

TOWN OF MARSHALL

Marshall, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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TOWN OF MARSHALL MARSHALL, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Marshall, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Adverse Opinion on Business-Type Activities

As discussed in Note 1.D. to the financial statements, management has not recorded fixed assets at historical cost in the proprietary fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those fixed assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities has not been determined.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Business-Type Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the business-type activities of the Town of Marshall, Oklahoma, as of June 30, 2015, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Marshall, Oklahoma, as of June 30, 2015, and the respective changes in financial position 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 the budgetary comparison information, on page 30, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me 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. My opinion of the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marshall, Oklahoma’s basic financial statements. The individual combining nonmajor governmental fund financial statements, on pages 36 and 37, and the schedule of grant funds, on page 38, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual combining nonmajor governmental fund financial statements and the schedule of grant funds 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. In my opinion, the individual combining nonmajor governmental fund financial statements and the schedule of grant funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 5, 2015, on my consideration of the Town of Marshall, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Town of Marshall, Oklahoma's, internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Bruce Luttrell". The signature is stylized and cursive.

Bruce Luttrell, CPA, PC

October 5, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MARSHALL
STATEMENT OF NET POSITION
JUNE 30, 2015

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 173,774.02	\$ 27,636.58	\$ 201,410.60
Restricted cash and cash equivalents	1,447.22	11,694.18	13,141.40
Investments	65,150.00	24,255.96	89,405.96
Accounts receivable	9,504.74	5,603.60	15,108.34
Total current assets	<u>249,875.98</u>	<u>69,190.32</u>	<u>319,066.30</u>
Noncurrent assets			
Capital assets:			
Equipment	17,246.85		17,246.85
Buildings and Improvements	3,455.00		3,455.00
Infrastructure	251,877.61	665,311.72	917,189.33
Less accumulated depreciation	(34,687.94)	(187,433.00)	(222,120.94)
Total noncurrent assets	<u>237,891.52</u>	<u>477,878.72</u>	<u>715,770.24</u>
Total assets	<u>487,767.50</u>	<u>547,069.04</u>	<u>1,034,836.54</u>
Liabilities			
Current liabilities			
Accounts payable	14,560.94	4,558.55	19,119.49
Refundable deposits		11,694.18	11,694.18
Total current liabilities	<u>14,560.94</u>	<u>16,252.73</u>	<u>30,813.67</u>
Noncurrent liabilities			
Pension plan liability	46,224.00	-	46,224.00
Total noncurrent liabilities	<u>46,224.00</u>	<u>-</u>	<u>46,224.00</u>
Total liabilities	<u>60,784.94</u>	<u>16,252.73</u>	<u>77,037.67</u>
Net position			
Invested in capital assets, net of related debt	237,891.52	477,878.72	715,770.24
Restricted for:			
Highways	947.22		947.22
Assigned to:			
Capital projects	7,726.52		7,726.52
Unassigned	180,417.30	52,937.59	233,354.89
Total net position	<u>\$ 426,982.56</u>	<u>\$ 530,816.31</u>	<u>\$ 957,798.87</u>

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

**TOWN OF MARSHALL
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015**

Statement 2

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government		
					Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	\$ 68,564.59	\$ -	\$ -	\$ -	\$ (68,564.59)	\$ -	\$ (68,564.59)
Wastewater	8,482.63	-	-	-	(8,482.63)	-	(8,482.63)
Streets	12,361.95	-	-	-	(12,361.95)	-	(12,361.95)
Total government activities	89,409.17	-	-	-	(89,409.17)	-	(89,409.17)
Business-type activities							
Water	31,286.66	40,527.57	-	-	9,240.91	9,240.91	9,240.91
Wastewater	20,429.00	3,370.00	-	-	(17,059.00)	(17,059.00)	(17,059.00)
Sanitation	19,309.98	20,418.40	-	-	1,108.42	1,108.42	1,108.42
Administrative and general	493.40	-	-	-	(493.40)	(493.40)	(493.40)
Total business-type activities	71,519.04	64,315.97	-	-	(7,203.07)	(7,203.07)	(7,203.07)
Totals	\$ 160,928.21	\$ 64,315.97	\$ -	\$ -	(89,409.17)	(7,203.07)	(96,612.24)
General revenues							
Sales tax					96,090.86		96,090.86
Tobacco tax					986.49		986.49
Intergovernmental revenue not restricted to specific programs					2,413.10		2,413.10
Intergovernmental revenue restricted for streets & alleys					2,911.79		2,911.79
Franchise fees					6,839.94		6,839.94
Miscellaneous					3,650.66	75.65	3,726.31
Investment earnings					247.50	62.07	309.57
Transfers: In					191,108.00	-	191,108.00
Transfers: Out					-	-	-
Total general revenues and transfers					304,248.34	137.72	304,386.06
Change in net position					214,839.17	(7,065.35)	207,773.82
Net position, beginning of year (Note 4.C.)					212,143.39	537,881.66	750,025.05
Net position, end of year					\$ 426,982.56	\$ 530,816.31	\$ 957,798.87

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

FUND FINANCIAL STATEMENTS

**TOWN OF MARSHALL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

Statement 3

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 166,047.50	7,726.52	\$ 173,774.02
Restricted cash and cash equivalents	500.00	947.22	1,447.22
Investments	65,150.00		65,150.00
Accounts receivable	9,504.74	-	9,504.74
Total assets	\$ 241,202.24	\$ 8,673.74	\$ 249,875.98
Liabilities			
Accounts payable	\$ 14,560.94	\$ -	\$ 14,560.94
Total liabilities	14,560.94	-	14,560.94
Fund Balance			
Restricted for:			
Highways		947.22	947.22
Assigned to:			
Capital projects		7,726.52	7,726.52
Unassigned:	226,641.30		226,641.30
	226,641.30	8,673.74	235,315.04
Total liabilities and fund balances	\$ 241,202.24	\$ 8,673.74	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 272,579.46.

The accumulated depreciation is \$ 34,687.94.

Net effect for reconciliation

237,891.52

Other long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.

Penson plan liability

(46,224.00)

Net position of governmental activities

\$ 426,982.56

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

**TOWN OF MARSHALL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

Statement 4

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales tax	\$ 96,090.86	\$ -	\$ 96,090.86
Tobacco tax	986.49		986.49
Intergovernmental	2,413.10	2,911.79	5,324.89
Franchise fees	6,839.94		6,839.94
Grants			-
Miscellaneous	3,650.66		3,650.66
Investment income	247.50		247.50
Total revenues	110,228.55	2,911.79	113,140.34
Expenditures:			
General government:			
General government	63,322.59		63,322.59
Streets		2,286.95	2,286.95
Wastewater	8,482.63		8,482.63
Total expenditures paid	71,805.22	2,286.95	74,092.17
Excess of revenues collected over (under) expenditures	38,423.33	624.84	39,048.17
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfer out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other resources over expenditures and other uses	38,423.33	624.84	39,048.17
Fund balances, beginning of year	188,217.97	8,048.90	196,266.87
Fund balances, end of year	\$ 226,641.30	\$ 8,673.74	\$ 235,315.04

(Continued)

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

**TOWN OF MARSHALL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2015**

Statement 4 (cont.)

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

Net change in fund balances: total governmental funds 39,048.17

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	191,108.00
Depreciation	(11,165.00)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in pension plan liability	(4,152.00)
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Change in net position of governmental activities

\$ 214,839.17

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

**TOWN OF MARSHALL
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

Statement 5

	<u>Enterprise Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 27,636.58
Restricted cash and cash equivalents	11,694.18
Investments	24,255.96
Accounts receivable	5,603.60
Total current assets	<u>69,190.32</u>
Noncurrent assets	
Capital assets:	
Infrastructure	665,311.72
Less accumulated depreciation	<u>(187,433.00)</u>
Total noncurrent assets	<u>477,878.72</u>
 Total assets	 <u>547,069.04</u>
 Liabilities	
Current liabilities	
Accounts payable	4,558.55
Refundable deposits	11,694.18
Total current liabilities	<u>16,252.73</u>
 Total liabilities	 <u>16,252.73</u>
 Net position	
Invested in capital assets, net of related debt	477,878.72
Unrestricted	<u>52,937.59</u>
 Total net position	 <u>\$ 530,816.31</u>

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

**TOWN OF MARSHALL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

Statement 6

	Enterprise Fund
Operating revenue	
Charges for services:	
Water	\$ 39,950.92
Sewer	3,370.00
Sanitation	20,418.40
Late charges	576.65
Total operating revenue	64,315.97
 Operating expenses:	
Water	31,286.66
Sanitation	19,309.98
Administration and general	493.40
Depreciation	20,429.00
Total operating expenses	71,519.04
 Net operating income (loss)	(7,203.07)
 Nonoperating revenue (expense)	
Investment income	62.07
Other income	75.65
Total nonoperating revenue	137.72
 Net income (loss) before transfers	(7,065.35)
Operating transfers: In	-
Operating transfers: Out	-
	-
 Change in net position	(7,065.35)
 Net position beginning of year	537,881.66
 Net position end of year	\$ 530,816.31

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

**TOWN OF MARSHALL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015**

Statement 7

	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 63,335.61
Payments to suppliers	(50,877.64)
Payments to employees	-
Receipts of customer utility deposits	1,200.00
Refunds of customer utility deposits	(274.50)
Net cash provided (used) by operating activities	13,383.47
Cash flows from noncapital financing activities	
Transfer from other funds	-
Transfer to other funds	-
Other income	75.65
Net cash provided (used) by noncapital financing activities	75.65
Cash flows from capital and related financing activities	
Purchase of capital assets	-
Net cash provided (used) by capital and related financing activities	-
Cash flows from investing activities	
Interest income	62.07
Net increase (decrease) in cash and cash equivalents	13,521.19
Cash balance beginning of year	50,065.53
Cash balance end of year	\$ 63,586.72
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (7,203.07)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	20,429.00
Change in assets and liabilities:	
Accounts receivable	(980.36)
Accounts payable	226.86
Refundable deposits	911.04
Net cash provided (used) by operating activities	\$ 13,383.47

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

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Marshall, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.) The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the Town are discussed below.

1.A. FINANCIAL REPORTING ENTITY

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 61, amending GASB Statements No. 14 and 34. The basic criteria for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. Accountability flows from the notion that individuals are obligated to account for their acts, including the acts of the officials they appoint to operate governmental agencies. Thus, elected officials are accountable for an organization if they appoint a voting majority of the organization’s governing board. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body *and* (1) it is able to impose its will on that organization, *or* (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if the primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

Based upon the application of these criteria, the Town’s financial reporting entity is composed of the following:

Primary Government:	Town of Marshall
Blended Component Unit:	None

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit’s 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 funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The Town of Marshall has no blended component units.

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The Town of Marshall does not have any discretely presented component units.

The component units do not issue separately audited component unit financial statements.

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

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 or services.

FUND FINANCIAL STATEMENTS

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

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

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

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.

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

1.B. BASIS OF PRESENTATION (continued)

Special Revenue Funds

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

<u>Fund</u>	<u>Brief Description</u>
Street & Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project fund that is reported as a major fund:

Grant Fund	Accounts for specific revenues and transfers from other Town funds and expenditures for various capital projects.
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PROPRIETARY FUNDS

Enterprise 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 net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Marshall Public Works	Accounts for the activities of providing water, wastewater, and sanitation services to the public.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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.

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

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 assets (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 assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and component unit 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, expenses, 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 this 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 within sixty days after year end. 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 accounting, 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 the statement of net position, balance sheets, and statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

INVESTMENTS

Investments classified in the financial statements, consist entirely of interest bearing savings accounts. Investments are carried at cost, which approximates fair value.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.F. for details of interfund transactions.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Town has therefore chosen to report these items as expenditures at the time of purchase.

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 and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. And, under GASB No. 34, small towns are not required to retroactively report infrastructure assets, and the Town of Marshall has elected not to retroactively report. Infrastructure assets in governmental funds acquired since July 1, 2003, are recorded at cost.

Detail fixed asset records at historical cost have not been maintained of such assets which are still in service for the proprietary fund (Marshall Public Works). Generally accepted accounting principles require that these assets be capitalized, and the related depreciation be recorded, which would increase the assets and expenses of the activities.

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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Building Improvements	25 years
Infrastructure	25 years

Fund Financial Statements

In the fund financial statements, capital assets used 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.

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund 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.

Long-term debt for governmental funds is not reported as a liability 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 statements as it is in the government-wide statements.

COMPENSATED ABSENCES

The Town does not have a formal policy for vacation or sick leave. Due to the limited staff of the Town, employees schedule their vacations, or other time off, so that the Town does not have to hire additional employees. Thus, any vacation time (or sick leave) taken is compensated at the employees regular wage rates.

EQUITY CLASSIFICATION

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Town ordinances).

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Town can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a Town official delegated that authority by Town Charter or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town applies restricted resources first when expenditures are incurred for purposes for which either

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

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

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

FUND FINANCIAL STATEMENTS

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

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

TOWN OF MARSHALL
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)

3. Interfund reimbursements -- Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditure/expenses in the respective funds.
4. Interfund transfers -- Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows”

1. Internal balances -- Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities -- Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers -- Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances -- Resource flows between the primary government (the Town and Enterprise Fund) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period (such as estimated useful lives in determining depreciation expense.) Accordingly, 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 and regulations and demonstration of its stewardship over Town resources follows.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all the Town's deposits were fully insured or collateralized at June 30, 2015.

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES / ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2015, the Town held deposits of \$ 303,957.96 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit and savings accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

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.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. 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.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. 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.
- e. 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 obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

The investments held at June 30, 2015, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	238,807.96	238,807.96
Investments				
Certificate of Deposit	12	N/A	<u>65,150.00</u>	<u>65,150.00</u>
Total Deposits and Investments			<u><u>303,957.96</u></u>	<u><u>303,957.96</u></u>

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

3.A. DEPOSITS AND INVESTMENTS (continued)

<u>Reconciliation to Statement of Net Assets</u>	
Governmental Activities	\$ 240,371.24
Business-Type Activities	63,586.72
	\$ 303,957.96

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer.

RESERVE

In April, 1999, the Town approved, by resolution, to reserve \$ 150.00 per month, from the water and sewer revenue, for emergencies. The balance in this reserve at June 30, 2015 and 2014, was \$ 12,440.28 and \$ 10,617.19, respectively, and is included in Investments on the balance sheet.

3.B. RESTRICTED ASSETS & REVENUES

The amounts reported as restricted assets are composed of the balance of the Street and Alley Fund of \$ 947.22, and the balance in the Capital Improvement Fund of \$ 7,726.52.

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

Revenue Source	Legal Restrictions of Use
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Water, Sewer, and Trash revenue	Utility operations
Grant proceeds	Grant expenditures

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of sales tax (39.0 %), franchise tax (4.1 %), and other (56.9 %). Receivables detail at June 30, 2015, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 9,504.74	5,603.60	15,108.34

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

3.D. CAPITAL ASSETS

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

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>
<i>Governmental activities:</i>				
Other capital assets:				
Equipment	17,246.85			17,246.85
Building Improvements	3,455.00			3,455.00
Infrastructure	<u>60,769.61</u>	<u>191,108.00</u>		<u>251,877.61</u>
Total other capital assets at historical cost	<u>81,471.46</u>	<u>191,108.00</u>		<u>272,579.46</u>
Less accumulated depreciation for:				
Equipment	9,488.94	952.00		10,440.94
Building Improvements	6,274.00	138.00		6,412.00
Infrastructure	<u>7,760.00</u>	<u>10,075.00</u>		<u>17,835.00</u>
Total accumulated depreciation	<u>23,522.94</u>	<u>11,165.00</u>		<u>34,687.94</u>
Government activities capital assets, net	<u>57,948.52</u>	<u>179,943.00</u>		<u>237,891.52</u>
<i>Business-type activities:</i>				
Other capital assets:				
Infrastructure	<u>665,311.72</u>			<u>665,311.72</u>
Total other capital assets at historical cost	<u>665,311.72</u>			<u>665,311.72</u>
Less accumulated depreciation for:				
Infrastructure	<u>167,004.00</u>	<u>20,429.00</u>		<u>187,433.00</u>
Total accumulated depreciation	<u>167,004.00</u>	<u>20,429.00</u>		<u>187,433.00</u>
Business-type activities capital assets, net	<u>498,307.72</u>	<u><20,429.00></u>		<u>477,878.72</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:		
General Government		\$ 1,090.00
Streets		<u>10,075.00</u>
Total depreciation expense for governmental activities		<u>\$ 11,165.00</u>
Business-Type Activities:		
Wastewater		\$ <u>20,429.00</u>
Total depreciation expense for business-type activities		<u>\$ 20,429.00</u>

3.E. LONG-TERM DEBT

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

BUSINESS-TYPE ACTIVITIES

Refundable Deposits:

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

3.E. LONG-TERM DEBT (continued)

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	\$ 11,694.18
	<u>=====</u>

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2015.

Type of Debt	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Business-Type Activities:					
Refundable deposits	10,783.14	1,200.00	288.96	11,694.18	11,694.18
Total Business-Type Activities	10,783.14	1,200.00	288.96	11,694.18	11,694.18
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

3.F. INTERFUND TRANSFERS

Transfers are used to move restricted resources collected by the General Fund and the Capital Improvement Fund to the funds authorized to spend the resources.

There were no transfers between funds of the primary government for the year ended June 30, 2015.

3.G. ACCOUNTS PAYABLE

Payables in the General Fund and nonmajor governmental funds are composed entirely of payables to vendors. Payables of Utilities Enterprise Fund are also composed entirely of payables to vendors.

NOTE 4: OTHER NOTES

4.A. PENSION PLANS

FIREFIGHTER’S PENSION AND RETIREMENT SYSTEMS

General Information about the Pension Plan

Plan description. Volunteer firefighters of participating municipalities are provided with pensions through the Oklahoma Firefighters Pension and Retirement Plan (the “Plan”), administered by the Oklahoma Firefighters Pension and Retirement System (the “System.”) The System was established by legislative act and became effective on January 1, 1981. The System assumed responsibility for all previous existing municipal firefighters’ pension plans in the state of Oklahoma, and is the administrator of the Oklahoma

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

4.A. PENSION PLANS (continued)

Firefighters Pension and Retirement Plan. At June 30, 2014, there were 471 cities, 24 fire protection districts, and 120 county fire departments participating in the Plan. The System issues a publicly available financial report that can be obtained at: Oklahoma Firefighters Pension and Retirement System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Benefits provided. The System provides retirement benefits based on members' final average compensation, age, and term of service. The System also provides for benefits upon disability and to survivors upon death of eligible members. The System's benefits are established and amended by state statute. For volunteer firefighters in the plan prior to November 1, 2013, the normal retirement pension is \$ 150.60 per month. For those entering the plan after November 1, 2013, the normal retirement pension is \$ 165.66 per month. All firefighters are eligible for immediate disability benefits. For volunteer firefighters, the in-line-of-duty disability pension is \$ 150.60 with less than 20 years of service, or \$ 7.53 per year of service, with a maximum of 30 years. A \$ 5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death.

Contributions. The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. Prior to November 1, 2013, participating paid firefighters contributed 8 % of applicable earnings, while member cities contributed 13 % of the members' applicable earnings. For the period beginning November 1, 2013, participating paid firefighters contributed 9 % of applicable earnings, while member cities contributed 14 % of the members' applicable earnings. In addition, member cities contribute \$ 60 for each volunteer firefighter unless their annual income in the general fund is less than \$ 25,000, in which case they are exempt. The State of Oklahoma, a non-employer contributing entity, allocated 34 % of insurance premium tax collected from various types of insurance policies to the Plan through November 1, 2013, and 36 % after that date. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2014.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$ 46,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2014, the Town's proportion was 0.0045 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$ 4,152. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF MARSHALL
Marshall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

4.A. PENSION PLANS (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ 1,101	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,997
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	-	-
Total	<u>\$ 1,101</u>	<u>\$ 6,997</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %
Salary increases:	3.5 % to 9.0 % average, including inflation
Investment rate of:	7.5 % net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.48 %
Domestic equity	9.61 %
International equity	9.24 %
Real estate	7.76 %
Other assets	6.88 %

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be

TOWN OF MARSHALL
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

4.A. PENSION PLANS (continued)

made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36 % of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the Town calculated using the discount rate of 7.5 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 %) or 1-percentage point higher (8.5 %) than the current rate:

	1 % Decrease (6.5 %)	Current Discount Rate (7.5 %)	1 % Increase (8.5 %)
Employers' net pension liability	\$ 60,426	\$ 46,276	\$ 34,412

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Firefighters Pension and Retirement Plan financial statements.

4.B. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
a. Torts, errors, and omissions	Purchased insurance with Oklahoma Municipal Assurance Group.	(1)
b. Physical property loss and natural disasters	Purchased commercial insurance, with a deductible of \$ 250.	Deductible amount
c. Workers compensation, health and life	Workers comp is insured through State Insurance Fund with no deductible.	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

TOWN OF MARSHALL
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

4.B. RISK MANAGEMENT (continued)

Risk Entity Pools

The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan.

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

4.C. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The Town has been approved for a \$ 72,000 Rural Economic Action Plan (REAP) grant from the State of Oklahoma, administered through the Association of Central Oklahoma Governments (ACOG) to add rip rap around the two south lagoons. This grant was made in conjunction with the CDBG grant discussed below. At June 30, 2015, no funds had been drawn under the grant. See the Schedule of Grant Funds for further details.

The Town has been approved for a \$ 72,000 Community Development Block Grant (CDBG) through the Oklahoma Department of Commerce / Division of Community Affairs and Development, funded by the U.S. Department of Housing and Urban Development, to add rip rap around the two south lagoons. The grant calls for matching funds on the City's behalf of \$ 72,000, which will be provided by the REAP grant discussed above. The funding period runs from April 3, 2015, through April 3, 2017. At June 30, 2015, no funds had been drawn under the grant. See the Schedule of Grant Funds for further details.

TOWN OF MARSHALL
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

4.C. COMMITMENTS AND CONTINGENCIES (continued)

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

New Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for financial statements for periods beginning after June 15, 2014. GASB Statement No. 68 addresses improved reporting on pensions provided by state and local governments. The Town adopted GASB Statement No. 68 during the current year. The adoption changed various reporting, footnote disclosures, and required supplementary information.

The following is a summary of the impact of the adoption of GASB 68 on the government-wide financial statements of the Town of Marshall as of and for the year ended June 30, 2014, as previously reported.

	As previously Reported	Adjustments	As Restated
Pension Plan Liability	-	<46,224.00>	<46,224.00>
Total	-	<46,224.00>	<46,224.00>
Net position – beginning of year	215,130.06	<42,072.00>	173,058.06
Change in net position	39,085.33	-	39,085.33
Net position – end of year	254,215.39	<42,072.00>	212,143.39

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 5, 2015, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF MARSHALL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

UNAUDITED

Exhibit 1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 173,507.22	\$ 173,507.22	\$ 173,507.22	\$ -
Resources (Inflows):				
Alcohol beverage tax	2,800.00	2,800.00	2,413.10	(386.90)
Franchise fees	6,200.00	6,200.00	6,839.94	639.94
Interest income	166.00	166.00	247.50	81.50
Miscellaneous	140.00	140.00	3,650.66	3,510.66
Sales tax	99,083.00	99,083.00	96,090.86	(2,992.14)
Cigarette tax	1,130.00	1,130.00	986.49	(143.51)
Grants	-	-	-	-
Amounts available for appropriation	<u>283,026.22</u>	<u>283,026.22</u>	<u>283,735.77</u>	<u>709.55</u>
Charges to Appropriations (Outflows):				
General Government:				
Personal services	21,000.00	21,000.00	20,603.43	396.57
Maintenance and operations	69,000.00	69,000.00	42,719.16	26,280.84
Capital outlay	60,000.00	60,000.00	8,482.63	51,517.37
Total General Government	<u>150,000.00</u>	<u>150,000.00</u>	<u>78,194.78</u>	<u>78,194.78</u>
 Total Charges to Appropriations	<u>150,000.00</u>	<u>150,000.00</u>		<u>\$ 78,194.78</u>
 Ending Budgetary Fund Balance	<u>\$ 133,026.22</u>	<u>\$ 133,026.22</u>		
 General Fund Expenditures (Statement of Revenues, Expenditures, and Changes in Fund Balance)			<u>\$ 71,805.22</u>	

**TOWN OF MARSHALL
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2015**

UNAUDITED

Budget Law

The Town prepares its annual operating budget under the provisions of the Title 62 and 68 of the Oklahoma statutes (Estimate of Needs Law). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. In the first week of August, a financial statement is prepared on State prescribed forms for use in determining cash surplus of the General Fund and other "cash" funds of the Town.
- b. Using the State prescribed forms, an estimate of appropriation needs of the General Fund is prepared which is limited in total to no more than 90 % of prior year actual recurring revenue plus cash surplus.
- c. The estimate of needs forms are approved by the Town Council and submitted to the County Excise Board by no later than August 27.
- d. The budget for the General Fund becomes final upon County Excise Board approval.

The General Fund and certain "cash" funds as defined by State law are required to have annual budgets, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriations between departments and object categories and all supplemental appropriations require Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

The Town prepared and adopted a legal annual budget for only the General Fund. All other governmental funds did not have a legal annual budget prepared.

Basis of Accounting

The budget is prepared on the cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions.

The Town does not fully utilize encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are not the equivalent of expenditures. The Town considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are re-appropriated in the new year's budget.

**TOWN OF MARSHALL
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 Oklahoma Firefighters Pension and Retirement Plan
 Last 10 Fiscal Years ***

Exhibit 2

	Year End June 30, 2014
Proportion of the net pension liability	0.0045%
Proportionate share of the net pension liability	\$46,224
Covered - employee payroll	N/A
Proportionate Share of the net pension liability as percentage of covered-employee payroll	N/A
Plan's fiduciary net position	\$2,197,104,543
Plan fiduciary net position as a percentage of the total pension liability	68.12%

Notes to Schedule:

* June 30, 2015, was the first year of implementation, therefore only one year is shown.

**TOWN OF MARSHALL
 SCHEDULE OF CONTRIBUTIONS
 Oklahoma Firefighters Pension and Retirement Plan
 Last 10 Fiscal Years ***

Exhibit 3

	Year End June 30, 2014
Contractually required contribution	\$1,680.00
Contributions in relation to the contractually required contributions	1,680.00
Contribution deficiency (excess)	\$0.00
Town's covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

Notes to Schedule:

* June 30, 2015, was the first year of implementation, therefore only one year is shown.

OTHER SUPPLEMENTARY INFORMATION

**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***

Town Council
Town of Marshall, 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 Marshall, 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 Marshall, Oklahoma's, basic financial statements and have issued my report thereon dated October 5, 2015. My report included an explanatory paragraph that stated management had not presented the Management's Discussion and Analysis to supplement the financial statements. My report on the business-type activities was qualified due to the omission of fixed assets and related depreciation.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Marshall, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Marshall, Oklahoma's, internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Marshall, 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 charges with governance.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses (# 2015-1 through # 2015-3), that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Marshall, 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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Marshall, Oklahoma's, Response to Findings

The Town of Marshall, Oklahoma's, response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town of Marshall, Oklahoma's, response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Bruce G. Luttrell, CPA, PC

October 5, 2015

**TOWN OF MARSHALL
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

Exhibit 4

	SPECIAL REVENUE FUND Street and Alley Fund	CAPITAL IMPROVEMENT FUND Grant Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 7,726.52	\$ 7,726.52
Restricted cash and cash equivalents	947.22		947.22
Investments			-
Accounts receivable	-	-	-
Total assets	\$ 947.22	\$ 7,726.52	\$ 8,673.74
 LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities	-	-	-
 FUND BALANCE			
Restricted for:			
Highways	947.22		947.22
Assigned to:			
Capital projects		7,726.52	7,726.52
Total Fund Balance	947.22	7,726.52	8,673.74
Total Liabilities and Fund Balance	\$ 947.22	\$ 7,726.52	\$ 8,673.74

**TOWN OF MARSHALL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit 5

	SPECIAL REVENUE FUND <u>Street and Alley Fund</u>	CAPITAL IMPROVEMENT FUND <u>Grant Fund</u>	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental Grants	\$ 2,911.79	\$ -	\$ 2,911.79
Investment income			-
Total Revenues	<u>2,911.79</u>	<u>-</u>	<u>2,911.79</u>
Expenditures:			
Wastewater			-
Streets	2,286.95		2,286.95
Total Expenditures	<u>2,286.95</u>	<u>-</u>	<u>2,286.95</u>
Excess (deficiency) of revenues over expenditures	<u>624.84</u>	<u>-</u>	<u>624.84</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	624.84	-	624.84
Fund Balances - beginning	<u>322.38</u>	<u>7,726.52</u>	<u>8,048.90</u>
Fund Balances - ending	<u>\$ 947.22</u>	<u>\$ 7,726.52</u>	<u>\$ 8,673.74</u>

**TOWN OF MARSHALL
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash		Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Exhibit 6	
				Accrued or Deferred Revenue at July 1, 2014	Accrued or Deferred Revenue at June 30, 2015							
<u>U.S. Department of Housing and Urban Development</u>												
<u>Passed through the Oklahoma Department</u>												
<u>of Commerce.</u>												
CDBG - 14	14.228	16264	72,000.00	-	-	-	-	-	-	-	-	-
<u>Rural Economic Action Plan Grant</u>												
<u>Passed through the Association of</u>												
<u>Central Oklahoma Governments</u>												
2015 REAP Fund		03-2015-29	72,000.00	-	-	-	-	-	-	-	-	-

TOWN OF MARSHALL
Marshall, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2015

Exhibit 7

2015-1 Segregation of Duties

Condition: The same individual that receives payments is also responsible for billing and adjustments, and posting payments to customers' accounts. In addition, only limited oversight is provided over this individual in the conduct of their daily functions.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect of Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: I recommend that the council consider a formal evaluation of the risks associated with this lack of segregation of duties over cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties, such as providing increased management oversight and/or an independent reconciliation of accounts. For example, the Town might consider soliciting the assistance of independent labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.

2015-2 Bank Reconciliations

Condition: The Town's bank accounts are not reconciled by personnel independent of the cash receipts and disbursements functions.

Criteria: Employees who also have cash receipts and disbursements capabilities, could make changes to the bank statements, and/or checks, which could lead to misstatements in the financial statements.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient segregation of duties.

Effect of Potential Effect: There is the possibility that the financial statements could include material misstatements.

Recommendation: The Town should provide training to its employees, and/or contract with an independent party to reconcile the bank statements on a monthly basis.

Responsible Official's Response: The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.

TOWN OF DRUMMOND
Drummond, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended December 31, 2015

Exhibit 7

2015-3 Bank Statements Received by Independent Personnel

Condition: The Town's bank statements are not received by personnel independent of the cash receipts and disbursements functions.

Criteria: Employees who also have cash receipts and disbursements capabilities, could make changes to the bank statements, and/or checks, which could lead to misstatements in the financial statements.

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient segregation of duties.

Effect of Potential Effect: There is the possibility that the financial statements could include material misstatements.

Recommendation: The Town should provide training to its employees, or contract with an independent party to receive, and review, the bank statements.

Responsible Official's Response: The Town concurs with the recommendation, although the costs to correct this condition might exceed the benefit.