

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

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

**FOR THE YEAR ENDED
JUNE 30, 2016**

Town of Okeene, Oklahoma
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Year Ended June 30, 2016

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TOWN OF OKEENE, OKLAHOMA

List of Principal Officials

Town Council

Wayne Carter, Mayor

Mary Dungan, Vice Mayor

Buster Aldrich

Robert Jones

Ron Pittman

Town Manager

Gerald Haury

Town Treasurer and Town Clerk

Susan Rauh



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Okeene, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Okeene, Oklahoma, as of and for the year ended June 30, 2016, 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, Oklahoma, as of June 30, 2016, 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, budgetary comparison information, and schedules of the Town’s proportionate share of net pension liabilities on pages 3-10, 41-42, and 43-46 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 November 3, 2016, on our consideration of the Town of Okeene, Oklahoma’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Okeene, Oklahoma’s internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, Oklahoma
November 3, 2016

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, 2016. 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 \$7,367,611 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$6,994,553.
- Total liabilities of the Town increased by \$1,610,186 from \$1,532,229 to \$3,142,415 during the fiscal year. The increase is attributable to the issuance of bonds totaling \$1,760,000 to be used for sewer and water capital improvements. The new debt is offset by scheduled payments made on outstanding debt held by the City.
- Total net position are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$3,701,353 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Unrestricted net position of \$1,386,219 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
 - 3) Reserve for restricted purposes of \$2,280,039 is restricted for debt and other obligations. This balance includes unspent bond proceeds from the new debt issue 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 position. Over time, increases or decreases in net position 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 position 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 includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types 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 position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at fiscal year-end was \$6,994,553. This is a \$373,058 increase over last year's net position of \$6,994,553. The following table provides a summary of the Town's net position at June 30 after the adjustment to fund balance:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2016	2015	2016	2015	2016	2015	\$	%
Current assets	\$ 517,159	\$ 587,166	\$ 3,435,877	\$ 1,742,519	\$ 3,953,036	\$ 2,329,685	\$ 1,623,351	70%
Noncurrent assets	-	3,667	-	-	-	3,667	(3,667)	100%
Capital assets, net	3,176,602	2,752,541	3,435,704	3,372,997	6,612,306	6,125,538	486,768	8%
Total assets	\$ 3,693,761	\$ 3,343,374	\$ 6,871,581	\$ 5,115,516	\$ 10,565,342	\$ 8,458,890	\$ 2,106,452	25%
Deferred outflows	49,115	74,139	-	-	49,115	74,139	(25,024)	100%
Current liabilities	\$ 28,337	\$ 13,476	\$ 239,542	\$ 306,422	\$ 267,879	\$ 319,898	\$ (52,019)	-16%
Non-current liabilities	46,200	61,362	2,828,336	1,150,969	2,874,536	1,212,331	1,662,205	137%
Total liabilities	74,537	74,838	3,067,878	1,457,391	3,142,415	1,532,229	1,610,186	105%
Deferred inflows	104,431	6,247	-	-	104,431	6,247	98,184	100%
Net position								
Invested in capital assets, net of related debt	3,176,602	2,756,208	524,751	2,051,612	3,701,353	4,807,820	(1,106,467)	-23%
Restricted	306,347	307,084	1,973,692	153,381	2,280,039	460,465	1,819,574	100%
Unrestricted	80,959	273,136	1,305,260	1,453,132	1,386,219	1,726,268	(340,049)	-20%
Total net position	\$ 3,563,908	\$ 3,336,428	\$ 3,803,703	\$ 3,658,125	\$ 7,367,611	\$ 6,926,661	\$ 496,266	7%

The Town reported positive balances in net position for both governmental and business-type activities. Net position increased \$277,480 or 7% for governmental activities and \$145,578 or 4% for business-type activities. The Town's overall financial position improved 5% during fiscal year.

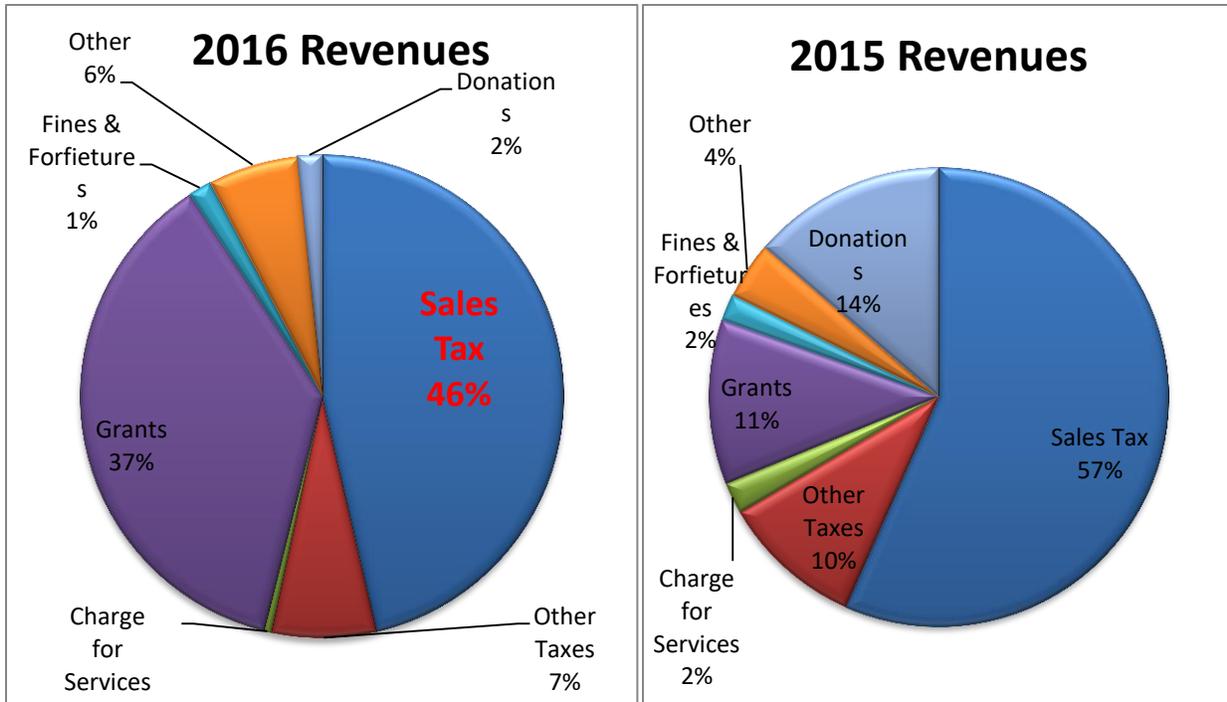
Total assets increased \$2.1 million 25% over prior year resulting from unspent cash proceeds from the 2016 Bond issue as well as improvements to the infrastructure of the Town.

Total liabilities of the Town increased 105% directly related to the issuance of revenue bonds during the fiscal year. Proceeds of the 2016 Bonds will be used for sewer and water improvements.

	Governmental Activities		Business-type Activities		Totals		Change	
	2016	2015	2016	2015	2016	2015	\$	%
Revenues								
Program revenues	\$ 430,401	\$ 266,542	\$ 2,777,606	\$ 2,743,275	\$ 3,208,007	\$ 3,009,817	\$ 198,190	7%
Taxes and other general revenues	456,682	573,003	5,018	5,383	461,700	578,386	(116,686)	-20%
Total revenues	887,083	839,545	2,782,624	2,748,658	3,669,707	3,588,203	81,504	2%
Expenses								
General government	240,744	227,920	-	-	240,744	227,920	12,824	6%
Public safety and judiciary	279,515	268,012	-	-	279,515	268,012	11,503	4%
Transportation	127,496	107,411	-	-	127,496	107,411	20,085	19%
Cultural, parks, and recreation	183,339	185,372	-	-	183,339	185,372	(2,033)	-1%
Electric	-	-	1,606,731	1,657,815	1,606,731	1,657,815	(51,084)	-3%
Water	-	-	179,034	153,393	179,034	153,393	25,641	17%
Sewer	-	-	158,088	155,596	158,088	155,596	2,492	2%
Sanitation	-	-	86,074	85,031	86,074	85,031	1,043	1%
Customer service	-	-	327,119	287,865	327,119	287,865	39,254	14%
Total expenses	831,094	788,715	2,357,046	2,339,700	3,188,140	3,128,415	59,725	2%
Excess (deficiency) before transfers	55,989	50,830	425,578	408,958	481,567	459,788	21,779	5%
Transfers	280,000	238,000	(280,000)	(238,000)	-	-	-	0%
Transfers to component units	(108,509)	(111,534)	-	-	(108,509)	(111,534)	3,025	-3%
Increase (decrease) in net position	\$ 227,480	\$ 177,296	\$ 145,578	\$ 170,958	\$ 373,058	\$ 348,254	\$ 24,804	7%

Revenues remained consistent year over year, noting a 2% increase. Correspondingly, operating expenses remained consistent with prior year, noting a 2% change year over year. The allocation of expenses between departments shifted between departments based upon allocation of salaries and supplies. Overall expenses are considered consistent.

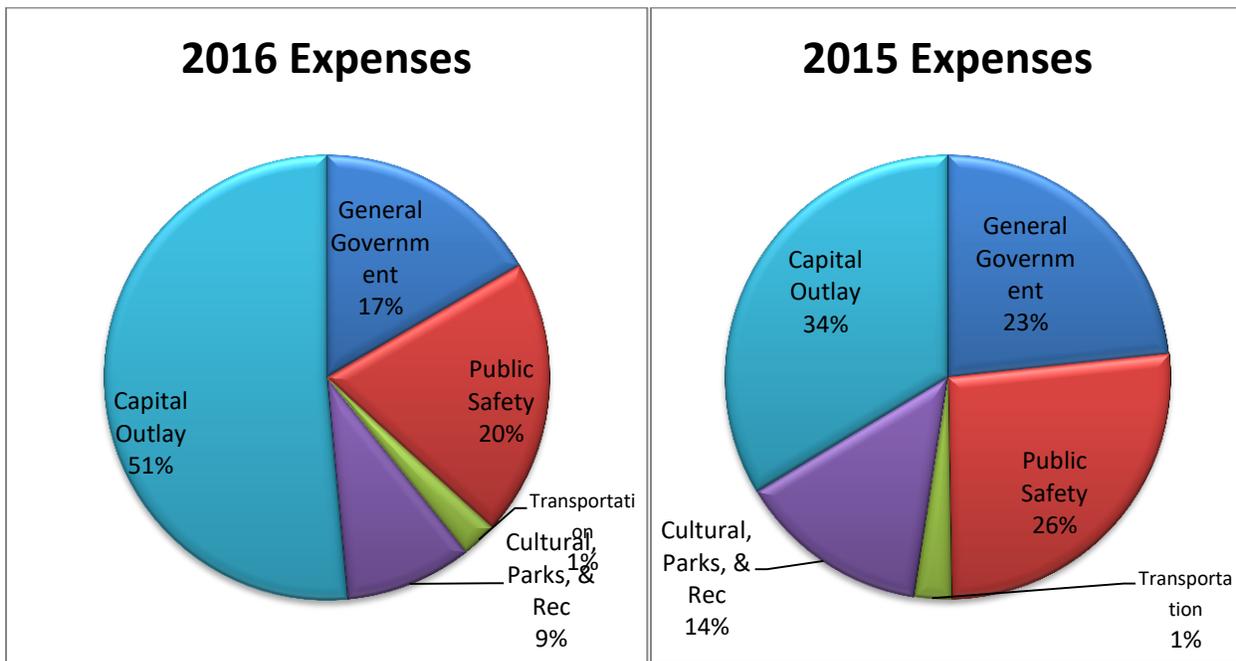
Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2016.



TOTAL – 1,008,983

TOTAL - \$827,250

Sales tax provided for 46% of the Town’s governmental revenues in fiscal year 2016 as compared to 57% in 2015. This shift is due to the amount of grants received by the City for use at the Airport, which represented 11% of funds available in the prior fiscal year. Accordingly, all revenue sources shifted in contribution percentage.



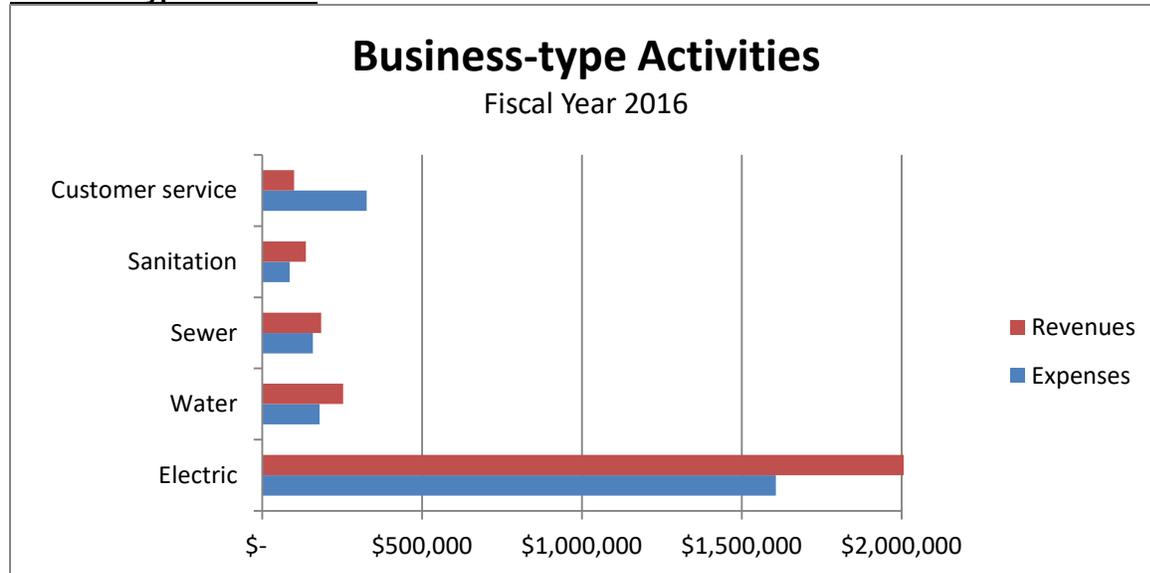
TOTAL – 1,265,342

TOTAL - \$981,441

This graph shows the total governmental activities cost of \$1,265,341 for 2016. Of this amount, capital outlay at \$651,367, was the largest operating service cost. This represents funds paid for capital improvements in the Streets, 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 2016 was \$609,288. Council approved budget amendments during the fiscal year decreasing the budget by \$6,000, for a final amended budget of \$603,288, prior to transfers. 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, 2016, the Town had \$3,701,353 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	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 2,100	\$ 2,100	\$ 276,140	\$ 267,250	\$ 278,240	\$ 269,350
Construction in process	-	365,615	197,485	98,031	197,485.00	463,646
Buildings	26,010	26,010	-	37,331	26,010	63,341
Other improvements	3,135,514	1,724,523	-	-	3,135,514	1,724,523
Machinery & equipment	530,137	581,449	174,951	194,606	705,088	776,055
Utility property & improvements	-	-	2,787,128	2,775,778	2,787,128	2,775,778
Totals	\$ 3,693,761	\$ 2,699,697	\$ 3,435,704	\$ 3,372,996	\$ 7,129,465	\$ 6,072,693

- In Governmental Activities, the most significant additions included Airport improvements and completion of the work on the library expansion.
- In Business-type Activities, capital additions included water well improvements and sewer extensions.

Long-Term Debt

At year-end, the Town had \$2,703,274 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	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue bonds	\$ -	\$ -	\$ 2,790,000	\$ 1,165,000	\$ 2,790,000	\$ 1,165,000
Notes payable	3,403	13,634	120,953	156,385	124,356	170,019
subtotal	3,403	13,634	2,910,953	1,321,385	2,914,356	1,335,019
less current portion	(3,403)	(10,196)	(207,679)	(170,416)	(211,082)	(180,612)
Totals	\$ -	\$ 3,438	\$ 2,703,274	\$ 1,150,969	\$ 2,703,274	\$ 1,154,407

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the Tulsa World newspaper, "gross revenue for the state of Oklahoma continued a downward spiral for the 18th consecutive month in August, as unemployment figures show the state's jobless numbers exceeded the national rate for the first time in almost 26 years." "We keep scouring

through the data to find signs of an impending turnaround, but it's just not there," Miller said. "Some aspects of the August report aren't as negative as in prior months. A few revenue streams have ticked back up, but we can't yet point to a positive trend." The economic environment of the state sheds light on the local economy of the City.

The financial position of the City continues to remain consistent. The year-to-year progress of revenue exceeding expenses is leading to financial stability and improvement to the City's cash position.

The budget includes 3% rate increases for utility services provided by the City, generating an estimated \$84,700. The surcharge of \$11.43 per meter for the new debt is estimated an additional \$82,296 in revenues. This will be used to cover the cost of the debt service payments. Governmental revenues are budgeted at 90% of prior year collections. This conservative approach for governmental revenues and the flat customer base for the Town is expected to mimic the economic uncertainty noted throughout the state, as the oil and gas industry is going through changes.

Pay increases totaling approximately 3% has been included, and allocated based on management discretion. Raises will be allocated by the City Administrator. The cost of the raise is estimated at \$4,600 and \$6,400 for the General Fund and OPWA, respectively.

Governmental funds budgeted \$153,490 in capital outlay for fiscal year 2017, including fire department equipment, additional work at the Parks and Library, and repairs to the community building.

Business-type activities include \$294,107 in capital outlay projects, including sewer and water improvements.

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, 2016

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 51,999	\$ 893,818	\$ 945,817	\$ 2,559,808
Investments, including time deposits	28,257	320,961	349,218	-
Accounts receivable, net	51,448	266,827	318,275	793,636
Due from other funds	29,329	(29,329)	-	-
Due from other governments	3,254	9,908	13,162	-
Inventory	-	-	-	189,637
Prepaid expenses	-	-	-	168,833
Total current assets	164,287	1,462,185	1,626,472	3,711,914
Restricted assets:				
Cash and cash equivalents	236,648	1,901,524	2,138,172	-
Investments, including time deposits	117,449	72,168	189,617	-
Total restricted assets	354,097	1,973,692	2,327,789	-
Noncurrent Assets:				
Pension asset	-	-	-	-
Land and construction in progress	2,100	464,734	466,834	160,101
Other capital assets (net of accumulated depreciation)	3,174,502	2,970,970	6,145,472	4,914,114
Total noncurrent assets	3,176,602	3,435,704	6,612,306	5,074,215
Total assets	3,694,986	6,871,581	10,566,567	8,786,129
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on pension obligations/refunding	\$ 49,115	\$ -	\$ 49,115	\$ 271,255
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 24,934	\$ 25,732	\$ 50,666	\$ 102,991
Accrued expenses payable	-	6,131	6,131	187,510
Notes payable, current	3,403	27,679	31,082	-
Bonds payable, current	-	180,000	180,000	141,884
Estimated amounts due to third-party payers	-	-	-	-
Total current liabilities	28,337	239,542	267,879	432,385
Liabilities payable from restricted assets:				
Customer deposits payable	-	125,062	125,062	-
Total liabilities payable from restricted assets	-	125,062	125,062	-
Noncurrent liabilities:				
Pension liability	46,200	-	46,200	-
Notes payable, non-current	-	93,274	93,274	-
Bonds payable, non-current	-	2,610,000	2,610,000	6,803,208
Total noncurrent liabilities	46,200	2,703,274	2,749,474	6,803,208
Total liabilities	74,537	3,067,878	3,142,415	7,235,593
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pension obligations	104,431	-	104,431	-
NET POSITION				
Net investment in capital assets	3,176,602	524,751	3,701,353	(1,870,877)
Restricted	306,347	1,973,692	2,280,039	-
Unrestricted	82,184	1,305,260	1,387,444	3,692,668
Total net position	\$ 3,565,133	\$ 3,803,703	\$ 7,368,836	\$ 1,821,791

Town of Okeene, Oklahoma
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 168,867	\$ 7,159	\$ 2,550	\$ -	\$ (159,158)
Library	71,877	-	4,541	16,095	(51,241)
Total general government	<u>240,744</u>	<u>7,159</u>	<u>7,091</u>	<u>16,095</u>	<u>(210,399)</u>
Public safety and judiciary:					
Police	178,203	15,678	-	-	(162,525)
Fire	101,311	-	20,130	-	(81,181)
Total public safety and judiciary	<u>279,515</u>	<u>15,678</u>	<u>20,130</u>	<u>-</u>	<u>(243,707)</u>
Transportation:					
Street	26,151	-	11,176	-	(14,975)
Airport	101,345	13,512	-	335,183	247,350
Total transportation	<u>127,496</u>	<u>13,512</u>	<u>11,176</u>	<u>335,183</u>	<u>232,375</u>
Cultural, parks and recreation:					
Park	11,280	-	-	-	(11,280)
Golf Course	46,942	3,506	-	-	(43,436)
Cemetery	14,527	600	-	-	(13,927)
Community building	8,411	-	-	-	(8,411)
Swimming Pool	91,231	1,496	-	-	(89,735)
Industrial Park	10,948	-	-	-	(10,948)
Total cultural, parks and recreation	<u>183,339</u>	<u>5,602</u>	<u>-</u>	<u>-</u>	<u>(177,737)</u>
Total governmental activities	<u>831,093</u>	<u>41,951</u>	<u>38,397</u>	<u>351,278</u>	<u>(399,467)</u>
Business-type activities:					
Utility services:					
Electric	1,606,731	2,104,554	-	-	497,823
Water	179,034	252,912	-	-	73,878
Sewer	158,088	184,334	-	-	26,246
Sanitation	86,074	136,251	-	-	50,177
Customer service	327,119	39,647	59,908	-	(227,564)
Total business-type activities	<u>2,357,046</u>	<u>2,717,698</u>	<u>59,908</u>	<u>-</u>	<u>420,560</u>
Total primary government	<u>\$ 3,188,139</u>	<u>\$ 2,759,649</u>	<u>\$ 98,305</u>	<u>\$ 351,278</u>	<u>\$ 21,093</u>
Component unit					
Hospital:					
Patient services	6,752,885	6,009,678	47,805	-	(695,402)
Total component unit	<u>\$ 6,752,885</u>	<u>\$ 6,009,678</u>	<u>\$ 47,805</u>	<u>\$ -</u>	<u>\$ (695,402)</u>

Town of Okeene, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2016

Changes in Net Position:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (399,467)	\$ 420,560	\$ 21,093	\$ (695,402)
General revenues:				
Taxes:				
Sales taxes	468,058	-	468,058	-
Use taxes	29,572	-	29,572	-
Franchise taxes	20,442	-	20,442	-
Alcoholic beverage tax	14,646	-	14,646	-
Cigarette tax	5,490	-	5,490	-
Investment income	822	5,018	5,840	10,685
Miscellaneous	39,552	-	39,552	-
Change in pension obligation	(121,901)	-	(121,901)	-
Transfers - Other governments, net	(108,509)	-	(108,509)	108,509
Transfers - Internal activity, net	280,000	(280,000)	-	-
Total general revenues and transfers	628,172	(274,982)	353,190	119,194
Change in net position	228,705	145,578	374,283	(576,208)
Net position - beginning	3,336,428	3,658,125	6,994,553	2,397,999
Net position - ending	\$ 3,565,133	\$ 3,803,703	\$ 7,368,836	\$ 1,821,791

Town of Okeene, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
ASSETS							
Cash	\$ 51,999	\$ 110,259	\$ 23,287	\$ 6,101	\$ 88,665	\$ 8,336	\$ 288,647
Investments, including time deposits	28,257	-	-	49,518	-	67,931	145,706
Due from other funds	964,753	-	-	-	717,999	16,400	1,699,152
Taxes receivable	51,448	-	-	-	-	-	51,448
Grant receivable	1,225	-	-	-	-	-	1,225
Total assets	<u>1,097,682</u>	<u>110,259</u>	<u>23,287</u>	<u>55,619</u>	<u>806,664</u>	<u>92,667</u>	<u>2,186,178</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charges on pension obligations	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 1,097,682</u>	<u>\$ 110,259</u>	<u>\$ 23,287</u>	<u>\$ 55,619</u>	<u>\$ 806,664</u>	<u>\$ 92,667</u>	<u>\$ 2,186,178</u>
LIABILITIES							
Accounts payable	\$ 24,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,934
Current portion of long-term debt	3,403	-	-	-	-	-	3,403
Due to other funds	771,355	-	-	-	803,974	92,465	1,667,794
Total liabilities	<u>799,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>803,974</u>	<u>92,465</u>	<u>1,696,131</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows on pension obligations	-	-	-	-	-	-	-
FUND BALANCES							
Nonspendable	193,398	-	-	-	-	-	193,398
Restricted	-	110,259	-	-	2,690	-	112,949
Committed	28,257	-	-	55,619	-	-	83,876
Assigned	-	-	23,287	-	-	202	23,489
Unassigned	76,335	-	-	-	-	-	76,335
Total fund balances	<u>297,990</u>	<u>110,259</u>	<u>23,287</u>	<u>55,619</u>	<u>2,690</u>	<u>202</u>	<u>490,047</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,097,682</u>	<u>\$ 110,259</u>	<u>\$ 23,287</u>	<u>\$ 55,619</u>	<u>\$ 806,664</u>	<u>\$ 92,667</u>	<u>\$ 2,186,178</u>
Total fund balance- total governmental funds							\$ 490,047
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	\$ 4,750,597		
				Less: Accumulated depreciation	<u>(1,573,995)</u>		3,176,602
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							
				OMRF pension liability	(7,448)		
				OPPRF pension liability	(459)		
				OFPRF pension liability	(38,293)		
				Deferred outflows(inflows) on pension obligation	<u>(55,316)</u>		<u>(101,516)</u>
Net assets of governmental activities							<u>\$ 3,565,133</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2016

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
REVENUES							
Sales tax	\$ 468,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 468,058
Use tax	29,572	-	-	-	-	-	29,572
Beverage tax	14,646	-	-	-	-	-	14,646
Franchise taxes	20,442	-	-	-	-	-	20,442
Cigarette tax	5,490	-	-	-	-	-	5,490
Licenses and permits	2,309	-	-	-	-	-	2,309
Fines and forfeitures	15,678	-	-	-	-	-	15,678
Investment income	140	-	301	240	141	-	822
Charges for services	5,002	-	-	-	-	600	5,602
Rental income	4,850	-	-	-	13,512	-	18,362
Intergovernmental	22,580	11,176	-	4,541	335,183	-	373,480
Donations	100	-	-	16,095	-	-	16,195
Miscellaneous	29,982	-	9,280	123	167	-	39,552
Total revenues	<u>618,849</u>	<u>11,176</u>	<u>9,581</u>	<u>20,999</u>	<u>349,003</u>	<u>600</u>	<u>1,010,208</u>
EXPENDITURES							
General government:							
General government	162,054	-	-	-	-	-	162,054
Library	-	-	-	48,307	-	-	48,307
Total general government	<u>162,054</u>	<u>-</u>	<u>-</u>	<u>48,307</u>	<u>-</u>	<u>-</u>	<u>210,361</u>
Public safety and judiciary:							
Police	171,754	-	-	-	-	-	171,754
Fire	82,497	-	-	-	-	-	82,497
Total public safety and judiciary	<u>254,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,251</u>
Transportation:							
Street	-	26,151	-	-	-	-	26,151
Airport	-	-	-	-	6,925	-	6,925
Total transportation	<u>-</u>	<u>26,151</u>	<u>-</u>	<u>-</u>	<u>6,925</u>	<u>-</u>	<u>33,076</u>
Cultural, parks and recreation:							
Park	11,280	-	-	-	-	-	11,280
Golf Course	45,882	-	-	-	-	-	45,882
Cemetery	-	-	-	-	-	8,709	8,709
Community Building	5,807	-	-	-	-	-	5,807
Swimming Pool	36,509	-	-	-	-	-	36,509
Industrial park	-	-	8,100	-	-	-	8,100
Total cultural, parks and recreation	<u>99,478</u>	<u>-</u>	<u>8,100</u>	<u>-</u>	<u>-</u>	<u>8,709</u>	<u>116,287</u>
Capital outlay	44,760	93,769	-	131,873	373,015	7,950	651,367
Total expenditures	<u>560,543</u>	<u>119,920</u>	<u>8,100</u>	<u>180,180</u>	<u>379,940</u>	<u>16,659</u>	<u>1,265,342</u>
Excess (deficiency) of revenues over expenditures	58,306	(108,744)	1,481	(159,181)	(30,937)	(16,059)	(255,134)
OTHER FINANCING SOURCES (USES)							
Transfers out to other governments	(108,509)	-	-	-	-	-	(108,509)
Transfers in	280,000	135,860	7,874	44,188	-	16,250	484,172
Transfers out	(204,172)	-	-	-	-	-	(204,172)
Total other financing sources and uses	<u>(32,681)</u>	<u>135,860</u>	<u>7,874</u>	<u>44,188</u>	<u>-</u>	<u>16,250</u>	<u>171,491</u>
Net change in fund balances	25,625	27,116	9,355	(114,993)	(30,937)	191	(83,643)
Fund balances - beginning, restated	272,365	83,143	13,932	170,612	33,627	11	573,690
Fund balances - ending	<u>\$ 297,990</u>	<u>\$ 110,259</u>	<u>\$ 23,287</u>	<u>\$ 55,619</u>	<u>\$ 2,690</u>	<u>\$ 202</u>	<u>\$ 490,047</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2016

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 \$ (83,643)

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.

Capital asset purchases capitalized	651,367
Depreciation expense	(227,308)

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.

Principal paid on outstanding debt	10,190
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In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as an component of pension expense.
The fund financial statements report pension contributions as expenditures.

(121,901)

Change in Fund Balance of Governmental Activities	<u><u>\$ 228,705</u></u>
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Town of Okeene, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2016

	<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	\$ 893,818	\$ 2,559,808
Investments	320,961	-
Due from other funds	45,671	-
Due from other governments	-	-
Accounts receivable (net)	266,827	793,636
Grant receivable	9,908	-
Supplies	-	189,637
Prepaid expenses and other current assets	-	168,833
Total current assets	<u>1,537,185</u>	<u>3,711,914</u>
Restricted assets:		
Cash and cash equivalents	1,901,524	-
Investments	72,168	-
Total restricted assets	<u>1,973,692</u>	<u>-</u>
Noncurrent assets:		
Capital assets (net)	3,435,704	5,074,215
Total noncurrent assets	<u>3,435,704</u>	<u>5,074,215</u>
Total assets	<u>\$ 6,946,581</u>	<u>\$ 8,786,129</u>
DEFERRED OUTFLOWS OF RESOURCES		
Refunding costs	-	271,255
Total assets and deferred outflows of resources	<u>\$ 6,946,581</u>	<u>\$ 9,057,384</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 25,732	\$ 102,991
Accrued payables	6,131	187,510
Due to other funds	75,000	-
Notes payable, current	27,679	-
Bonds payable, current	180,000	141,884
Total current liabilities	<u>314,542</u>	<u>432,385</u>
Liabilities payable from restricted assets:		
Customer deposits payable	125,062	-
Total liabilities payable from restricted assets	<u>125,062</u>	<u>-</u>
Noncurrent liabilities:		
Notes payable, non-current	93,274	-
Bonds payable, noncurrent	2,610,000	6,803,208
Total noncurrent liabilities	<u>2,703,274</u>	<u>6,803,208</u>
Total liabilities	<u>3,142,878</u>	<u>7,235,593</u>
NET POSITION		
Net investement in capital assets	524,751	(1,870,877)
Restricted	1,973,692	-
Unrestricted	1,305,260	3,692,668
Total net position	<u>\$ 3,803,703</u>	<u>\$ 1,821,791</u>

See accompanying notes to financial statements.

Town of Okeene, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016

	<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	\$ 2,104,554	\$ -
Water charges	252,912	-
Sewer charges	184,334	-
Sanitation charges	136,251	-
Penalties	18,778	-
Net patient and service charges	-	5,511,159
Total charges for services	<u>2,696,829</u>	<u>5,511,159</u>
Miscellaneous	20,869	498,519
Total operating revenues	<u>2,717,698</u>	<u>6,009,678</u>
<u>Operating expenses:</u>		
Cost of goods sold	1,395,305	-
Personal services	310,452	3,204,435
Materials and supplies	62,618	639,175
Other services and charges	344,046	1,937,372
Depreciation and amortization	170,611	526,867
Total operating expenses	<u>2,283,032</u>	<u>6,307,849</u>
Net operating income	\$ 434,666	(298,171)
<u>Nonoperating revenue (expense):</u>		
Investment income	5,018	10,685
Grant income	59,908	-
Interest expense	(48,103)	(445,036)
Bad debt	(25,911)	-
Noncapital contributions	-	47,805
Total nonoperating revenue (expense)	<u>(9,088)</u>	<u>(386,546)</u>
Net income before contributions and transfers	425,578	(684,717)
Transfers from other funds	-	108,509
Transfers to other funds, net	<u>(280,000)</u>	<u>-</u>
Change in net position	145,578	(576,208)
Net position - beginning of year	3,658,125	2,397,999
Net position-end of year	<u>\$ 3,803,703</u>	<u>\$ 1,821,791</u>

Town of Okeene, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	<u>Business-type Activities</u>	<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Municipal Hospital and Schallmo Authority</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers/patients	\$ 2,658,801	\$ 6,109,534
Payments to suppliers	(1,781,050)	(2,536,954)
Payments to employees	(310,452)	(3,314,478)
Other operating revenues	20,869	498,519
Net cash provided (used) by operating activities	588,168	756,621
<u>Cash flows from non-capital financing activities:</u>		
Noncapital contributions	-	15,900
Transfers from other funds	-	-
Transfers to other funds	(280,000)	108,509
Net cash provided (used) by non-capital financing activities	(280,000)	124,409
<u>Cash flows from capital and related financing activities:</u>		
Purchase of capital assets	(233,319)	(56,608)
Sale of capital assets	-	8,500
Issuance of debt	1,760,000	7,000,000
Principal paid on capital debt	(170,432)	(7,093,088)
Interest paid on capital debt	(70,153)	(659,585)
Financing and refunding cost	-	(331,165)
Net cash provided (used) by capital and related financing activities	1,286,096	(1,131,946)
<u>Cash flows from investing activities:</u>		
Proceeds from sale of investments	-	699,000
Investment income	5,018	10,685
Net cash provided (used) by investing activities	5,018	709,685
Net increase (decrease) in cash and cash equivalents	1,599,282	458,769
Cash and cash equivalents, July 1, 2015	1,268,228	2,101,039
Cash & cash equivalents, June 30, 2016	\$ 2,867,510	\$ 2,559,808
Cash, including time deposits	\$ 893,818	\$ 2,559,808
Restricted cash, including time deposits	1,973,692	-
Total cash and cash equivalents, end of year	\$ 2,867,510	\$ 2,559,808
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>		
Operating income (loss)	\$ 434,666	\$ (34,006)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	170,611	526,867
Non-operating revenue (expense)		360,260
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(28,120)	238,115
(Increase) decrease in grants receivable	(9,908)	
(Increase) decrease in supplies	-	18,193
(Increase) decrease in due from other funds	-	-
Increase (decrease) in accounts payable	16,584	(352,808)
Increase (decrease) in deposits subject to refund	4,335	-
Total adjustments	153,502	790,627.00
Net cash provided (used) by operating activities	\$ 588,168	\$ 756,621

Town of Okeene, Oklahoma
Statement of Net Position
Fiduciary Fund
June 30, 2016

	Charitable Trust Fund
ASSETS	
Cash, including time deposits	\$ 15,242
Investments	<u>188,951</u>
Total assets	<u><u>204,193</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>202,163</u>
Total net position	<u>202,163</u>
Total liabilities and net position	<u><u>\$ 204,193</u></u>

Town of Okeene, Oklahoma
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
June 30, 2016

	Charitable Trust Fund
<u>REVENUES</u>	
Investment income	\$ 29
Unrealized gains on investments	7,651
Total revenues	7,680
 <u>EXPENDITURES</u>	
Charitable trust	4,794
Total charitable trust	4,794
 Net change in net position	 2,886
 Net position - beginning	 199,277
Net position - ending	\$ 202,163

(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), parks and 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 with 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 position 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.

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:

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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 Position. 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 position.

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 position

Amounts reported as restricted consist of net position 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.

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "invested in capital assets, net of related debt".

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes reports a separate section for deferred outflows of resources. This separate financials statement element represents a consumption of net position that applies to a future period(s) therefore will not be recognized as an outflow of resources (expense) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s); therefore will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred charge on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net different between projected and actual earnings on pension plan investments.

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 Position/Fund Balance

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

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

B. Budget Requirements

For the year ended June 30, 2016, 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:

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
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.

<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	\$ 145,706	\$ 145,706	N/A	189
Total investments	145,706	145,706		
Total governmental investments	\$ 145,706	\$ 145,706		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 28,257
Investments, restricted	117,449
Total governmental investments	\$ 145,706

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 393,129	\$ 393,129	N/A	306
Total investments	393,129	393,129		
Total business-type investments	\$ 393,129	\$ 393,129		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 320,961
Investments, restricted	72,168
Total governmental investments	\$ 393,129

(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.

TOWN OF OKEENE, OKLAHOMA
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B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2016 follows:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Land	\$ 2,100	\$ -	\$ -	\$ 2,100
Construction in process	420,563	-	420,563	-
Buildings & structures	141,064	552,438	-	693,502
Machinery, furniture, & equipment	957,432	51,579	-	1,009,011
Improvements other than land	2,578,070	467,915	-	3,045,985
Total	4,099,229	1,071,932	420,563	4,750,598
Less accumulated depreciation	1,346,688	227,308	-	1,573,996
Fixed assets, net	\$ 2,752,541	\$ 844,624	\$ (420,563)	\$ 3,176,602

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2016 follows:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Okeene Public Works Authority				
Land	\$ 267,250	\$ -	\$ -	\$ 267,250
Machinery, furniture, & equipment	417,469	-	-	417,469
Electric system	1,433,188	76,105	-	1,509,293
Sewer system	1,361,148	6,533	-	1,367,681
Water system	1,265,731	51,227	-	1,316,958
Construction in process	98,030	99,454	-	197,484
Total	4,726,405	233,319	-	5,076,135
Less accumulated depreciation	1,469,819	170,611	-	1,640,430
Fixed assets, net	\$ 3,256,586	\$ 62,708	\$ -	\$ 3,435,705

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.

TOWN OF OKEENE, OKLAHOMA
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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		36,010
Transportation		79,500
Cultural, parks & recreation		59,147
Total governmental activities depreciation expense	\$	185,689

Depreciation expense charges to business-type activities:

Electric	\$	86,347
Water		23,240
Customer service		2,196
Sewer		55,049
Total business-type activities depreciation expense	\$	166,832

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 receivable was issued at 0% interest. During the year ended June 30, 2015, the City booked an allowance for the full amount of the receivable.

D. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2016:

NOTE PAYABLE

Governmental Activities:

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 0.6% at June 30, 2016. The loan is secured by certificate of deposit. \$ 3,403

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. 115,777

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 0.6% at June 30, 2016. 5,176

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. 1,030,000

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OPWA Utility System Revenue Notes, Series 2016 for \$1,760,000 were issued March 2016, maturing April 1, 2028 with a stated interest rate of 2.39%. Underwriting fees and issuance costs were approximately \$74,000. Payments are made monthly to a debt service fund. Funds were used for the water and sanitary sewer system improvements, including a new water storage standpipe, equipment and modification on existing pump building, demolition of existing water tower, and various sewer line improvements.

1,760,000

\$ 2,914,356

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

<u>Type of Debt</u>	<u>Balance at July 1, 2015</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Fire Truck Bed - SGB	\$ 11,800	\$ -	\$ 8,397	\$ 3,403	\$ 3,403
Police Vehicle #2 - FNB	1,834	-	1,834	-	-
Total governmental activities	<u>\$ 13,634</u>	<u>\$ -</u>	<u>\$ 10,231</u>	<u>\$ 3,403</u>	<u>\$ 3,403</u>
Business-type activities:					
<i>Notes Payable</i>					
OWRB #2 note payable	\$ 138,181	\$ -	\$ 22,405	\$ 115,776	\$ 22,503
Backhoe - SGB	18,204	-	13,027	5,177	5,176
Total notes payable	156,385	-	35,432	120,953	27,679
<i>Bonds Payable</i>					
2007 Series Revenue Bonds	1,165,000	-	135,000	1,030,000	140,000
2016 Series Revenue Bonds	-	1,760,000	-	1,760,000	40,000
Total bonds payable	<u>1,165,000</u>	<u>1,760,000</u>	<u>135,000</u>	<u>2,790,000</u>	<u>180,000</u>
Total business-type activities	<u>\$ 1,321,385</u>	<u>\$ 1,760,000</u>	<u>\$ 170,432</u>	<u>\$ 2,910,953</u>	<u>\$ 207,679</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016 follow:

<u>Year Ending June 30</u>	<u>Governmental Notes Payable</u>		<u>Business-Type Notes Payable</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,403	\$ 25	\$ 27,679	\$ 3,149	\$ 180,000	\$ 82,376
2018	-	-	22,602	2,366	185,000	85,514
2019	-	-	22,704	1,778	190,000	68,581
2020	-	-	22,808	1,191	200,000	61,446
2021	-	-	22,914	572	210,000	53,905
2022-2026	-	-	2,246	50	1,270,000	155,252
2027-2028	-	-	-	-	555,000	16,670
Totals	<u>\$ 3,403</u>	<u>\$ 25</u>	<u>\$ 120,953</u>	<u>\$ 9,106</u>	<u>\$ 2,790,000</u>	<u>\$ 523,744</u>

E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2016 were as follows:

<u>Receivable from/Payable to</u>	<u>Due From</u>	<u>Due To</u>
GENERAL FUND:		
Okeene Aiport Fund	\$ 797,318	\$ 641,215
Cemetary Fund	92,434	150
Okeene Public Works Authority	75,000	36,316
KEENE AIRPORT FUND:		
General Fund	641,215	797,318
Okeene Public Works Authority	-	6,656
CEMETARY FUND:		
General Fund	150	92,434
Okeene Public Works Authority	-	29
ENTERPRISE FUND: Public Works		
General Fund	36,316	75,000
Okeene Aiport Fund	6,656	-
Cemetary Fund	29	-
Municipal Charitable Trust (fiduciary fund)	2,030	-
FIDUCIARY FUND: Municipal Charitable		
Okeene Public Works Authority	-	2,030
Grand Total	<u><u>\$1,651,148</u></u>	<u><u>\$ 1,651,148</u></u>

<u>Operating Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND:		
Street & Alley	\$ -	\$ 135,860
Industrial Park	-	7,874
Library	-	44,188
Cemetery	-	16,250
Okeene Public Works Authority	280,000	-
STREET & ALLEY FUND:		
General Fund	135,860	-
INDUSTRIAL PARK FUND:		
General Fund	7,874	-
LIBRARY FUND:		
General Fund	44,188	-
CEMETERY FUND:		
General Fund	16,250	-
ENTERPRISE FUND: Public Works		
General Fund	-	280,000
Grand Total	<u><u>\$ 484,172</u></u>	<u><u>\$ 484,172</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

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 (OMRF), which was established to administer pension plans for municipal employees. OMRF issues a publically available financial report that can be obtained at www.okmrf.org.

Benefits Provided

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 7 years of service. Members are eligible for normal retirement at age 65 with 7 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 7 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 7 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

Contributions

Required contribution rates are actuarially measured each year and authorized through Town Ordinance. Employees are required to contribute 3.6% of paid salary. For the year ended June 30, 2016, the Town's contribution was 9.76%. Contributions to the pension plan from the Town were \$31,264 for the year ended June 30, 2016.

Membership

Membership in the plan is as follows:

	<u>As of January 1, 2015</u>
Inactive employees receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active participants	6
Total	10

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2016, the Town reported an asset of \$7,448 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2016, the Town's proportion was 0.1857 percent, which was an increase of 0.0065 percent from its proportion measured as of June 30, 2014.

Changes to the actuarial valuation between the measurement date of the net pension liability and the Town's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2016, the Town recognized pension expense of \$5,526. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 48,558
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	38,470	35,173
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	-	-
Total	<u><u>\$ 38,470</u></u>	<u><u>\$ 83,731</u></u>

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (14,217)
2018	(14,217)
2019	(14,215)
2020	(2,492)
2021	(120)

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	5.07 percent, average
Investment rate of return	7.55 percent, net of pension plan investment expense and inflation

Mortality rates were based on the UP 1994 with projected mortality improvement. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	<u>3.00%</u>
		Long term expected return	<u><u>7.75%</u></u>

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent, as the plan's net fiduciary position is projected to be sufficient to make projected benefit payments. The Town has adopted a funding method that is designed to fund all benefits payable to participants over the course of the member's working career. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

those benefits are payable. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 3.29% was used in the analysis.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 867,328	\$ 850,676	\$ 16,652
Changes for the year:			
Service cost	34,761	-	34,761
Interest	66,885	-	66,885
Differences between expected and actual experience	(60,667)	-	(60,667)
Contributions - employer	-	31,264	(31,264)
Contributions - employee	-	11,166	(11,166)
Net investment income	-	24,447	(24,447)
Benefit payments, including refunds of employee contributions	(8,743)	(8,743)	-
Administrative expense	-	(1,797)	1,797
Other changes	-	-	-
Net changes	<u>32,236</u>	<u>56,337</u>	<u>(24,101)</u>
Balances at June 30, 2015	<u>\$ 899,564</u>	<u>\$ 907,013</u>	<u>\$ (7,449)</u>

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability/(asset)	104,631	(7,449)	(102,738)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

B. Oklahoma Police Pension and Retirement System

Plan Description

All full-time officers, not less than 21 years of age or more than 45 years of age when hired by the Town, are provided with pensions through the Oklahoma Police Pension and Retirement System (OPPRS), a statewide, cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System, which is part of the State of Oklahoma financial reporting entity. OPPERS issues a publically available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits Provided

OPPRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2.5 percent of the employee's final average salary multiplied by the employee's years of service, maximum of 30 years. Vesting requires 10 years of service with accrued benefits beginning at age 50 or 20 years of credited service, whichever is later. Deferred retirement options are available.

Employees are eligible for duty-related disability benefits regardless of length of service. Ten years of service is required for non-duty related disability eligibility.

Death benefits duty related require no minimum service whereby the beneficiary receives normal 20 year retirement benefit and one-time \$5,000 death benefit. Non-duty death benefits are provided for members with a minimum of 10 years of service. The beneficiary receives accrued retirement benefits and a one-time \$5,000 death benefit.

TOWN OF OKEENE, OKLAHOMA
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JUNE 30, 2016

Contributions

The State of Oklahoma has the authority to establish contribution obligations and benefits per state statute 11 O.S. Section 550-101 et seq. Employees are required to contribute 8% of paid base salary; the Town contributes 13% of the employee's paid base salary. Contributions to the pension plan from the Town were \$4,137 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2016, the Town reported a liability of \$459 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2016, the Town's proportion was 0.000113 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,783. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,538
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	8,226	9,992
Changes in proportion and differences between Town contributions and proportionate share of contributions date	305	-
	-	-
Total	\$ 8,531	\$ 12,530

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (1,752)
2018	(1,752)
2019	(1,725)
2020	1,473
2021	(192)

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	5.31 percent, average
Investment rate of return	7.55 percent, net of pension plan investment expense, per annum, compound annually

Mortality rates were based on the RP-2000 Blue Collar Healthy Combined (fully generational using Scale AA) with age set back four years.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2012. There have been no changes to actuarial assumptions since the prior valuation.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent, which is the long-term expected rate of return on plan investments. The Plan has used this assumption since 1984. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from municipalities will be made at contractually required rates, actuarially determined. Based on those assumptions, OPPRS net position was projected to be available make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments determine the total pension liability.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	249,142	252,944	(3,802)
Changes for the year:			
Service cost	6,169	-	6,169
Interest	18,548	-	18,548
Differences between expected and actual experience	(1,442)	-	(1,442)
Contributions - employer	-	4,210	(4,210)
Contributions - employee	-	2,584	(2,584)
Contributions - State of Oklahoma (non-employer)		4,010	(4,010)
Net investment income	-	8,425	(8,425)
Benefit payments, including refunds of employee contributions	(16,011)	(16,011)	-
Administrative expense	-	(215)	215
Other changes	-	-	-
Net changes	<u>7,263</u>	<u>3,003</u>	<u>4,260</u>
Balances at June 30, 2015	<u>\$ 256,405</u>	<u>\$ 255,947</u>	<u>\$ 459</u>

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability/(asset)	27,685	459	(22,491)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPFRS financial report.

C. Oklahoma Firefighters Pension and Retirement System

Plan Description

Town of Okeene is supported by a voluntary force of firefighters all of whom are provided with pensions through the Oklahoma Firefighters Pension and Retirement System (OFPRS), a statewide, cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Firefighters Pension and Retirement System, which is part of the State of Oklahoma financial reporting entity. OFPRS issues a publically available financial report that can be obtained at www.ok.gov/OFPRS.

Benefits Provided

OFPRS provides retirement, disability, and death benefits. Normal retirement benefits are \$150.60 per month per year of service for members hired before November 1, 2013 with 20 years of completed service regardless of age. For members hired on or after November 1, 2013, the member must complete 20 years of service and reach 50 years of age for eligibility. Late retirement benefits continue to accrue for service up to 30 years at \$7.53 per month per year of service.

Members are eligible for duty-related disability benefits with a minimum of 20 years of service. The benefit is paid at \$7.53 per month per year of service with a maximum of 30 years.

Contributions

The State of Oklahoma has the authority to establish contribution obligations and benefits per state statute 11 O.S. Section 49.100 thru 49.143 et seq. Volunteer members have no contribution requirements; the Town contributes \$60 per year for each volunteer. Contributions to the pension plan from the Town were \$1,380 for the year ended June 30, 2016.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2016, the Town reported a liability of \$38,293 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2016, the Town's proportion was 0.003608 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$3,887. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 757	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,357	4,212
Changes in proportion and differences between Town contributions and proportionate share of contributions date	-	3,958
	-	-
Total	\$ 2,114	\$ 8,170

Other amounts reported deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (1,028)
2018	(1,028)
2019	(1,028)
2020	529
2021	75

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	None for volunteer members
Salary increases	None for volunteer members
Investment rate of return	7.5 percent, net of investment expense, per annum, compound annually

Mortality rates were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2012. There have been no changes to actuarial assumptions since the prior valuation.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent, which is the long-term expected rate of return on plan investments. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 129,022	\$ 87,749	\$ 41,272
Changes for the year:			
Service cost	2,208	-	2,208
Interest	8,647	-	8,647
Differences between expected and actual experience	44	-	44
Contributions - employer	-	1,403	(1,403)
Contributions - employee	-	3,292	(3,292)
Contributions - State of Oklahoma (non-employer)		877	(877)
Net investment income	-	4,208	(4,208)
Benefit payments, including refunds of employee contributions	(6,586)	(6,586)	-
Administrative expense	-	4,099	(4,099)
Other changes	-	-	-
Net changes	<u>4,312</u>	<u>7,292</u>	<u>(2,979)</u>
Balances at June 30, 2015	<u>\$ 133,334</u>	<u>\$ 95,041</u>	<u>\$ 38,293</u>

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability	49,723	38,293	28,712

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPPRS financial report.

D. MHSA Pension Plan

Refer to the Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital audit report for June 30, 2016 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.

D. Conduit Debt

The Town has entered into a memorandum of understanding with Mountain Country Pet Care, LLC and Oklahoma Municipal Power Authority (OMPA) effective July 21, 2014 to purchase a backup generator and uninterrupted power source for use at the Mountain Country Pet Care facility. The Town solicited bids pursuant to the Oklahoma competitive bidding act, and awarded the bid to Warren CAT in the amount of \$611,433. Upon the completion of specified terms in the memorandum, the Town will borrow the funds from OMPA for the purchase of the generator to be installed at the facility. Mountain Country Pet Care, LLC will lease the equipment from the City for a 7 year period at 3.5% interest until the equipment is paid in full.

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, 2016

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 436,692	\$ 20,000	\$ 456,692	\$ 468,058	\$ 11,366
Use tax	42,091	(12,500)	29,591	29,572	(19)
Beverage tax	13,379	1,000	14,379	14,646	267
Franchise taxes	18,495	1,000	19,495	20,442	947
Fines and forfeitures	18,000	(3,000)	15,000	15,678	678
Investment income	250	100	350	140	(210)
Charges for services	28,000	(3,710)	24,290	12,161	(12,129)
Intergovernmental	3,500	(3,500)	-	22,580	22,580
Miscellaneous	25,848	90	25,938	30,082	4,144
Total revenues before carryover	<u>586,255</u>	<u>(520)</u>	<u>585,735</u>	<u>613,359</u>	<u>27,624</u>
Budgeted carryover (1)	-	-	-	-	-
Total revenues and budgeted carryover	<u>586,255</u>	<u>(520)</u>	<u>585,735</u>	<u>613,359</u>	<u>27,624</u>
EXPENDITURES					
General government:					
General government	161,986	500	162,486	162,054	432
Public safety and judiciary:					
Police	199,710	(19,000)	180,710	171,754	8,956
Fire	115,442	2,500	117,942	112,666	5,276
Total public safety and judiciary	<u>315,152</u>	<u>(16,500)</u>	<u>298,652</u>	<u>284,420</u>	<u>14,232</u>
Cultural, parks and recreation:					
Park	23,000	-	23,000	14,311	8,689
Golf Course	50,800	-	50,800	45,882	4,918
Community Building	16,750	1,000	17,750	17,367	383
Swimming Pool	37,600	1,000	38,600	36,509	2,091
Industrial Park and Economic Development	4,000	8,000	12,000	-	12,000
Total cultural, parks and recreation	<u>132,150</u>	<u>10,000</u>	<u>142,150</u>	<u>114,069</u>	<u>28,081</u>
Total expenditures	<u>609,288</u>	<u>(6,000)</u>	<u>603,288</u>	<u>560,543</u>	<u>42,745</u>
Revenue over (under) expenditures	(23,033)	5,480	(17,553)	52,816	70,369
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(29,574)	96,824	67,250	(32,681)	(99,931)
Net other financing sources (uses)	<u>(29,574)</u>	<u>96,824</u>	<u>67,250</u>	<u>(32,681)</u>	<u>(99,931)</u>
Revenues and other financing sources over (under) expenditures and other uses	(52,607)	102,304	49,697	20,135	(29,562)
Fund balance at beginning of year (Non-GAAP budgetary basis)					
Less budgeted carryover (1)	-			395,464	395,464
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 415,599	<u>\$ 365,902</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(3,584)	
Expenditure and transfer accruals				(46,133)	
Fund balance at end of year (GAAP basis)				<u>\$ 365,882</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.

Schedules of Required Supplementary Information

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
 Year Ended June 30, 2016

	<u>2015*</u>	<u>2016*</u>
Town's portion of the net pension liability (asset)	0.0109%	0.0113%
Town's proportionate share of the net pension liability (asset)	\$ (3,667)	\$ 459
Town's covered-employee payroll	\$ 93,340	\$ 98,038
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4%	0%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.00%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF TOWN CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 3,960	\$ 4,137
Contributions in relation to the contractually required contribution	<u>(3,960)</u>	<u>(4,137)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 93,340	\$ 98,038
Contributions as a percentage of covered-employee payroll	4.24%	4.22%

Schedules of Required Supplementary Information

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
Town's portion of the net pension liability (asset)	0.0040%	0.0036%
Town's proportionate share of the net pension liability (asset)	\$ 41,272	\$ 38,293
Town's covered-employee payroll	\$ 14,958	\$ 14,933
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	276%	256%
Plan fiduciary net position as a percentage of the total pension liability	68.01%	100.00%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF TOWN CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 1,500	\$ 1,380
Contributions in relation to the contractually required contribution	<u>(1,500)</u>	<u>1,380</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 2,760</u>
Town's covered-employee payroll	\$ 14,958	\$ 14,933
Contributions as a percentage of covered-employee payroll	10.03%	9.24%

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
 SINCE INITIAL APPLICATION

	<u>2015*</u>	<u>2016*</u>
Total pension liability		
Service cost	\$ 32,261	\$ 34,761
Interest	62,712	66,885
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(60,667)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(8,971)</u>	<u>(8,743)</u>
Net change in total pension liability	\$ 86,002	\$ 32,236
Total pension liability - beginning	<u>781,326</u>	<u>867,328</u>
Total pension liability - ending (a)	<u><u>\$ 867,328</u></u>	<u><u>\$ 899,564</u></u>
Plan fiduciary net position		
Contributions - employer	22,992	31,264
Contributions - employee	11,051	11,166
Net investment income	118,197	24,447
Benefit payments, including refunds of employee contributions	(8,971)	(8,743)
Administrative expense	(1,753)	(1,797)
Other	-	-
Net change in plan fiduciary net position	<u>141,516</u>	<u>56,337</u>
Plan fiduciary net position - beginning	<u>709,160</u>	<u>850,676</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 850,676</u></u>	<u><u>\$ 907,013</u></u>
Town's net pension liability - ending (a) - (b)	<u><u>\$ 16,652</u></u>	<u><u>\$ (7,449)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	98.08%	100.83%
Covered-employee payroll	\$ 306,970	\$ 194,388
Town's net pension liability as a percentage of covered-employee payroll	5.42%	-3.83%

Schedules of Required Supplementary Information

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
 Year Ended June 30, 2016

	<u>2015*</u>	<u>2016*</u>
Town's portion of the net pension liability (asset)	0.1792%	0.1857%
Town's proportionate share of the net pension liability (asset)	\$ 16,652	\$ (7,449)
Town's covered-employee payroll	\$ 306,970	\$ 194,388
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-empl	5.42%	-3.83%
Plan fiduciary net position as a percentage of the total pension liability	98.04%	100.82%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF TOWN CONTRIBUTIONS
Oklahoma Municipal Retirement Plan

	<u>2015*</u>	<u>2015*</u>
Actuarially determined contribution	\$ 14,175	\$ 31,264
Contributions in relation to the actuarially determined contribution	<u>(14,175)</u>	<u>(31,264)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 306,970	\$ 194,388
Contributions as a percentage of covered-employee payroll	4.62%	16.08%



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, Oklahoma

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, the aggregate discretely presented component units, and each major fund of the Town of Okeene, Oklahoma as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Okeene, Oklahoma's basic financial statements, and have issued our report thereon dated November 3, 2016. 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, Oklahoma'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 the Town of Okeene, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Okeene, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Okeene, Oklahoma's internal control.

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

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

Compliance and Other Matters

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

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Woodward, Oklahoma

November 3, 2016