

THE TOWN OF OKARCHÉ, OKLAHOMA
ANNUAL FINANCIAL STATEMENT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

Audit By
STORM & HAUSER, P.C.
Certified Public Accountants
Kingfisher, Oklahoma

TOWN OF OKARCHÉ, OKLAHOMA
TABLE OF CONTENTS
For the fiscal year ended June 30, 2011

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets – Cash Basis	4
Statement of Activities – Cash Basis	5
<i>Fund Financial Statements:</i>	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	6
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Governmental Funds	7
Statement of Net Assets - Proprietary Funds	8
Statement of Cash Receipts, Disbursements and Changes in Net Assets - Proprietary Funds	9
Notes to Basic Financial Statements	10-24
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	25-27
INTERNAL CONTROL AND COMPLIANCE:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	28

TOWN OF OKARCHE, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
June 30, 2011

Town Board

Richard Raupe, Mayor

Linda Miller

Mike Mendel

Clerk

Elise Turner

Treasurer

Brian Schieber

John R. Storm, C.P.A.
Karen L. Hauser, C.P.A.

Storm & Hauser, P.C.
Certified Public Accountants

405.375.4152
FAX 405.375.5023

213 N. Main - P.O. Box 449 - Kingfisher, OK 73750
stormhauser@pldi.net

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Board
Town of Okarche, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Okarche, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Okarche's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1C, the Town of Okarche, Oklahoma, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Okarche, Oklahoma, as of June 30, 2011, and the respective changes in the cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

Honorable Mayor and Town Board
Town of Okarche, Oklahoma
Page 2 of 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of the Town of Okarche'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* and should be considered in assessing the results of our audit.

The Town of Okarche, Oklahoma, has not presented Management's Discussion and Analysis and historical pension information that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

General Fund Budgetary Comparison Schedule as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Storn & Hamer, P.C.

June 25, 2013

TOWN OF OKARCHÉ, OKLAHOMA
STATEMENT OF NET ASSETS - CASH BASIS
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash	\$ 1,436,890	\$ 163,320	\$ 1,600,210
Cash Equivalents	-	160,464	160,464
Total assets	<u>1,436,890</u>	<u>323,783</u>	<u>1,760,673</u>
 NET ASSETS:			
Restricted for:			
Debt service		160,464	160,464
Construction Projects		-	-
Public safety	42,027	-	42,027
Other purposes	32,499	-	32,499
Meter Deposits	-	24,608	24,608
Unrestricted	1,362,364	138,711	1,501,075
Total net assets	<u>\$ 1,436,890</u>	<u>\$ 323,783</u>	<u>\$ 1,760,673</u>

TOWN OF OKARCHIE, OKLAHOMA
STATEMENT OF ACTIVITIES - CASH BASIS
For the fiscal year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 334,923	\$ 1,336	\$ 22,699	\$ -	\$ (310,888)	\$ -	\$ (310,888)
Public safety	471,128	70,717	36,343	-	(364,068)	-	(364,068)
Highways and streets	56,769	-	12,340	-	(44,429)	-	(44,429)
Culture and recreation	31,898	4,306	-	-	(27,592)	-	(27,592)
Water Replacement	-	-	-	-	-	-	-
Grant	2,998	-	2,998	-	-	-	-
Total governmental activities	897,716	76,359	74,379	-	(746,977)	-	(746,977)
Business-type activities:							
Water and Wastewater	440,303	509,456	-	-	-	\$69,154	69,154
Economic Development	200	-	13,991	-	-	13,791	13,791
Principal and interest on indebtedness	101,815	-	-	-	-	(101,815)	(101,815)
Total business-type activities	542,318	509,456	13,991	-	-	(18,871)	(18,871)
Total primary government	\$ 1,440,033	\$ 585,815	\$ 88,370	\$ -	(746,977)	(18,871)	(765,848)
General revenues:							
Taxes:							
Sales and use taxes					1,080,489	-	1,080,489
Franchise and public service taxes					47,732	-	47,732
Investment income					4,197	483	4,680
Bond Proceeds - Net					-	-	-
Transfers - Internal activity					-	-	-
Total general revenues and transfers					<u>1,132,419</u>	<u>483</u>	<u>1,132,901</u>
Change in net assets					385,441	(18,388)	367,053
Net assets - beginning					1,081,449	342,171	1,393,620
Prior Period Adjustment					-	-	-
Net assets - ending					<u>\$ 1,436,890</u>	<u>\$ 323,783</u>	<u>\$ 1,760,673</u>

See accompanying notes to the basic financial statements

TOWN OF OKARCHE, OKLAHOMA
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
 GOVERNMENTAL FUNDS
 June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,362,364	\$ 74,526	\$ 1,436,890
Total assets	<u>\$ 1,362,364</u>	<u>\$ 74,526</u>	<u>\$ 1,436,890</u>
LIABILITIES AND FUND BALANCES:			
Liabilities	-	-	-
Fund Balances:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	74,526	74,526
Debt Service	-	-	-
Unreserved:			
Undesignated	<u>1,362,364</u>	-	<u>1,362,364</u>
Total fund balances	<u>1,362,364</u>	<u>74,526</u>	<u>1,436,890</u>
Total liabilities and fund balances	<u>\$ 1,362,364</u>	<u>\$ 74,526</u>	<u>\$ 1,436,890</u>

TOWN OF OKARCHE, OKLAHOMA
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Taxes	\$ 1,080,489	\$ -	\$ 1,080,489
Intergovernmental	59,489	51,680	111,169
Charges for services	5,031	-	5,031
Fines and forfeitures	69,992	-	69,992
Licenses and permits	1,336	-	1,336
Investment income	4,197	-	4,197
Rents & Royalties	5,092	-	5,092
Miscellaneous	5,850	-	5,850
Total Receipts	<u>1,231,476</u>	<u>51,680</u>	<u>1,283,156</u>
Disbursements:			
General government	334,924	-	334,924
Public safety	351,689	119,439	471,128
Highways and streets	56,769	-	56,769
Culture and recreation	31,898	-	31,898
Sanitation	-	-	-
Water replacement	-	-	-
Grant disbursements	-	2,998	2,998
Total Disbursements	<u>775,279</u>	<u>122,437</u>	<u>897,717</u>
Excess (deficiency) of receipts over disbursements	456,197	(70,758)	385,439
Other Financing Sources (Uses):			
Transfers in	1,017,961	-	1,017,961
Transfers out	(1,017,961)	-	(1,017,961)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash basis fund balances	456,197	(70,758)	385,439
Cash basis fund balances - beginning	906,167	145,284	1,051,451
Cash basis fund balances - ending	<u>\$ 1,362,364</u>	<u>\$ 74,526</u>	<u>\$ 1,436,890</u>

TOWN OF OKARCHE, OKLAHOMA
STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
June 30, 2011

	Okarche Public Works Authority	Okarche Economic Dev Authority	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 29,753	\$ 133,567	\$ 163,320
Restricted cash and cash equivalents	160,464	-	160,464
Total current assets	<u>190,217</u>	<u>133,567</u>	<u>323,783</u>
Total assets	<u>190,217</u>	<u>133,567</u>	<u>323,783</u>
LIABILITIES:			
Total liabilities	-	-	-
NET ASSETS:			
Restricted for:			
Debt service	160,464	-	160,464
Construction Projects	-	-	-
Meter Deposits	24,608	-	24,608
Unrestricted	5,144	133,567	138,711
Total net assets	<u>\$ 190,217</u>	<u>\$ 133,567</u>	<u>\$ 323,783</u>

See accompanying notes to the basic financial statements

TOWN OF OKARCHÉ, OKLAHOMA
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2011

	<u>Okarche Public Works Authority</u>	<u>Okarche Economic Dev Authority</u>	<u>Total</u>
Operating Receipts:			
Charges for services:			
Water & sewer	\$ 509,456	\$ -	\$ 509,456
Donations	-	-	-
Rent	-	-	-
Other	-	13,991	13,991
Total operating revenues	<u>509,456</u>	<u>13,991</u>	<u>523,447</u>
Operating Disbursements:			
Water	331,810	-	331,810
Sewer	105,691	-	105,691
Economic development	-	200	200
Capital Outlay	2,802	-	2,802
Total operating expenses	<u>440,303</u>	<u>200</u>	<u>440,503</u>
Operating income (loss)	69,154	13,791	82,944
Non-Operating Revenues (Expenses):			
Investment income	28	455	483
Bond proceeds - net	-	-	-
Other capital outlay	-	-	-
Fiscal agent fees	-	-	-
Principal and interest on indebtedness	(101,815)	-	(101,815)
Total non-operating revenues (expenses)	<u>(101,787)</u>	<u>455</u>	<u>(101,332)</u>
Net income (loss) before contributions and transfers	(32,634)	14,246	(18,388)
Capital contributions			
Transfers in	1,017,961	-	1,017,961
Transfers out	(1,017,961)	-	(1,017,961)
Change in net assets	(32,634)	14,246	(18,388)
Total net assets - beginning	222,851	119,320	342,171
Prior Period Adjustments			
Total net assets - ending	<u>\$ 190,217</u>	<u>\$ 133,566</u>	<u>\$ 323,783</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under the "Town Board of Trustees" form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements and general administrative services. A summary of the government's significant accounting policies are described below.

1.A. - FINANCIAL REPORTING ENTITY

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

- Primary Government: Town of Okarche
- Component Unit: The Okarche Public Works Authority
 The Okarche 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.

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

Blended Component Unit

A blended component unit is a separate legal entity that meets component unit criteria described above and whose governing body is the same or substantially the same as the Town Board or the component unit provides services entirely to the Town. The component unit fund is blended into those of the Town's by appropriate fund type to comprise the primary government presentation.

The component unit that is blended into the reporting fund types of the Town's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting Fund Type</u>
The Okarche Public Works Authority	Created August 18, 1999 to finance, develop and operate the water and sewer activities. The current Town Board serves as entire governing body (Trustees).	Enterprise Fund
The Okarche Economic Dev Authority	Created in 1998 to furnish services and facilities. Promote local development, assist in financing and constructing other facilities.	Enterprise Fund

1.B. - FUND ACCOUNTING

The accounts of the Town 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 which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Funds within each major category are grouped by fund type in the financial statements.

The major fund categories and fund types of the Town are described below:

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the following special revenue funds:

<u>FUNDS</u>	<u>BRIEF DESCRIPTION</u>
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance
Street Improvements	Accounts for funds restricted for street curbing projects
Sewer Fund	Accounts for funds restricted for sewer projects
Fire Department Fund	Accounts for funds restricted for the fire department
Grant Fund	Accounts for grants funds received and restrict for the specific grant purpose

PROPRIETARY FUND TYPES

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:

TOWN OF OKARCHE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENT
June 30, 2011

<u>FUND</u>	<u>BRIEF DESCRIPTION</u>
Okarche Public Works Authority	Accounts for activities of the public trust in providing water and wastewater services to the public
Okarche Economic Development Authority	Accounts for activities that furnish service and facilities for the Town, including assistance in financing and constructing other facilities

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets held by the Town as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The reporting entity includes the following agency funds:

<u>FUND</u>	<u>BRIEF DESCRIPTION</u>
Meter Deposit	Accounts for deposits received by new Water Utility customers. Such deposits are non-interest bearing to the customer and are returned when the account is closed.

Accounting for General Fixed Assets

As the Town acquires fixed assets such as land, buildings and equipment, the related costs are charged as expenditures of the respective funds at the time of purchase. Because detailed fixed asset records have not been maintained for such assets which are still in service, accounting for the Town's general fixed assets does not presently exist. As a result, a Statement of General Fixed Assets, required by generally accepted accounting principles, could not be prepared for inclusion in the financial statements.

1.C. - BASIS OF ACCOUNTING

Basis of accounting refers to the time when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The cash basis of accounting is followed by all funds of the Town, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid. In accordance with generally accepted accounting principles, governmental fund types, expendable trust funds

TOWN OF OKARCHE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENT
June 30, 2011

and agency funds would utilize the modified accrual basis of accounting and proprietary fund types would utilize the accrual basis of accounting.

If the books of the governmental fund types, proprietary and similar trust funds were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recorded when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current fund liability is incurred.

1.D. - BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The Town prepares its annual operating budget under the provisions of Titles 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. After year end, June 30, 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 need forms are approved by the Town Board and submitted to the County Excise Board.
- d. The budget for the General Fund becomes final upon County Excise Board approval.

The General Fund and all "cash" funds as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. State statutes recognize the following object categories as the minimum legal level of control by department:

- Personal Services
- Maintenance and Operations
- Capital Outlay

All transfers of appropriations between departments and object categories and all supplemental appropriations require the approval of the Town Board and the County Excise Board.

Budgetary Accounting

The annual operating budgets are prepared and presented on the cash basis of accounting.

The Town utilizes 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

TOWN OF OKARCHE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENT
June 30, 2011

appropriation. Encumbrances are not the equivalent of expenditures. Any open purchase orders, if any, to be honored in the subsequent budget year are reserved as a portion of fund equity in the governmental fund types.

1.E. - ASSETS, LIABILITIES AND EQUITY

Investments - Cash Equivalents

As of June 30, 2011, the Town had funds invested in short-term certificates of deposits. Since these can be converted into cash on a relative short notice they are being considered a cash equivalent and presented as cash.

The balance of the Town's funds are held jointly in an interest bearing checking account.

The interest earnings on the jointly held funds are deposited to the General Fund.

Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined balance sheet.

1.F. - REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a 4.5-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 entire sales tax is recorded in the General Fund when received. During 2002 the Town appropriated the proceeds of the sales tax to the Okarche Public Works Authority. The Authority transfers any amount not needed to the Town.

Property Tax

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

Expenditures/Expenses

For the purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current (further classified by function)

Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types report expenses relating to use of economic resources.

Interfund Transfers

Permanent re-allocation of resources between funds of the reporting entity are classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

1.G. - DEPARTURES FROM GAAP

General Fixed Assets

As discussed in Note 1.B., due to the lack of detail fixed asset records, no General Fixed Asset Account Group is presented for governmental fund type fixed assets still in service.

Basis of Accounting

As discussed in Note 1.C., the cash basis of accounting is followed by all funds to the Town.

NOTE 2 - DEPOSITS, INVESTMENTS AND COLLATERAL

2.A. Oklahoma State Law, Title 62, Section 348.1 allows for investment of funds in the following:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the Government of the United States or of this state is pledged.

2. Certificates of deposit of savings and loan associations, banks, trust companies when the certificates of deposit are secured by acceptable collateral as in the deposit of other public monies.

3. Savings accounts or savings certificates of savings and loan associations, banks, and trust companies, to the extent that the accounts or certificates are fully insured.

4. Negotiable certificates of deposit, prime bankers acceptances, commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments specified in previous paragraphs 1 through 3, where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account.

2.B. According to State Law, Title 62, Section 516.3, collateral to secure deposits of public funds must be:

TOWN OF OKARCHÉ, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENT
 June 30, 2011

1. U.S. Treasury bonds, notes or certificates payable by the Treasurer of the United States, issued by an agency of the United States under authority of an Act of Congress where the full faith and credit of the United States is pledged to the payment.
2. State of Oklahoma bonds, notes or certificates payable by the State Treasurer, issued by an agency of the State under authority of an act of the legislature where full faith and credit is pledged to the payment.
3. Bonds issued by any county in Oklahoma.
4. Bonds issued by any school district or board of education in Oklahoma.
5. Bonds issued by any city or town where an ad valorem tax levy is pledged to the payment, with certain restrictions of sinking fund indebtedness of the issuing city or town.
6. A surety bond.

The following is a table of deposits for the Town at June 30, 2010 by risk category.

	RISK CATEGORY		
	(1)	(2)	(3)
Cash, including time deposits	\$.00	\$1,500,210.00	\$.00

RISK CATEGORIES:

Category 1 - Deposits that are insured or collateralized with securities held by the Town or its agent in the Town's name.

Category 2 - Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 - Deposits that are uncollateralized or secured with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name.

NOTE 3 - OTHER NOTES

3.A. - Employee's Pension Plans

The Town participates in two employee systems as follows:

TOWN OF OKARCHE, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENT
 June 30, 2011

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Public Employees Retirement Plan	Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighter and Public Employee's Pension and Retirement Systems

The Town of Okarche, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of the volunteer firefighters and other full-time public employees. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	<u>Oklahoma Firefighters Pension and Retirement System</u>	<u>Oklahoma Public Employees Retirement System</u>
Obtaining Separately issued		
Financial statements	4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105	2101 N. Lincoln Blvd., Room 580 Oklahoma City, OK 73105
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.	All full-time permanent employees of a participating municipality.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate	0	3.5% (of covered payroll)
Town's contribution rate	\$60 per year per volunteer	16.5% (of covered payroll)
State obligation	State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability

TOWN OF OKARCHÉ, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENT
 June 30, 2011

Period required to vest	10 years	8 years
Eligibility and benefits for distribution	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered if vested, at or after age 50, or after 10 but before 20 years of credited services, with reduced benefits.	2% of the average highest 3 years annual covered compensation received during the last 10 years of participating service multiplied by the number of years of credited service.

Eligibility and benefits for distribution (volunteer) 20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions - Cont'd

	<u>Oklahoma Firefighters Pension and Retirement System</u>	<u>Oklahoma Public Employees Retirement System</u>
Deferred retirement option	Yes, 20 years credited service with continued service for a maximum of 30 or more years.	No
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of Living Allowances	Yes	No

TOWN OF OKARCHÉ, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENT
June 30, 2011

B. Trend Information

Contributions required by State statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
			Oklahoma Firefighters Pension and <u>Retirement System</u>	Oklahoma Public Employees <u>Retirement System</u>
2009	840	100%	\$43,088	100%
2010	1020	100%	\$49,705	100%
2011	660	100%	\$57,968	100%

Trend information showing the progress of the System in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

C. Related Party Investments

As of June 30, 2011 the Systems held no related-party investments of the Town or of its related entities.

Other Post-Employment Benefits

For the year ended June 30, 2011, the Town provided no post-employment benefits (other than pension) to terminated employees.

3.B. - Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan trustees under one of various pools of investment options offered by PEBSICO.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

The Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The

TOWN OF OKARCHIE, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENT
 June 30, 2011

Town believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

3.C. - Vacation, Sick Leave, Compensated Absences

Employees will accrue sick leave at the rate of one calendar day per month for a period not to exceed 30 days. Annual leave time accrued may be used to supplement sick leave, but sick leave days may not be used to extend vacation-annual leave periods. Employees leaving the service will not be paid for unused sick leave.

Vacation or annual leave may be accrued at the rate of .833 days per month, or 10 days per year. Employees may not take vacation-annual leave until satisfactory completion of the respective probationary periods and the Town Board shall be notified in advance. Annual leave is not accumulative beyond a twelve month period. Upon termination from the service, an employee will be paid for all unused annual leave not to exceed 10 days. (Three weeks after ten year, etc., four weeks after twenty years.)

3.E. - 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; employees health and life; and natural disasters. The Town manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions	Participation in Oklahoma Municipal Assurance Group risk pool	(1)
b. Injuries to employees (workers Compensation)	Participants in OMAG risk entity pool.	(2)
c. Employee health and life asset loss and natural disasters	Purchased commercial insurance through a commercial carrier.	None

The town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Worker's Compensation Plan (risk entity pools).

(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

3.E. - Risk Management - Cont'd

the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating Town pays of 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.

(2) Worker's Compensation Plan

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

Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

The Plan's worker's compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plan's reinsurance agreement.

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.

3.F. - Long-Term Debt

Revenue Bonds

Revenue bonds outstanding consist of debt issued by the Okarche Public Works Authority. This debt does not constitute debt of the Town and is payable solely from the resources of the Authority. Revenues derived from the Authority are pledged for payment of the revenue bond debt service. The bond indenture contains significant requirements for annual debt service and flow of funds through various restricted accounts. The Utility System Revenue Bonds Series 2001 requires maintenance of bond reserve,

TOWN OF OKARCHE, OKLAHOMA
 NOTES TO BASIC FINANCIAL STATEMENT
 June 30, 2011

principal (sinking) and construction accounts. The Town has appropriated the proceeds of a three percent (3%) sales tax levied by the Town of the Authority. The reporting entity is in compliance with all significant requirements of the bond covenants.

Enterprise Funds:

OPWA Fund	Amount of Original Issue	\$1,180,000.00
	Range of Final Maturity:	2003-2021
	Range of Interest Rates:	4.3% to 5.95%
	Balance Outstanding -	
	6-30-2011:	\$920,000.00

Debt Service Requirements to Maturity:

Year Ending		
June 30		
2012-2014	208,543.00	
2015-2019	563,363.00	
2020-2021	<u>380,639.00</u>	
Total Principal and Interest	\$ 1,152,545.00	
Less: Interest	<u>232,545.00</u>	
Liability as of June 30, 2011	<u>\$920,000.00</u>	

Conduit Debt Obligation of the OEDA:

This debt is considered non-commitment (conduit) debt to the Town and Authority since the debt payments are made solely from direct financing lease payments. Payments are made directly by the School Districts to trustee banks that pay the bondholders. In the event of default by the Schools, the Town or Authority has no obligation, legally and in substance, to make any payments on the debt since the lease receivable, financing agreements and mortgages on the property with the Schools are the security for the debt.

The Okarche Development Authority has issued revenue bonds for various economic development projects. The following bonds were outstanding at June 30, 2010:

\$ 9,600,000 of revenue bonds issued for the benefit of the Chickasha Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest from 3.5% to 4.0%, final payment due September 2012.

Balance outstanding at June 20, 2011	\$ 3,470,000.00
--------------------------------------	-----------------

TOWN OF OKARCHE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENT
June 30, 2011

\$ 5,275,000 Build America Bonds and \$ 210,000 Federal Taxable revenue bonds issued for the benefit of the Okarche Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest from 2.031% to 5.294%, final payment due September 2019.

Balance outstanding at June 30, 2011 \$ 5,100,000.

3. G. Interfund Transfers

Interfund transfers for the year ended June 30, 2011 were as follows:

Transfer From	Transfer To	Amount	Nature
General Fund	OPWA	\$1,017,961	Pledged sales tax per debt indenture
OPWA	General Fund	\$1,017,961	Pledged sales tax per debt indenture

3. H. Subsequent Event

The Revenue Bonds issued by the Okarche Public Works Authority (see Note 3.F) were paid off on January , 8, 3013

3. I. Litigation

The Town is party to various legal proceedings which 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 three-year period by a Town "Sinking Fund" for the payment of any court assessed judgement rendered against the Town. These statutory provisions do not apply to the Town's public trust authorities. 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 of judgement not covered by insurance would not have a material adverse effect on the financial condition of the Town.

TOWN OF OKARCHE
 NOTES TO BASIC FINANCIAL STATEMENT
 June 30, 2011

3. J. Federal and State Award Projects

The Town of Okarche participates in various federal and state grant/loan programs from year to year. In 2011, the Town's involvement in federal and state award programs was not significant. The grant/loan programs are often the subject of additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements.

Schedule of Expenditures of Federal and State Awards-Year Ended June 30, 2011

Federal/State Grantor/Pass Through Agency	Federal CFDA #	Grant #	Awards Expended YE 2011	Awards Expended YE 2010	Awards Expended YE 2009
US Department of Housing/Okla Dept of Commerce	14.228	13087 CDBG 07	2,998.00	8,190.22	30,237.88

TOWN OF OKARCHÉ, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the fiscal year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$906,167	\$906,167	\$906,167	-
Resources (Inflows):				
TAXES:				
Sales tax	555,963	555,963	1,017,961	461,998
Use tax	23,116	23,116	48,493	25,377
Cigarette Tax	7,646	7,646	14,035	6,389
Franchise tax	44,321	44,321	47,732	3,411
Total Taxes	631,046	631,046	1,128,221	497,175
INTERGOVERNMENTAL:				
Alcoholic beverage tax	10,172	10,172	11,757	1,585
Total Intergovernmental	10,172	10,172	11,757	1,585
CHARGES FOR SERVICES:				
Swimming Pool	3,526	3,526	4,306	780
Fire Runs	-	-	725	725
Total Charges for Services	3,526	3,526	5,031	1,505
FINES AND FORFEITURES	49,981	49,981	69,992	20,011
LICENSES AND PERMITS:				
	1,223	1,223	1,336	113
Total Licenses and Permits	1,223	1,223	1,336	113
INVESTMENT INCOME	4,411	4,411	4,197	(214)
MISCELLANEOUS:				
Rentals and royalties	5,640	5,640	5,092	(548)
Miscellaneous	-	-	5,850	5,850
Total Miscellaneous	5,640	5,640	10,942	5,302
OTHER FINANCING SOURCES:				
Transfers from other funds	400,000	400,000	1,017,961	617,961
Total Other Financing Sources	400,000	400,000	1,017,961	617,961
Total Resources (Inflows)	1,105,998	1,105,999	2,249,437	1,143,438
Amounts available for appropriation	2,012,166	2,012,166	3,155,604	1,143,438

(Continued)

**TOWN OF OKARCHÉ, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the fiscal year ended June 30, 2011**

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
Clerk				
Personal services	\$70,000	\$70,000	\$66,429	3,571
Maintenance & Operation	-	-	-	-
Capital outlay	-	-	-	-
Total Clerk	<u>70,000</u>	<u>70,000</u>	<u>66,429</u>	<u>3,571</u>
Fire Department				
Personal services	\$2,500	\$2,500	\$1,399	1,101
Maintenance & Operation	35,000	35,000	19,512	15,488
Capital outlay	35,000	35,000	-	35,000
Total Fire Department	<u>72,500</u>	<u>72,500</u>	<u>20,911</u>	<u>51,589</u>
General Government				
Personal services	\$5,000	\$5,000	\$3,262	1,738
Maintenance & Operation	70,000	70,000	68,407	1,593
Capital outlay	345,000	280,000	157,203	122,797
Total General Government	<u>420,000</u>	<u>355,000</u>	<u>228,871</u>	<u>126,129</u>
Managerial				
Personal services	\$25,000	\$25,000	\$15,502	9,498
Maintenance & Operation	2,000	2,000	886	1,114
Capital outlay	-	-	-	-
Total Managerial	<u>27,000</u>	<u>27,000</u>	<u>16,388</u>	<u>10,612</u>
Municipal Court				
Personal services	6,000	6,000	5,200	800
Total Municipal Court	<u>6,000</u>	<u>6,000</u>	<u>5,200</u>	<u>800</u>
Park				
Personal services	\$25,000	\$25,000	\$16,662	8,338
Maintenance & Operation	35,000	35,000	10,861	24,139
Capital outlay	50,000	50,000	4,375	45,625
Total Park	<u>110,000</u>	<u>110,000</u>	<u>31,898</u>	<u>78,102</u>
Police				
Personal services	\$190,000	\$205,000	\$198,418	6,582
Maintenance & Operation	60,000	75,000	67,954	7,046
Capital outlay	30,000	65,000	59,206	5,794
Total Police	<u>280,000</u>	<u>345,000</u>	<u>325,578</u>	<u>19,422</u>
Street				
Personal services	\$0	\$0	\$0	-
Maintenance & Operation	35,000	35,000	34,806	394
Capital outlay	330,666	330,666	22,163	308,504
Total Street	<u>365,666</u>	<u>365,666</u>	<u>56,769</u>	<u>308,897</u>

(Continued)

TOWN OF OKARCHÉ, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the fiscal year ended June 30, 2011

(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Treasurer				
Personal services	\$15,000	\$15,000	\$10,334	4,666
Maintenance & Operation	1,000	1,000	27	973
Capital outlay	-	-	-	-
Total Treasurer	<u>16,000</u>	<u>16,000</u>	<u>10,361</u>	<u>5,639</u>
City Attorney				
Personal services	25,000	25,000	12,875	12,125
Total Municipal Court	<u>25,000</u>	<u>25,000</u>	<u>12,875</u>	<u>12,125</u>
OTHER FINANCING USES:				
Transfers to other funds	620,000	620,000	1,017,961	(397,961)
Total Other Financing Uses	<u>620,000</u>	<u>620,000</u>	<u>1,017,961</u>	<u>(397,961)</u>
Total Charges to Appropriations	2,012,166	2,012,166	1,793,240	218,926
Ending Budgetary Fund Balance	<u>0</u>	<u>\$0</u>	<u>\$1,362,364</u>	<u>1,362,364</u>

**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***

Honorable Mayor and Members of Town Board
Town of Okarche, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Okarche, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 25, 2013. The Town of Okarche, Oklahoma, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting: Item 11-01

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Okarche, Oklahoma's financial statements are free of 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 Standards*.

This report is intended solely for the information and use of the Town Board and management of the Town of Okarche, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stow & Hamer, P.C.

June 25, 2013

Town of Okarche
Schedule of Findings
For the Year Ended June 30, 2011

REPORTABLE CONDITION OF INTERNAL CONTROL

11-01 Segregation of Duties

Criteria: Segregation of duties over custody, bookkeeping, and reconciliation is important to have adequate control over financial assets.

Condition: Due to its limited population and resources, the Town essentially uses one person to perform certain duties that are incompatible with the objectives of effective internal control.

Cause: The Town's limited population and resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk that errors and fraud related to the cash receipts and disbursement activities could occur and not be detected within a timely basis increases.

Recommendation: Efficient segregation of duties in a small town environment is often difficult; however, we feel that the governing body and Town management should be aware of the risk associated with this lack of duty of segregation and attempt to exercise as much oversight control in these areas as possible and feasible.

Management Response: The Town is currently researching and implementing procedures for the better segregation of duties.