

**TOWN OF OKEENE, OKLAHOMA
OKEENE, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2014**

TOWN OF OKEENE, OKLAHOMA
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TOWN OF OKEENE, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Wayne Carter, Mayor

Mary Dungan, Vice Mayor

Robert Jones

Ron Pittman

Cory Weber

TOWN MANAGER

John Ramey

TOWN TREASURER AND TOWN CLERK

Roberta Brickman



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Okeene, OK

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Okeene, OK, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Okeene Municipal Hospital and Schallmo Authority (the Hospital), which is the only discretely presented component unit of the Town.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hospital, which is the Town's only discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital, is based solely on the report of the other auditors. 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–11 and 37–38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of the Town of Okeene, OK'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Okeene, OK's internal control over financial reporting and compliance.

FSW & B CPA's - PLLC

FSW & B CPA's- PLLC

Woodward, OK
October 30, 2014

Our discussion and analysis of the Town of Okeene's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$6,632,664 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$5,685,134.
- Total liabilities of the Town decreased by \$443,725 from \$2,095,449 to \$1,651,724 during the fiscal year. This is attributable to debt payments made during the year along with the elimination of interfund payables.
- Total net assets are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$4,456,663 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets. This compares to \$3,700,855 in prior year.
 - 2) Unrestricted net position of \$1,756,452 represents the portion available to maintain the Town's continuing obligations to citizens and creditors compared to \$1,558,725, last year.
 - 3) Reserve for restricted purposes of \$419,549 is restricted for debt and other obligations, which is a decrease from the prior year amount \$425,554.
- The Town's governmental funds reported total ending fund balance of \$601,415 this year. This compared to the prior year ending fund balance of \$594,989, showing an increase of \$6,426 during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-type activities include utility services

provided by the Town. Fiduciary activities such as the Okeene Municipal Charitable Trust are not included in the government-wide statements since these assets are not available to fund Town programs.

The Town's financial reporting entity includes the funds of the Town (primary government) and organization for which the Town is accountable (component units). The Okeene Municipal Hospital and Schallmo Authority is a separate legal entity which operates independently and provides services directly to the citizens though the Town remains accountable for their actions. As such, the Okeene Municipal Hospital is reported separately from the primary government though included in the Town's overall reporting entity. Management's Discussion and Analysis will focus on the Town's primary government. More comprehensive information about the Town's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the Okeene Municipal Charitable Trust are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Town's programs. Fiduciary fund statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net assets at fiscal yearend were \$6,632,664. This is a \$947,530 increase over last year's net assets of \$5,685,134. The following table provides a summary of the Town's net assets at June 30 after the adjustment to fund balance:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2014	2013	2014	2013	2014	2013	\$	%
Current assets	\$ 619,790	\$ 812,715	\$ 1,721,712	\$ 1,628,871	\$ 2,341,502	\$ 2,441,586	\$ (100,084)	-4%
Capital assets, net	2,571,238	1,863,736	3,371,648	3,475,261	5,942,886	5,338,997	603,889	11%
Total assets	\$ 3,191,028	\$ 2,676,451	\$ 5,093,360	\$ 5,104,132	\$ 8,284,388	\$ 7,780,583	\$ 503,805	6%
Current liabilities	\$ 33,691	\$ 236,454	\$ 280,837	\$ 343,387	\$ 314,528	\$ 579,841	\$ (265,313)	-46%
Non-current liabilities	11,840	27,404	1,325,356	1,488,204	1,337,196	1,515,608	(178,412)	-12%
Total liabilities	45,531	263,858	1,606,193	1,831,591	1,651,724	2,095,449	(443,725)	-21%
Net position								
Invested in capital assets, net of related debt	2,571,238	1,863,736	1,885,425	1,837,119	4,456,663	3,700,855	755,808	20%
Restricted	266,168	272,173	153,381	153,381	419,549	425,554	(6,005)	100%
Unrestricted	308,091	276,684	1,448,361	1,282,041	1,756,452	1,558,725	197,727	13%
Total net position	\$ 3,145,497	\$ 2,412,593	\$ 3,487,167	\$ 3,272,541	\$ 6,632,664	\$ 5,685,134	\$ 947,530	17%

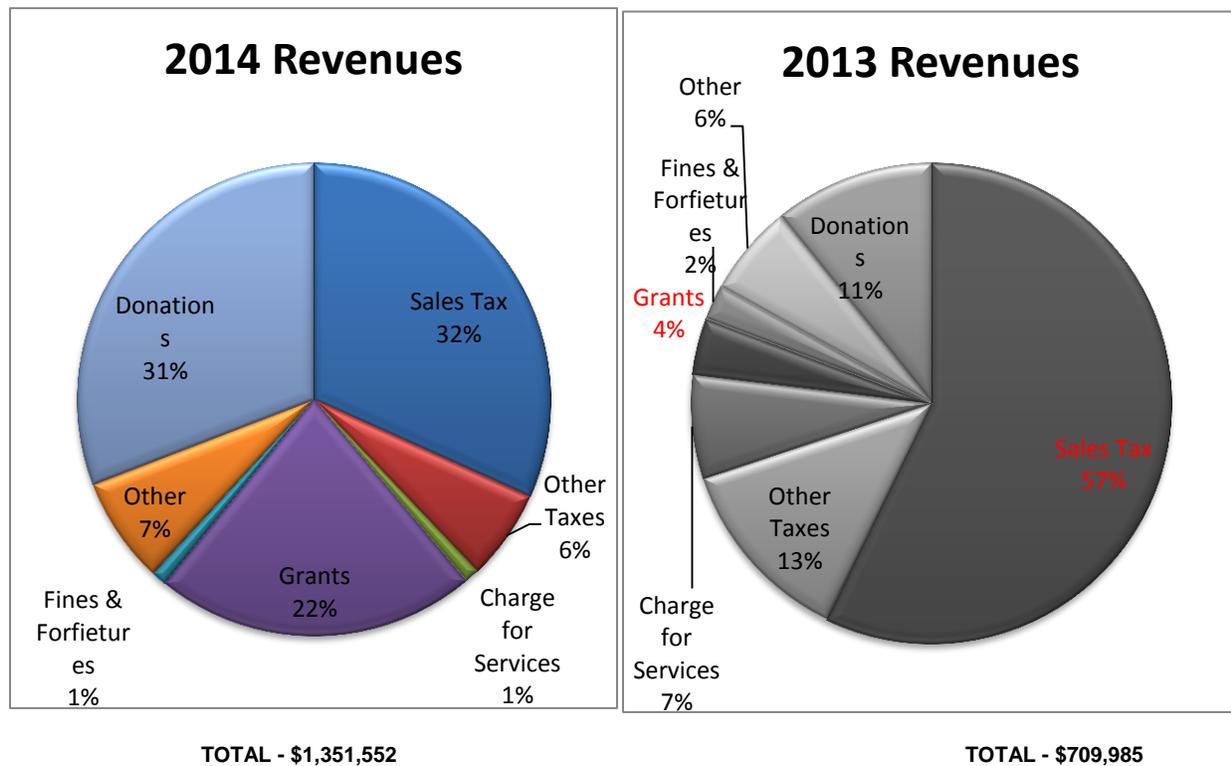
The Town reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$732,904 or 30% for governmental activities and \$214,626 or 7% for business-type activities. The Town's overall financial position improved 17% during fiscal year.

	Governmental Activities		Business-type Activities		Totals		Change	
	2014	2013	2014	2013	2014	2013	\$	%
Revenues								
Program revenues	\$ 767,903	\$ 193,769	\$ 2,763,636	\$ 2,641,371	\$ 3,531,539	\$ 2,835,140	\$ 696,399	25%
Taxes and other general revenues	583,649	516,216	5,829	25,771	589,478	541,987	47,491	9%
Total revenues	1,351,552	709,985	2,769,465	2,667,142	4,121,017	3,377,127	743,890	22%
Expenses								
General government	222,105	219,135	-	-	222,105	219,135	2,970	1%
Public safety and judiciary	289,988	269,412	-	-	289,988	269,412	20,576	8%
Transportation	96,494	122,806	-	-	96,494	122,806	(26,312)	-21%
Cultural, parks, and recreation	169,823	93,120	-	-	169,823	93,120	76,703	82%
Electric	-	-	1,673,570	1,689,635	1,673,570	1,689,635	(16,065)	-1%
Water	-	-	166,884	162,080	166,884	162,080	4,804	3%
Sewer	-	-	148,738	179,939	148,738	179,939	(31,201)	-17%
Sanitation	-	-	84,986	83,687	84,986	83,687	1,299	2%
Customer service	-	-	221,756	197,651	221,756	197,651	24,105	12%
Total expenses	778,410	704,473	2,295,934	2,312,992	3,074,344	3,017,465	56,879	2%
Excess (deficiency) before transfers	573,142	5,512	473,531	354,150	1,046,673	359,662	687,011	191%
Transfers	258,905	145,000	(258,905)	(145,000)	-	-	-	0%
Transfers to component units	(99,143)	(97,308)	-	-	(99,143)	(97,308)	(1,835)	2%
Increase (decrease) in net assets	\$ 732,904	\$ 53,204	\$ 214,626	\$ 209,150	\$ 947,530	\$ 262,354	\$ 685,176	261%

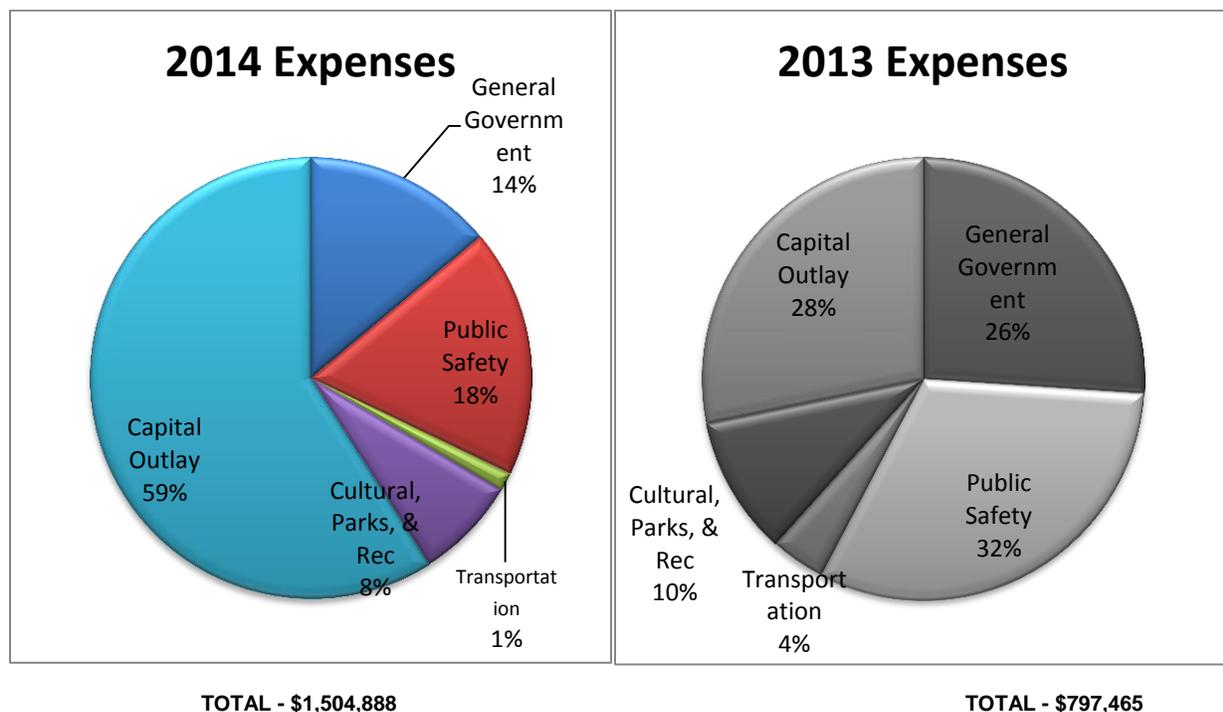
Revenues noted an increase of 22% year over year. Governmental activities saw the largest increase in program revenues resulting from donations for the Park playground equipment, Library capital improvement donations, and FAA grant funding for the airport. Business-type activities noted a moderate increase in program revenues due to increasing utility rates and utility usage within the Town. Taxes and general revenues increased 9% when compared to prior year. Governmental tax collections were strong during the fiscal period.

Operating expenses remained consistent with prior year, noting a 2% change year over year. Expenses did shift between departments, noting the Park department spent over \$76,000 more than prior year, which is due to the improvements funded with donations.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2014.



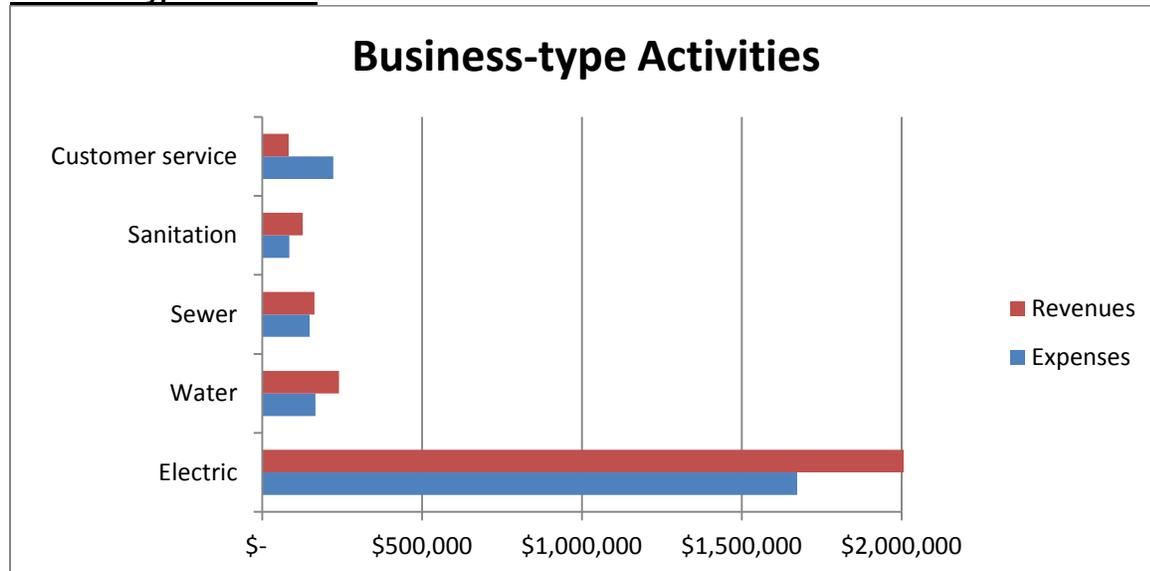
Sales tax provided for 32% of the Town’s governmental revenues in fiscal year 2014 as compared to 57% in 2013. This shift is due to the amount of donations received by the City for use in the Park and Library, which represented 31% of funds available for the fiscal year. Accordingly, all revenue sources shifted in contribution percentage.



This graph shows the total governmental activities cost of \$1,504,888 for 2014. Of this amount, capital outlay at \$887,624, was the largest operating service cost. This represents funds paid for capital improvements at the Park, Library, and Airport. These costs, as well as all governmental activities expense, were primarily funded by donations and grants as noted above.

It should be noted that governmental expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer, water, and electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2014 was \$673,419 compared to \$619,102 in fiscal year 2013. Council approved budget amendments during the fiscal year increasing the budget by \$231,630, for a final amended budget of \$905,049, prior to transfers. This increase over the previous year budget is attributable to an increase in capital projects and street improvements. The General Fund budget complied with financial policies approved by the Town.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the Town had \$4,456,663 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 2,100	\$ 2,100	\$ 267,250	\$ 267,250	\$ 269,350	\$ 269,350
Construction in process	222,613	23,215	91,566	88,604	314,179.00	111,819
Buildings	28,858	32,592	39,527	40,339	68,385	72,931
Other improvements	1,686,491	1,549,666	-	-	1,686,491	1,549,666
Machinery & equipment	631,175	256,163	87,847	157,184	719,022	413,347
Utility property & improvements	-	-	2,885,458	2,921,884	2,885,458	2,921,884
Totals	\$ 2,571,237	\$ 1,863,736	\$ 3,371,648	\$ 3,475,261	\$ 5,942,885	\$ 5,338,997

- In Governmental Activities, the most significant additions included playground equipment, street repairs, a new Police vehicle, Airport improvements, and continued work on the library expansion.
- In Business-type Activities, capital additions included infrastructure improvements

Long-Term Debt

At year-end, the Town had \$1,337,196 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ -	\$ -	\$ 1,295,000	\$ 1,415,000	\$ 1,295,000	\$ 1,415,000
Notes payable	27,156	46,132	191,223	223,142	218,379	269,274
subtotal	27,156	46,132	1,486,223	1,638,142	1,513,379	1,684,274
less current portion	(15,316)	(18,728)	(160,867)	(149,938)	(176,183)	(168,666)
Totals	\$ 11,840	\$ 27,404	\$ 1,325,356	\$ 1,488,204	\$ 1,337,196	\$ 1,515,608

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

The budget includes 3% rate increases for utility services provided by the City, generating an estimated \$76,650. Governmental revenues are budgeted at 90% of prior year collections.

Pay increases of 4% has been included for all full time employees. Raises will be allocated by the City Administrator. The cost of the raise is estimated at \$4,774 and \$7,170 for the General Fund and OPWA, respectively.

Pay increases for part-time employees in the Police, Golf, Swimming Pool and Library are included in this budget at an estimated cost of \$15,100.

Governmental funds budgeted \$117,450 in capital outlay for fiscal year 2015, including fire department equipment, storm sirens, and additional work at the Parks and Library.

Business-type activities include \$54,700 in capital outlay projects, including sewer and water line work, as well as computer and technology improvements at City Hall.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at PO Box 800, Okeene, Oklahoma, 73763 or phone at (580) 822-3035.

Town of Okeene, Oklahoma
Statement of Net Position
June 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 34,196	\$ 975,482	\$ 1,009,678	\$ 2,018,379
Investments, including time deposits	27,780	268,569	296,349	349,121
Accounts receivable, net	49,020	247,332	296,352	1,459,683
Due from other funds	42,878	(42,878)	-	-
Due from other governments	-	2,030	2,030	-
Inventory	-	-	-	164,388
Prepaid expenses	-	-	-	161,972
Total current assets	153,874	1,450,535	1,604,409	4,153,543
Restricted assets:				
Cash and cash equivalents	178,632	98,592	277,224	-
Investments, including time deposits	287,284	172,585	459,869	701,091
Total restricted assets	465,916	271,177	737,093	701,091
Noncurrent Assets:				
Land and construction in progress	224,713	358,818	583,531	160,101
Other capital assets (net of accumulated depreciation)	2,346,525	3,012,830	5,359,355	5,868,382
Total noncurrent assets	2,571,238	3,371,648	5,942,886	6,028,483
Total assets	\$ 3,191,028	\$ 5,093,360	\$ 8,284,388	\$ 10,883,117
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 18,375	\$ 7,833	\$ 26,208	\$ 937,921
Accrued expenses payable	-	-	-	258,582
Notes payable, current	15,316	30,867	46,183	-
Bonds payable, current	-	130,000	130,000	188,655
Estimated amounts due to third-party payers	-	-	-	-
Total current liabilities	33,691	168,700	202,391	1,385,158
Liabilities payable from restricted assets:				
Accrued interest payable	-	-	-	248,000
Customer deposits payable	-	112,137	112,137	-
Total liabilities payable from restricted assets	-	112,137	112,137	248,000
Noncurrent liabilities:				
Notes payable, non-current	11,840	160,356	172,196	-
Bonds payable, non-current	-	1,165,000	1,165,000	6,690,108
Total noncurrent liabilities	11,840	1,325,356	1,337,196	6,690,108
Total liabilities	45,531	1,606,193	1,651,724	8,323,266
NET POSITION				
Net investment in capital assets	2,571,238	1,885,425	4,456,663	(732,292)
Restricted	266,168	153,381	419,549	103,212
Unrestricted	308,091	1,448,361	1,756,452	3,188,931
Total net position	\$ 3,145,497	\$ 3,487,167	\$ 6,632,664	\$ 2,559,851

Town of Okeene, Oklahoma
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 176,869	\$ 12,061	\$ -	\$ -	\$ (164,808)
Library	45,236	1,146	3,379	173,500	132,789
Total general government	<u>222,105</u>	<u>13,207</u>	<u>3,379</u>	<u>173,500</u>	<u>(32,019)</u>
Public safety and judiciary:					
Police	195,048	14,150	-	-	(180,898)
Fire	94,940	3,096	4,699	-	(87,145)
Total public safety and judiciary	<u>289,988</u>	<u>17,246</u>	<u>4,699</u>	<u>-</u>	<u>(268,043)</u>
Transportation:					
Street	16,501	-	11,333	13,683	8,515
Airport	79,993	14,434	-	264,162	198,603
Total transportation	<u>96,494</u>	<u>14,434</u>	<u>11,333</u>	<u>277,845</u>	<u>207,118</u>
Cultural, parks and recreation:					
Park	26,326	-	-	234,938	208,612
Golf Course	45,414	4,253	-	-	(41,161)
Cemetery	14,129	1,350	-	-	(12,779)
Community building	7,102	-	-	-	(7,102)
Swimming Pool	76,852	3,499	8,220	-	(65,133)
Total cultural, parks and recreation	<u>169,823</u>	<u>9,102</u>	<u>8,220</u>	<u>234,938</u>	<u>82,437</u>
Total governmental activities	<u>778,410</u>	<u>53,989</u>	<u>27,631</u>	<u>686,283</u>	<u>(10,507)</u>
Business-type activities:					
Utility services:					
Electric	1,673,570	2,151,218	-	-	477,648
Water	166,884	239,816	-	-	72,932
Sewer	148,738	163,051	-	-	14,313
Sanitation	84,986	126,364	-	-	41,378
Customer service	221,756	53,657	29,530	-	(138,569)
Total business-type activities	<u>2,295,934</u>	<u>2,734,106</u>	<u>29,530</u>	<u>-</u>	<u>467,702</u>
Total primary government	<u>\$ 3,074,344</u>	<u>\$ 2,788,095</u>	<u>\$ 57,161</u>	<u>\$ 686,283</u>	<u>\$ 457,195</u>
Component unit					
Hospital:					
Patient services	6,115,495	6,105,097	15,315	-	4,917
Total component unit	<u>\$ 6,115,495</u>	<u>\$ 6,105,097</u>	<u>\$ 15,315</u>	<u>\$ -</u>	<u>\$ 4,917</u>

Town of Okeene, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2014

Changes in Net Position:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (10,507)	\$ 467,702	\$ 457,195	\$ 4,917
General revenues:				
Taxes:				
Sales taxes	428,597	-	428,597	-
Use taxes	45,522	-	45,522	-
Franchise taxes	18,667	-	18,667	-
Alcoholic beverage tax	14,495	-	14,495	-
Cigarette tax	4,936	-	4,936	-
Investment income	2,627	5,829	8,456	105,682
Miscellaneous	68,805	-	68,805	-
Transfers - Other governments, net	(99,143)	-	(99,143)	99,143
Transfers - Internal activity, net	258,905	(258,905)	-	-
Total general revenues and transfers	743,411	(253,076)	490,335	204,825
Change in net position	732,904	214,626	947,530	209,742
Net position - beginning	2,412,593	3,272,541	5,685,134	2,665,404
Prior period adjustment	-	-	-	(315,295)
Net position - ending	\$ 3,145,497	\$ 3,487,167	\$ 6,632,664	\$ 2,559,851

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

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>Industrial Park Fund</u>	<u>Library Fund</u>	<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash	\$ 34,196	\$ 55,328	\$ 13,971	\$ 2,929	\$ 99,268	\$ 7,136	\$ 212,828
Investments, including time deposits	27,780	-	-	219,666	-	67,618	315,064
Due from other funds	501,544	-	-	-	219,543	150	721,237
Taxes receivable	49,020	-	-	-	-	-	49,020
Total assets	<u>\$ 612,540</u>	<u>\$ 55,328</u>	<u>\$ 13,971</u>	<u>\$ 222,595</u>	<u>\$ 318,811</u>	<u>\$ 74,904</u>	<u>\$ 1,298,149</u>
LIABILITIES							
Accounts payable	\$ 18,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,375
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	323,908	-	-	-	285,607	68,844	678,359
Total liabilities	<u>342,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,607</u>	<u>68,844</u>	<u>696,734</u>
FUND BALANCES							
Nonspendable	177,636	-	-	-	-	-	177,636
Restricted	-	55,328	-	-	33,204	-	88,532
Committed	49,202	-	-	222,595	-	-	271,797
Assigned	-	-	13,971	-	-	6,060	20,031
Unassigned	43,419	-	-	-	-	-	43,419
Total fund balances	<u>270,257</u>	<u>55,328</u>	<u>13,971</u>	<u>222,595</u>	<u>33,204</u>	<u>6,060</u>	<u>601,415</u>
Total liabilities and fund balances	<u>\$ 612,540</u>	<u>\$ 55,328</u>	<u>\$ 13,971</u>	<u>\$ 222,595</u>	<u>\$ 318,811</u>	<u>\$ 74,904</u>	<u>\$ 1,298,149</u>
Total fund balance- total governmental funds							\$ 601,415
Amounts reported for governmental activities in the Statement of Net assets are different because:							
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.							
				Capital assets	\$ 3,732,235		
				Less: Accumulated depreciation	<u>(1,160,998)</u>		2,571,237
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							<u>(27,156)</u>
Net assets of governmental activities							<u>\$ 3,145,496</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
REVENUES							
Sales tax	\$ 428,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 428,597
Use tax	45,522	-	-	-	-	-	45,522
Beverage tax	14,495	-	-	-	-	-	14,495
Franchise taxes	18,667	-	-	-	-	-	18,667
Cigarette tax	4,936	-	-	-	-	-	4,936
Licenses and permits	1,016	-	-	-	-	-	1,016
Fines and forfeitures	14,150	-	-	-	-	-	14,150
Investment income	325	-	263	1,327	140	572	2,627
Charges for services	10,848	-	-	1,146	-	1,350	13,344
Rental income	11,045	-	-	-	14,434	-	25,479
Intergovernmental	4,474	25,016	-	3,379	264,162	-	297,031
Donations	243,383	-	-	173,500	-	-	416,883
Miscellaneous	68,805	-	-	-	-	-	68,805
Total revenues	<u>866,263</u>	<u>25,016</u>	<u>263</u>	<u>179,352</u>	<u>278,736</u>	<u>1,922</u>	<u>1,351,552</u>
EXPENDITURES							
General government:							
General government	167,135	-	-	-	-	-	167,135
Library	-	-	-	42,485	-	-	42,485
Total general government	<u>167,135</u>	<u>-</u>	<u>-</u>	<u>42,485</u>	<u>-</u>	<u>-</u>	<u>209,620</u>
Public safety and judiciary:							
Police	185,609	-	-	-	-	-	185,609
Fire	88,033	-	-	-	-	-	88,033
Total public safety and judiciary	<u>273,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,642</u>
Transportation:							
Street	-	16,501	-	-	-	-	16,501
Airport	-	-	-	-	3,906	-	3,906
Total transportation	<u>-</u>	<u>16,501</u>	<u>-</u>	<u>-</u>	<u>3,906</u>	<u>-</u>	<u>20,407</u>
Cultural, parks and recreation:							
Park	23,425	-	53	-	-	-	23,478
Golf Course	44,354	-	-	-	-	-	44,354
Cemetery	-	-	-	-	-	6,785	6,785
Community Building	5,804	-	-	-	-	-	5,804
Swimming Pool	33,174	-	-	-	-	-	33,174
Total cultural, parks and recreation	<u>106,757</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>6,785</u>	<u>113,595</u>
Capital outlay	308,731	82,371	3,610	199,398	293,514	-	887,624
Total expenditures	<u>856,265</u>	<u>98,872</u>	<u>3,663</u>	<u>241,883</u>	<u>297,420</u>	<u>6,785</u>	<u>1,504,888</u>
Excess (deficiency) of revenues over expenditures	9,998	(73,856)	(3,400)	(62,531)	(18,684)	(4,863)	(153,336)
OTHER FINANCING SOURCES (USES)							
Transfers out to other governments	(99,143)	-	-	-	-	-	(99,143)
Transfers in	258,905	56,484	4,812	74,444	-	-	394,645
Transfers out	(135,740)	-	-	-	-	-	(135,740)
Total other financing sources and uses	<u>24,022</u>	<u>56,484</u>	<u>4,812</u>	<u>74,444</u>	<u>-</u>	<u>-</u>	<u>159,762</u>
Net change in fund balances	34,020	(17,372)	1,412	11,913	(18,684)	(4,863)	6,426
Fund balances - beginning	236,237	72,700	12,559	210,682	51,888	10,923	594,989
Fund balances - ending	<u>\$ 270,257</u>	<u>\$ 55,328</u>	<u>\$ 13,971</u>	<u>\$ 222,595</u>	<u>\$ 33,204</u>	<u>\$ 6,060</u>	<u>\$ 601,415</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

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	\$	6,426
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital asset purchases capitalized		887,623
Depreciation expense		(180,122)
<p>The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal paid on outstanding debt		18,977
Change in Net Position of Governmental Activities	\$	732,904

Town of Okeene, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Business-Type Activities</u>	<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Municipal Hospital and Schallmo Authority</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 975,482	\$ 2,018,379
Investments	268,569	349,121
Due from other funds	32,122	-
Due from other governments	2,030	-
Accounts receivable (net)	247,332	1,459,683
Supplies	-	164,388
Prepaid expenses and other current assets	-	161,972
Total current assets	<u>1,525,535</u>	<u>4,153,543</u>
Restricted assets:		
Cash and cash equivalents	98,592	-
Investments	172,585	701,091
Total restricted assets	<u>271,177</u>	<u>701,091</u>
Noncurrent assets:		
Capital assets (net)	3,371,648	6,028,483
Total noncurrent assets	<u>3,371,648</u>	<u>6,028,483</u>
Total assets	<u>\$ 5,168,360</u>	<u>\$ 10,883,117</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 7,833	\$ 937,921
Accrued payables	-	258,582
Due to other funds	75,000	-
Notes payable, current	30,867	-
Bonds payable, current	130,000	188,655
Total current liabilities	<u>243,700</u>	<u>1,385,158</u>
Liabilities payable from restricted assets:		
Accrued interest payable	-	248,000
Customer deposits payable	112,137	-
Total liabilities payable from restricted assets	<u>112,137</u>	<u>248,000</u>
Noncurrent liabilities:		
Notes payable, non-current	160,356	-
Bonds payable, noncurrent	1,165,000	6,690,108
Total noncurrent liabilities	<u>1,325,356</u>	<u>6,690,108</u>
Total liabilities	<u>1,681,193</u>	<u>8,323,266</u>
NET POSITION		
Net investment in capital assets	1,885,425	(732,292)
Restricted	271,177	103,212
Unrestricted	1,330,565	3,188,931
Total net position	<u>\$ 3,487,167</u>	<u>\$ 2,559,851</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	<u>Business-Type Activities</u>	<u>Component Unit</u>
	<u>Total Enterprise Funds</u>	<u>Municipal Hospital and Schallmo Authority</u>
<u>Operating revenues:</u>		
Charges for services:		
Electric charges	\$ 2,151,218	\$ -
Water charges	239,816	-
Sewer charges	163,051	-
Sanitation charges	126,364	-
Penalties	16,557	-
Net patient and service charges	-	5,837,746
Total charges for services	<u>2,697,006</u>	<u>5,837,746</u>
Miscellaneous	37,100	267,351
Total operating revenues	<u>2,734,106</u>	<u>6,105,097</u>
<u>Operating expenses:</u>		
Cost of goods sold	1,492,631	-
Personal services	257,665	2,780,198
Materials and supplies	253,013	1,765,750
Other services and charges	75,168	602,162
Depreciation and amortization	155,083	455,141
Total operating expenses	<u>2,233,560</u>	<u>5,603,251</u>
Net operating income	\$ 500,546	501,846
<u>Nonoperating revenue (expense):</u>		
Investment income	5,829	105,682
Interest expense	(62,374)	(512,244)
Noncapital contributions	29,530	15,315
Total nonoperating revenue (expense)	<u>(27,015)</u>	<u>(391,247)</u>
Net Income before contributions and transfers	473,531	110,599
Transfers to other funds, net	<u>(258,905)</u>	<u>99,143</u>
Change in net position	214,626	209,742
Net position - beginning of year	3,272,541	2,350,109
Net position-end of year	<u>\$ 3,487,167</u>	<u>\$ 2,559,851</u>

Town of Okeene, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	<u>Business-type Activities</u>	<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Municipal Hospital and Schallmo Authority</u>
Cash flows from operating activities:		
Receipts from customers/patients	\$ 2,666,704	\$ 5,553,703
Payments to suppliers	(1,816,003)	(2,185,994)
Payments to employees	(257,665)	(2,774,132)
Other operating revenues	37,100	267,351
Net cash provided (used) by operating activities	<u>630,136</u>	<u>860,928</u>
Cash flows from non-capital financing activities:		
Noncapital contributions	29,530	15,315
Transfers to other funds	(258,905)	99,143
Net cash provided (used) by non-capital financing activities	<u>(229,375)</u>	<u>114,458</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(51,470)	(118,359)
Principal paid on capital debt	(151,119)	(106,479)
Interest paid on capital debt	(62,374)	(504,899)
Net cash provided (used) by capital and related financing activities	<u>(264,963)</u>	<u>(729,737)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	-
Investment income	477	103,591
Net cash provided (used) by investing activities	<u>477</u>	<u>103,591</u>
Net increase (decrease) in cash and cash equivalents	136,275	349,240
Cash and cash equivalents, July 1, 2013	1,110,384	2,018,260
Cash & cash equivalents, June 30, 2014	<u>\$ 1,246,659</u>	<u>\$ 2,367,500</u>
Cash, including time deposits	\$ 975,482	\$ 2,018,379
Restricted cash, including time deposits	271,177	349,121
Total cash and cash equivalents, end of year	<u>\$ 1,246,659</u>	<u>\$ 2,367,500</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 500,546	\$ 501,846
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	155,083	455,141
Non-operating revenue (expense)		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,885)	(175,139)
(Increase) decrease in supplies	-	(145,136)
(Increase) decrease in due from other funds	(11,417)	-
Increase (decrease) in accounts payable	(2,511)	224,216
Increase (decrease) in deposits subject to refund	7,320	-
Total adjustments	<u>129,590</u>	<u>359,082.00</u>
Net cash provided (used) by operating activities	<u>\$ 630,136</u>	<u>\$ 860,928</u>

Town of Okeene, Oklahoma
Statement of Net Position
Fiduciary Fund
June 30, 2013

	<u>Charitable Trust Fund</u>
ASSETS	
Cash, including time deposits	\$ 198,625
Notes receivable, net	<u>6,800</u>
Total assets	<u><u>205,425</u></u>
LIABILITIES	
Due to other governments	<u>\$ 2,030</u>
Total liabilities	<u>2,030</u>
NET POSITION	
Net assets, held in trust	<u>203,395</u>
Total net position	<u>203,395</u>
Total liabilities and net position	<u><u>\$ 205,425</u></u>

Town of Okeene, Oklahoma
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
June 30, 2013

	<u>Charitable Trust Fund</u>
<u>REVENUES</u>	
Investment income	\$ 798
Total revenues	<u>798</u>
<u>EXPENDITURES</u>	
Charitable trust	<u>2,016</u>
Total charitable trust	<u>2,016</u>
Net change in net position	(1,218)
Net position - beginning	204,613
Net position - ending	<u>\$ 203,395</u>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The Town of Okeene, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, sewer, and electric), culture, recreation, public improvements, municipal cemetery, and general administrative services.

The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Okeene. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Okeene.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Okeene Public Works Authority (the "Authority") – was created under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides electric, water, sewer, and trash services to the citizens of Okeene. Accounts of the Authority are recorded in business-type activities.

Okeene Industrial Trust Authority (ITA) – was established to promote industrial development within the Town. The trustees of the ITA are the same that govern the Town. ITA is inactive in the current year, and therefore; not included in the report for the period ended.

Discretely Presented Component Unit:

Okeene Municipal Hospital and Schallmo Authority (MHSA) – MHSA has a separate board of trustees who are appointed by the trustees of the Town. The Authority provides hospital, medical and residential care of the citizens of the Town. MHSA issues separately audited financial statements that can be obtained at Town Hall. For purposes of this report, MHSA is reported as a discretely presented component unit. Audited financial statements for MHSA are available at the business location.

Fiduciary Component Unit

Okeene Municipal Charitable Trust (MCT) – its trustees are the same trustees that govern the Town. MCT provides supporting for the library and other educational and recreational facilities of the Town. MCT is reported as a Fiduciary Fund in the financial statements.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities, which consists of the Okeene Municipal Charitable Trust. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

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 utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Date of Management's Review

Subsequent events were evaluated through October 30, 2014, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

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 specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Industrial Park	Accounts for the operations, includes grants, of the Town's Industrial Park
Library Fund	Accounts for the investments and operations of the Town's Library
Airport	Accounts for the operations of the Airport
Cemetery	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.

Major Proprietary Funds

FUND	BRIEF DESCRIPTION
<u>Okeene Public Works Authority</u>	Accounts for the activities of the Authority in providing electric, water, sewer, and solid waste services to the public.
<u>Okeene Industrial Trust Authority</u>	Accounts for the industrial development within the town of Okeene, which was inactive during the year

Fiduciary Fund

FUND	BRIEF DESCRIPTION
<u>Okeene Charitable Trust Fund</u>	Accounts for the activities of the trust in providing support for the library and other education and recreational facilities of the Town.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Clerk submits an annual budget to the Board of Trustees in accordance with the Town Charter and the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Clerk and must be approved by the board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 25-50 years |
| • Other improvements | 2-50 years |
| • Machinery, furniture & equipment | 5-20 years |
| • Infrastructure | 25-50 years |

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

F. Revenues, Expenditures and Expenses

Sales Tax

The Town levied a 4.25% 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 sales tax received is recorded as sales tax revenue within the general fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is 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".

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the Town and its component unit 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:

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town reported no deficit fund net assets or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2014, the Town did not materially overspend in any department-level category.

C. Revenue Restrictions

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

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax Cemetery Revenue (12.5%)	Street and Alley Purposes Cemetery Capital Improvements

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The Town invests primarily in certificates of deposit.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Governmental Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 305,333	\$ 305,333	N/A	31
Total investments	305,333	305,333		
Total governmental investments	\$ 305,333	\$ 305,333		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 27,780
Investments, restricted	277,553
Total governmental investments	\$ 305,333

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 441,154	\$ 441,154	N/A	179
Total investments	441,154	441,154		
Total business-type investments	\$ 441,154	\$ 441,154		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 268,569
Investments, restricted	172,585
Total governmental investments	\$ 441,154

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2014 follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Land	\$ 2,100	\$ -	\$ -	\$ 2,100
Construction in process	23,215	199,398	-	222,613
Buildings & structures	52,138	3,610	-	55,748
Machinery, furniture, & equipment	669,960	256,590	-	926,550
Improvements other than land	2,097,200	428,025	-	2,525,225
Total	2,844,613	887,623	-	3,732,236
Less accumulated depreciation	980,877	180,122	-	1,160,999
Fixed assets, net	\$ 1,863,736	\$ 707,501	\$ -	\$ 2,571,237

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2014 follows:

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Okeene Public Works Authority				
Land	\$ 267,250	\$ -	\$ -	\$ 267,250
Machinery, furniture, & equipment	283,839	-	-	283,839
Electric system	1,433,188	-	-	1,433,188
Sewer system	1,343,408	-	-	1,343,408
Water system	1,206,876	48,509	-	1,255,385
Construction in process	88,604	2,961	-	91,565
Total	4,623,165	51,470	-	4,674,635
Less accumulated depreciation	1,147,904	155,083	-	1,302,987
Fixed assets, net	<u>\$ 3,475,261</u>	<u>\$ (103,613)</u>	<u>\$ -</u>	<u>\$ 3,371,648</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheet.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 11,032
Public safety & judiciary	35,322
Transportation	76,087
Cultural, parks & recreation	57,681
Total governmental activities depreciation expense	<u>\$ 180,122</u>

Depreciation expense charges to business-type activities:

Electric	\$ 74,843
Water	22,590
Customer service	3,581
Sewer	54,069
Total business-type activities depreciation expense	<u>\$ 155,083</u>

C. NOTES RECEIVABLE

The Okeene Municipal Charitable Trust (MCT) entered into an agreement with the Okeene Emergency Medical Service (EMS) in which the EMS agreed to pay MCT \$250 annually for the rental of office space, office equipment, parking space, and electricity. The EMS assumed the debt service of the ambulance and the Myron Andrews Estate Funds previously expended for ambulance service and agreed to reimburse the Town a total of \$37,000 with \$31,000 due May 15, 2005 and the remaining balance of \$6,000 due May 15, 2006. Based upon an amended agreement between the parties, monthly payments were suspended during FY06. The note carries a balance as of June 30, 2014 of \$13,800. The note receivable was issued at 0% interest. The Town has recorded an allowance for doubtful collection of \$7,000.

D. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2014:

NOTE PAYABLE

Governmental Activities:

Note payable to First National Bank, original amount of \$25,000 for the purchase of a 2010 police vehicle. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 0.85% at June 30, 2014. The loan is secured by the police vehicle.	\$ 7,188
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Note payable to State Guaranty Bank, original amount of \$40,000 for the purchase of a fire truck bed. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit #16705, which was 0.85% at June 30, 2014. The loan is secured by certificate of deposit.	19,968
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	\$ 27,156
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Business-Type Activities:

Loan payable dated 1/24/2002 to the Oklahoma Water Resources Board in the amount of \$343,400 at an interest rate of 2.55%, along with an administrative fee of 0.5%, maturing March 2022. Proceeds were used for water system improvements.	160,495
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Note payable to State Guaranty Bank in the original amount of \$62,000 for the purchase of a backhoe in the water department. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 0.71% at June 30, 2014.	30,728
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OPWA Utility System Revenue Notes, Series 2007 for \$1,990,000 were issued December 18, 2007, maturing December 1, 2022 with an average interest rate (coupon) of 4.052%. Underwriting fees and issuance costs were approximately \$105,000. The bonds refunded prior debt owed by OPWA. Payments are made monthly to a debt service fund. Funds were used for the wastewater project and water transmission lines.	1,295,000
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	\$ 1,486,223
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TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Changes in Long-Term Debt:

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

<u>Type of Debt</u>	<u>Balance at July 1, 2013</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Fire Brush Pumper - FNB	\$ 5,794	\$ -	\$ 5,794	\$ -	\$ -
Fire Truck Bed - SGB	27,936	-	7,968	19,968	8,128
Police Vehicle #2 - FNB	12,402	-	5,214	7,188	7,188
Total governmental activities	<u>\$ 46,132</u>	<u>\$ -</u>	<u>\$ 18,976</u>	<u>\$ 27,156</u>	<u>\$ 15,316</u>
Business-type activities:					
<i>Notes Payable</i>					
OWRB #2 note payable	\$ 180,361	\$ -	\$ 19,866	\$ 160,495	\$ 18,225
Backhoe - SGB	42,781	-	12,053	30,728	12,642
Total notes payable	<u>223,142</u>	<u>-</u>	<u>31,919</u>	<u>191,223</u>	<u>30,867</u>
<i>Bonds Payable</i>					
2007 Series Revenue Bonds	<u>1,415,000</u>	<u>-</u>	<u>120,000</u>	<u>1,295,000</u>	<u>130,000</u>
Total business-type activities	<u>\$ 1,638,142</u>	<u>\$ -</u>	<u>\$ 151,919</u>	<u>\$ 1,486,223</u>	<u>\$ 160,867</u>
Total primary government debt	<u>\$ 1,684,274</u>	<u>\$ -</u>	<u>\$ 170,895</u>	<u>\$ 1,513,379</u>	<u>\$ 176,183</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014 follow:

Year Ending June 30	Governmental Notes Payable		Business-Type Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	15,316	465	30,867	4,824	130,000	51,157
2016	8,362	231	31,811	3,970	135,000	45,889
2017	3,478	25	23,809	3,149	140,000	40,317
2018	-	-	19,979	2,617	145,000	44,645
2019	-	-	20,601	2,098	150,000	28,668
2020-2023	-	-	64,156	3,015	595,000	49,229
Totals	<u>\$ 27,156</u>	<u>\$ 721</u>	<u>\$ 191,223</u>	<u>\$ 19,673</u>	<u>\$ 1,295,000</u>	<u>\$ 259,905</u>

E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2014 were as follows:

<u>Receivable from/Payable to</u>	<u>Due From</u>	<u>Due To</u>
GENERAL FUND:		
Okeene Aiport Fund	\$ 357,700	\$ 298,291
Cemetary Fund	68,844	150
Okeene Public Works Authority	75,000	25,147
KEENE AIRPORT FUND:		
General Fund	298,291	357,700
Okeene Public Works Authority	-	6,656
CEMETARY FUND:		
General Fund	150	68,844
ENTERPRISE FUND: Public Works		
General Fund	25,147	75,000
Okeene Aiport Fund	6,656	-
Municipal Charitable Trust (fiduciary fund)	2,030	-
FIDUCIARY FUND: Municipal Charitable		
Okeene Public Works Authority	-	2,030
Grand Total	<u><u>\$ 833,818</u></u>	<u><u>\$ 833,818</u></u>

<u>Operating Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND:		
Street & Alley	\$ -	\$ 56,484
Industrial Park	-	4,812
Library	-	74,444
Okeene Public Works Authority	258,905	-
STREET & ALLEY FUND:		
General Fund	56,484	-
INDUSTRIAL PARK FUND:		
General Fund	4,812	-
LIBRARY FUND:		
General Fund	74,444	-
ENTERPRISE FUND: Public Works		
General Fund	-	258,905
Grand Total	<u><u>\$ 394,645</u></u>	<u><u>\$ 394,645</u></u>

(4) RETIREMENT PLANS

The Town participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the Town's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the Town and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

	As of January 1, 2014
Retired participants and beneficiaries	3
Active participants	8
Total	11

The following is a summary of eligibility, contribution methods and benefits provisions:

Provision	OMRF Plan
a. Eligible to Participate	Full-time, employees of the Town or Authority, except police, firefighter, and other employees who are covered under another approved system.
b. Contributions Requirement	By Town Ordinance
- Authorization	Yes
- Actuarially Determined	7.49% of covered payroll for FY14
- Employer Rate	3.6% of covered payroll for FY14
- Employee Rate	
c. Period Required to Vest	7 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 7 years of service. - Early Retirement after age 55 with 7 years or more of service. - Disability retirement upon permanent disability with 7 years of service. - Termination before retirement age return of employee contributions with interest - Termination after vesting accrued benefit at normal retirement age, or reduced benefit at early retirement age
e. Benefit Determination Base	Final average compensation – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service. Accrued benefit is 3% of final average compensation multiplied by the number of year of credited service
f. Benefit Determination Methods:	
- Normal Retirement	Accrued benefit payable immediately.
- Early Retirement	Accrued benefit payable starting at normal retirement age or accrued benefit reduced 5% per year for commencement prior to normal retirement age
- Disability Retirement	Accrued benefit payable upon disablement without reduction for early payment
- Death Benefit	50% of accrued benefit is payable to spouse until death or remarriage, non-married participants 50% of the accrued benefit is payable for 5 years
- Prior to 7 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/14	755,361	845,561	90,201	89.3%	300,987	30%

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

a. Date of last Actuarial Valuation	March 2014
b. Significant Actuarial Assumptions Used:	
1. Rate of Return on Investments	7.5% per annum
2. Projected Salary Increase	4.0% - 7.42%, rate by age
3. Retirement Age	Rates by age
4. Mortality Table	UP 1994 mortality (projected)
5. Asset Value	Actuarial cost method
c. Actuarial cost method	Entry age normal
d. Fiscal Year 2014 Contributions Made	
Total Contributions	\$36,803
Employee Contributions	\$10,765
Employer Contributions	\$26,038

B. Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description

The Town participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions. The Town of Okeene is supported by a voluntary force of firefighters.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	Oklahoma Firefighter's Pension and Retirement System	Oklahoma Police Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	0% of covered payroll	8% of covered payroll
Town's contribution rate	\$60 per year, per firefighter (volunteer) Effective November 1, 2013, participating municipalities contribute 14% of gross salary for each paid firefighter.	13% of covered payroll
Period required to vest	20 years	10 years
Benefits and eligibility for distribution (full time)	NA	20 years credited service, 2 1/2% 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 service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$150.60 per month	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years

Employer contribution rates are determined by Oklahoma State Statute and administered by agencies of the State.

The Town made required contributions of \$1,440 and \$4,794 to the Oklahoma Firefighter Pension and Retirement System and the Oklahoma Police Pension and Retirement System, respectively, for the year ended June 30, 2014.

Copies of the actuarial reports may be obtained from the respective state retirement systems; Oklahoma Firefighter Pension and Retirement System at 4545 N. Lincoln Blvd. Suite 265, Oklahoma City, OK 73105 and the Oklahoma Police Pension and Retirement System at 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 73116-7335.

C. MHSA Pension Plan

Refer to the Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital audit report for June 30, 2014 for discussion of the MHSA pension plan.

(5) COMMITMENTS AND CONTINGENCIES

A. Litigation

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual 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 judgment rendered against the Town.

B. 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.

C. Water Rights Contract

In August 2010, the Town settled litigation with North Blaine Water Corporation (NBWC) regarding water rights. A payment of \$165,867.46 was made to NBWC in accordance with the settlement agreement. The parties agreed to the termination of contractual obligations effective March 19, 2011. The Town retained 44% ownership of their water flowage rights.

Town of Okeene, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 400,036	\$ 16,500	\$ 416,536	\$ 428,597	\$ 12,061
Use tax	18,026	28,000	46,026	45,522	(504)
Beverage tax	13,293	500	13,793	14,495	702
Franchise taxes	49,694	(25,000)	24,694	18,667	(6,027)
Fines and forfeitures	20,000	(5,000)	15,000	14,150	(850)
Investment income	150	-	150	325	175
Charges for services	31,000	10,452	41,452	22,909	(18,543)
Intergovernmental	5,137	(500)	4,637	4,474	(163)
Miscellaneous	5,000	226,460	231,460	312,188	80,728
Total revenues before carryover	<u>542,336</u>	<u>251,412</u>	<u>793,748</u>	<u>861,327</u>	<u>67,579</u>
Budgeted carryover (1)	-	-	-	-	-
Total revenues and budgeted carryover	<u>542,336</u>	<u>251,412</u>	<u>793,748</u>	<u>861,327</u>	<u>67,579</u>
EXPENDITURES					
General government:					
General government					
Personal services	81,000	-	81,000	74,641	6,359
Materials & supplies	8,000	-	8,000	11,748	(3,748)
Other services & charges	95,000	(10,000)	85,000	58,321	26,679
Capital outlay	32,747	-	32,747	22,425	10,322
Total general government	<u>216,747</u>	<u>(10,000)</u>	<u>206,747</u>	<u>167,135</u>	<u>39,612</u>
Public safety and judiciary:					
Police					
Personal services	135,000	-	135,000	129,547	5,453
Materials & supplies	18,600	(4,500)	14,100	11,851	2,249
Other services & charges	41,564	-	41,564	39,156	2,408
Capital outlay	13,137	22,113	35,250	28,906	6,344
Debt service	5,484	-	5,484	5,056	428
Fire					
Personal services	19,000	-	19,000	15,005	3,995
Materials & supplies	10,000	-	10,000	33,220	(23,220)
Other services & charges	24,000	-	24,000	24,981	(981)
Capital outlay	45,000	(15,000)	30,000	4,745	25,255
Debt service	15,521	-	15,521	13,911	1,610
Total public safety and judiciary	<u>327,306</u>	<u>2,613</u>	<u>329,919</u>	<u>306,378</u>	<u>23,541</u>
Cultural, parks and recreation:					
Park					
Personal services	7,500	5,787	13,287	12,258	1,029
Materials & supplies	2,400	1,750	4,150	9,318	(5,168)
Other services & charges	-	4,250	4,250	9,650	(5,400)
Capital outlay	23,000	222,430	245,430	244,854	576
Golf Course					
Personal services	25,000	-	25,000	18,784	6,216
Materials & supplies	11,500	-	11,500	12,737	(1,237)
Other services & charges	15,500	-	15,500	12,833	2,667
Community Building					
Personal services	3,000	-	3,000	2,460	540
Materials & supplies	350	-	350	273	77
Other services & charges	2,750	-	2,750	3,071	(321)
Capital outlay	3,566	-	3,566	-	3,566
Swimming Pool					
Personal services	21,000	3,000	24,000	22,417	1,583
Materials & supplies	8,600	1,200	9,800	9,703	97
Other services & charges	5,000	(3,000)	2,000	1,054	946
Industrial Park and Economic Development					
Other services & charges	200	3,600	3,800	3,610	190
Total cultural, parks and recreation	<u>129,366</u>	<u>239,017</u>	<u>368,383</u>	<u>363,022</u>	<u>5,361</u>
Total expenditures	<u>673,419</u>	<u>231,630</u>	<u>905,049</u>	<u>836,535</u>	<u>68,514</u>

Town of Okeene, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenue over (under) expenditures	(131,083)	19,782	(111,301)	24,792	136,093
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	126,469	(25,395)	101,074	24,022	(77,052)
Net other financing sources (uses)	126,469	(25,395)	101,074	24,022	(77,052)
Revenues and other financing sources over (under) expenditures and other uses	(4,614)	(5,613)	(10,227)	48,814	59,041
Fund balance at beginning of year (Non-GAAP budgetary basis)				236,237	236,237
Less budgeted carryover (1)	-				
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 285,051	\$ 295,278
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(8,125)	
Expenditure and transfer accruals				(6,669)	
Fund balance at end of year (GAAP basis)				<u>\$ 270,257</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Town of Okeene, OK

We 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, and each major fund of the Town of Okeene, OK as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Okeene, OK's basic financial statements, and have issued our report thereon dated October 30, 2014. Our report includes a reference to other auditors who audited the financial statements of Okeene Municipal Hospital and Schallmo Authority (the Hospital), as described in our report on the Town of Okeene, OK's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

FSW+B CPA's-PLLC

FSW & B CPA's- PLLC

Woodward, OK
October 30, 2014