refundable to the customer.

Long-Term Debt

The accounting treatment of long-term debt 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.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and capitalized lease obligations.

Long-term debt arising from cash transactions for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classification

Government-Wide Statements:

Equity is classified as net position 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 any mortgages, notes, or other

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Equity Classification: continued

borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

In the governmental fund financial statements, fund balances are classified as follows:

a. Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

b. Restricted – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

c. Committed – amounts that can be spent only for specific purposes determined by a formal action of government's highest level of decision-making authority.

d. Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

e. Unassigned – amounts that are available for any purpose; these amounts can be reported only in the Town's General Fund.

1.E. Revenues, Expenditures and Expenses

Sales Tax

The Town's presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption "Due from other governments".

Note 1. Summary of Significant Accounting Policies: continued

1.E. Revenues, Expenditures and Expenses: continued

Use Tax

The Town levies a use-tax on personal property purchased outside the Town limits but stored, used or consumed within the Town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the Town in July and August are included under the caption "Due from other governments".

Operating Revenues and Expenses

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 all revenue and expense 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 are classified as follows:

Governmental Funds – By Character:	Current (further classified by activity) Capital Outlay Debt Service

Proprietary Fund – 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. Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

1.G. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect 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. Actual results could differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

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

2.A. Fund Accounting Requirements

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

Fund	Required By
Public Works Authority Fund	Trust Indenture
Cemetery Care Fund	State Law

2.B. Deposit and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bond. As required by 12 U.S.C. A., Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized for the fiscal year ended June 30, 2014.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

1. Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;

3. With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;

4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district;

5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;

Note 2. Stewardship, Compliance and Accountability: continued

6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs 1., 2., 3., and 4.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2014, the Town and its public trusts complied, in all material respects, with these investment restrictions.

2.C. Revenue Restrictions

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

Revenue Source	Legal Restriction of Use
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2014 the Town complied, in all material respects, with those revenue restrictions.

2.D. Debt Restrictions and Covenants

General Obligation 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 purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2014, the Town had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (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. For the year ended June 30, 2014, the Town incurred no such indebtedness.

Note 2. Stewardship, Compliance and Accountability: continued

2.D. Debt Restrictions and Covenants: continued

Bonds and Notes Payable

The various loan agreements relating to the notes payable issuances of Afton Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2014.

Requirements	Level of Compliance
Reserve Account Requirements (RECD Loan Agreements) Account balance should be equal to $77,364 or 12 months of debt service payments.	Full Compliance

2.E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2014.

2.F. Budgetary Accounting and Control

The Town operates under the Oklahoma Estimates of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund of the Town. The budget is prepared using the cash basis and budget laws of the State of Oklahoma. The financial statements are prepared using the modified accrual basis of accounting that complies with generally accepted accounting principles in the United States of America. There are timing differences related to encumbrances between the financial statements presentation and the budget that are reconciled on page 34 of this report. The Board of Trustees can legally amend the budget once it has been approved by filing a supplemental appropriation with the state auditor and inspector and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. There were no supplemental appropriations made during the fiscal year. All appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is the fund level for each legally adopted fiscal operating budget.

Note 3. Detail Notes – Transaction 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. Cash and Investments

Authorized Investments

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit or savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2012, none of the Town's investments were exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

3.B. Restricted Assets

The amounts reported as restricted assets are comprised of cash held by the Ottawa County Treasure for the Fire Department, cash held in trust on behalf of the Afton Public Works Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2014 are as follows:

Governmental Activites:	
County Fire Funds	$ 69,570.17
Business-type Activities:	
Meter Deposits	$ 77,485.00
Loan Reserves	77,364.00
	$ 154,849.00

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.C. Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales and use tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities and sales tax receivable.

Accounts receivable as of June 30, 2014 is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	$ -	$ 58,135.37	$ 58,135.37
Due from Other Governments	48,439.83	18,864.55	67,304.38
	$ 48,439.83	$ 76,999.92	$ 125,439.75

3.D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Non-depreciable assets				
Land	$ 93,478.88	$ -	$ -	$ 93,478.88
Total Non-depreciable assets	93,478.88	-	-	93,478.88
Depreciable assets				
Buildings	238,292.00	-	-	238,292.00
Infrastructure	30,604.81	-	-	30,604.81
Vehicles	344,770.05	-	-	344,770.05
Machinery and equipment	193,596.98	-	-	193,596.98
Total capital assets being depreciated	807,263.84	-	-	807,263.84
Less: accumulated depreciation for				
Buildings	103,512.10	3,638.20	-	107,150.30
Infrastructure	13,644.64	1,530.24	-	15,174.88
Vehicles	244,359.80	10,788.50	-	255,148.30
Machinery and equipment	115,954.78	9,583.59	-	125,538.37
Total accumulated depreciation	477,471.32	25,540.53	-	503,011.85
Governmental activities capital assets, net	$ 423,271.40	$ (25,540.53)	$ -	$ 397,730.87

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.D. Capital Assets: continued

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-Type Activities:				
Depreciable assets				
Utility system	$ 2,743,421.45	$ -	$ -	$ 2,743,421.45
Vehicles	59,300.00	7,100.00	-	66,400.00
Machinery and equipment	108,074.51	23,250.02	-	131,324.53
Furniture and equipment	274.50	-	-	274.50
Total capital assets being depreciated	2,911,070.46	30,350.02	-	2,941,420.48
Less: accumulated depreciation for				
Utility system	1,340,894.87	70,092.52	-	1,410,987.39
Vehicles	35,678.33	4,385.00	-	40,063.33
Machinery and equipment	56,742.37	5,403.72	-	62,146.09
Furniture and fixtures	274.50	-	-	274.50
Total accumulated depreciation	1,433,590.07	79,881.24	-	1,513,471.31
Business-Type activities capital assets, net	$ 1,477,480.39	$ (49,531.22)	$ -	$ 1,427,949.17

Depreciation expense was charged to governmental activities as follows:

General Government	$ 4,314.27
Public Safety and Judiciary:	
Fire	19,696.02
Transportation:	
Street and alley	1,530.24
Total depreciation expense	$ 25,540.53

3.E. Long-Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to repaid from business-type activities.

Governmental Activities

The Town, acting through the Trustees of the Afton Economic Development Authority, executed a lease purchase agreement on August 1, 2007 with the Northeast Technology Center School District No. 11. The Afton Economic Development Authority issued a $3,500,000 revenue bond at 4.65% interest, in order to assist with the project. The purpose of the Lease Revenue Note, Series 2007 is to finance certain educational facilities of the Northeast Technology Center and residents of the Town, and pay certain costs of issuance. As part of the Ground Lease Agreement the Northeast Technology Center leased to the Town the real property on which the project is to be constructed. With the proceeds of the note the Town will finance the project and lease it back to the Northeast

Note 3. Detail Notes – Transactions Classes/Accounts: continued

3.E. Long-Term Debt: continued

Technology Center. The Town will make the debt service payments with the lease payments from the Northeast Technology Center. Future payments are as follows:

Year Ending June 30	Principal	Interest	Totals
2014	$ 203,694.29	$ 116,072.92	$ 319,767.21
2015	222,759.08	106,601.14	329,360.22
2016	242,998.19	96,242.84	339,241.03
2017	264,474.94	84,943.42	349,418.36
2018	287,255.47	72,645.34	359,900.81
2019 - 2023	1,272,040.79	145,435.75	1,417,476.54
	$ 2,493,222.76	$ 621,941.41	$ 3,115,164.17

Business-Type Activities

As of June 30, 2014, the long-term debt payable from proprietary fund resources consisted of the following:

RECD Note Payable 91-09

A note payable (91-09) due in 40 years to Rural Economic Community Development in the principal amount of $750,000.00 was issued on December 21, 1981. The note bears interest at 5.00% with initial monthly installments of $3,683.00. The note was re-amortized on December of 1991 with new monthly installments of $3,996.00. The note is secured by the land, building, all rights and titles associated with the water system, and all monies received from the proceeds of a special one cent municipal sales tax in the Town of Afton. The note matures as follows:

Year Ending June 30	Principal	Interest	Total
2015	$ 34,204.92	$ 13,747.08	$ 47,952.00
2016	35,954.91	11,997.09	47,952.00
2017	37,794.41	10,157.59	47,952.00
2018	39,728.05	8,223.95	47,952.00
2019	41,760.61	6,191.39	47,952.00
2020 - 2022	101,035.12	5,951.82	106,986.94
	$ 290,478.02	$ 56,268.92	$ 346,746.94

Note 3. Detail Notes – Transactions Classes/Accounts: continued

3.E. Long-Term Debt: continued

RECD Note Payable 92-10

A note payable (92-10) due in 40 years to Rural Economic Community Development in the principal amount of $350,000.00 was issued on January 9, 1986. The note bears interest at 5.00% with initial monthly installments of $1,719.00. The note was re-amortized in December of 1991 with new monthly installments of $1,826.00. The note is secured by the land, building, and all rights and titles associated with the water system. The note matures as follows:

Year Ending June 30	Principal	Interest	Total
2015	$ 12,271.18	$ 9,640.82	$ 21,912.00
2016	12,898.99	9,013.01	21,912.00
2017	13,558.93	8,353.07	21,912.00
2018	14,252.65	7,659.35	21,912.00
2019	14,981.82	6,930.18	21,912.00
2020 - 2024	87,221.63	22,338.37	109,560.00
2025 - 2027	43,204.87	2,375.79	45,580.66
	$ 198,390.07	$ 66,310.59	$ 264,700.66

RECD Note Payable 92-05

A note payable (92-05) due in 40 years to Rural Economic Community Development in the principal amount of $79,800.00 was issued on January 9, 1986. The note bears interest at 5.00% with monthly installments of $392.00. The note is secured by the land, building, and all rights and titles associated with the water system. The note matures as follows:

Year Ending June 30	Principal	Interest	Totals
2015	$ 2,436.10	$ 2,267.90	$ 4,704.00
2016	2,589.59	2,114.41	4,704.00
2017	2,752.73	1,951.27	4,704.00
2018	2,926.15	1,777.85	4,704.00
2019	3,110.50	1,593.50	4,704.00
2020 - 2024	18,750.71	4,769.29	23,520.00
2025 - 2026	5,565.21	226.85	5,792.06
	$ 38,130.99	$ 14,701.07	$ 52,832.06

Note 3. Detail Notes – Transactions Classes/Accounts: continued

3.E. Long-Term Debt: continued

RECD Note Payable 91-07

A note payable (91-07) due in 40 years to Rural Economic Community Development in the principal amount of $41,000.00 was issued on April 28, 1988. The note bears interest at 6.125% with monthly installments of $233.00. The note is secured by the land, building, and all rights and titles associated with the water system. The note matures as follows:

Year Ending June 30	Principal	Interest	Totals
2015	$ 1,498.99	$ 1,297.01	$ 2,796.00
2016	1,593.42	1,202.58	2,796.00
2017	1,693.82	1,102.18	2,796.00
2018	1,800.52	995.48	2,796.00
2019	1,913.95	882.05	2,796.00
2020 - 2024	11,537.73	2,442.27	13,980.00
2025	1,816.72	41.87	1,858.59
	$ 21,855.15	$ 7,963.44	$ 29,818.59

Debt service requirements for all business-type activities are as follows:

Year Ending June 30	Principal	Interest	Totals
2015	$ 50,411.19	$ 26,952.81	$ 77,364.00
2016	53,036.91	24,327.09	77,364.00
2017	55,799.89	21,564.11	77,364.00
2018	58,707.37	18,656.63	77,364.00
2019	61,766.88	15,597.12	77,364.00
2020 - 2024	218,545.19	35,501.75	254,046.94
2025 - 2026	50,586.80	2,644.51	53,231.31
	$ 548,854.23	$ 145,244.02	$ 694,098.25

Note 3. Detail Notes – Transactions Classes/Accounts: continued

3.E. Long-Term Debt: continued

Changes in Long-Term Debt

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2014:

	Amount Outstanding July 1, 2013	Issued	Retired	Amount Outstanding June 30, 2014
Business-Type Activites:				
Notes Payable	$ 595,485.27	$ -	$ 46,631.04	$ 548,854.23
Component Units:				
AEDA Bonds Payable	2,679,098.29	-	185,875.53	2,493,222.76
	$ 3,274,583.56	$ -	$ 232,506.57	$ 3,042,076.99

Note 4. Other Information

4.A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that Town, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. The Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the Town. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

Note 4. Other Information: continued

4.B. Employee Retirement System and Plan

The Town provides pension benefits for substantially all of its full time employees (excluding firemen who are covered under a separate state retirement system) through a defined contribution cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined contribution plan. The OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma 73105, or by calling 1-888-394-6673.

The OMRF Defined Contribution Program provides a savings vehicle for individual employees where the funds are credited to participant accounts and then pooled for investment through OMRF. All gains and/or losses are credited directly to each participant. Upon retirement, termination, disability, or death, the vested portion of the participant's account is paid to the participant or beneficiary. The benefit is payable based on the accumulation of employee and employer contributions, forfeitures, and interest earnings.

Employees may contribute a percentage of their gross pay, which the Town matches up to 10%. The amount of contribution from the Town for this plan was $28,366.41 for fiscal year 2014.

Firefighters Pension and Retirement System

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit adopted under Oklahoma Statutes. The plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8% of base salary and the Town contributes an additional 13% ($60 for volunteer firemen). The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461

Note 4. Other Information: continued

4.C. Proprietary Fund Rates and Charges

Water Rates and Charges	
Minimum monthly charge on first 1,000 gallons	$ 24.18
Price per thousand gallons for next 2,000 gallons	4.68
Price per thousand gallons for next 2,000 gallons	5.14
Price per thousand gallons for next 5,000 gallons	5.59
Price per thousand gallons for next 5,000 gallons	5.92
Price per thousand gallons for next 5,000 gallons	6.31
Price per thousand gallons on gallons over 20,000	6.76

Sewer Rates and Charges	
Minimum monthly charge on first 1,000 gallons	$ 12.94
Price per thousand gallons for next 2,000 gallons	1.91
Price per thousand gallons for next 2,000 gallons	2.19
Price per thousand gallons for next 5,000 gallons	2.81
Price per thousand gallons for next 5,000 gallons	3.04
Price per thousand gallons for next 5,000 gallons	3.38
Price per thousand gallons on gallons over 20,000	3.60

Gas Rates and Charges	
Basic Rate	$ 6.00
Price per MFC (cost plus $2.00)	

Initial Meter Installation Fees (Residential and Commercial)		
Water, Sewer, and Gas Meter Tap Fee - In Town	$ 400.00	each
Water, Sewer, and Gas Meter Tap Fee - Out of Town	750.00	each
Reconnect Fee	50.00	
Additional charge for after hours reconnections	75.00	

Meter Deposits (Residential and Commercial	Owner	Renter
Water	$ 50.00	$ 100.00
Gas	100.00	200.00

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Cemetery Fund
- Notes to RSI – Budgetary Comparison Schedule

Town of Afton, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balance - Budget and Actual
Regulatory Basis - General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues:					
Senior Citizens/Community Center	$ 5,000.00	$ 1,200.00	$ 1,200.00	$ (3,800.00)	$ -
Animal Control	-	-	-	-	-
Municipal Court	26,000.00	60,800.00	60,782.60	34,800.00	(17.40)
Administration	-	100.00	50.00	100.00	(50.00)
Fire Department	18,000.00	16,800.00	16,787.13	(1,200.00)	(12.87)
Police Department	-	1,500.00	1,500.00	1,500.00	-
Business Park	16,000.00	39,800.00	39,701.14	23,800.00	(98.86)
Internal Accounts	-	162,600.00	162,596.28	162,600.00	(3.72)
General Fund	186,600.00	221,800.00	218,552.57	35,200.00	(3,247.43)
Total Revenues Collected	251,600.00	504,600.00	501,169.72	253,000.00	(3,430.28)
Expenditures:					
Senior Citizens/Community Center	5,400.00	4,000.00	3,993.26	(1,400.00)	6.74
Animal Control	5,500.00	6,200.00	6,186.39	700.00	13.61
Municipal Court	44,700.00	50,150.00	50,111.58	5,450.00	38.42
Administration	123,900.00	109,650.00	109,615.88	(14,250.00)	34.12
Fire Department	40,600.00	31,400.00	31,395.84	(9,200.00)	4.16
Police Department	27,500.00	38,950.00	38,908.21	11,450.00	41.79
Business Park	4,000.00	41,200.00	41,153.77	37,200.00	46.23
Internal Accounts	-	161,650.00	161,618.10	161,650.00	31.90
General Fund Revenue	-	-	-	-	-
Total Expenditures Paid	251,600.00	443,200.00	442,983.03	191,600.00	216.97
Excess (Deficit)	-	61,400.00	58,186.69	61,400.00	(3,213.31)
Cash fund balance, beginning of year	300,377.89	300,377.89	300,337.89	-	(40.00)
Cash fund balance, end of year	$ 300,377.89	$ 361,777.89	358,524.58	$ 61,400.00	$ (3,253.31)

Amounts reported for general fund cash fund in the Balance Sheet for Govermental Funds is different because this schedule is perpared on a regulatory basis of accounting. The differences are attributable to:	
Cash held with third party administrator	69,570.17
Accrued interest	24.89
Amounts due from other governments	37,567.08
Accounts payable	(2,622.59)
Fund Balance - General Fund	$463,064.13

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

TOWN OF AFTON, OKLAHOMA
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance - Budget and Actual
Regulatory Basis - Cemetery Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues:					
Cemetery	$ 13,950.00	$ 22,750.00	$ 22,432.08	$ 8,800.00	$ (317.92)
Total Revenues Collected	13,950.00	22,750.00	22,432.08	8,800.00	(317.92)
Expenditures:					
Maintenance and operations	13,600.00	21,700.00	21,652.96	8,100.00	47.04
Total Expenditures Paid	13,600.00	21,700.00	21,652.96	8,100.00	47.04
Excess (Deficit)	350.00	1,050.00	779.12	700.00	(270.88)
Cash fund balance, beginning of year	162,694.60	162,694.60	162,694.60	-	-
Cash fund balance, end of year	$ 163,044.60	$ 163,744.60	163,473.72	$ 700.00	$ (270.88)
Amounts reported for cemetary fund cash fund in the Balance Sheet for Govermental Funds is different because this schedule is perpared on a regulatory basis of accounting. The differences are attributable to:					
Accrued interest receivable			22.06		
Fund Balance - Cemetery Fund			$163,495.78		

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

Town of Afton, Oklahoma
Notes to Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Budgetary Accounting

The Town prepares its budget for the General and Cemetery Funds on the cash basis of accounting. This differs from the accrual basis of accounting used in presenting the General and Cemetery Funds in the basic financial statements. All unexpended appropriations lapse at year-end.

INTERNAL CONTROL AND COMPLIANCE SECTION

LANGLEY-LITTLEFIELD-OBER
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
124 SOUTH MAIN MIAMI, OK 74354
918-542-4401 OFFICE 918-542-8165 FAX

INDEPENDENT AUDITORS 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 Town Council
Town of Afton, Oklahoma

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Afton, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Afton, Oklahoma's basic financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Afton, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Afton, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Afton, 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Afton, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard.*

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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.

Langley - Littlefield - Ober

LANGELEY-LITTILEFIELD-OBER
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
June 30, 2015

Town of Afton, Oklahoma
Schedule of Prior Years Findings
For the Year Ended June 30, 2014

There were no audit findings for the year ended June 30, 2013.