

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

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

**FOR THE YEAR ENDED
JUNE 30, 2018**

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TOWN OF OKEENE, OKLAHOMA

List of Principal Officials

Town Council

Mary Dungan, Mayor

Ron Pittman, Vice Mayor

Cody Nease

Trevor Taylor

Skyler Greco

Town Manager

Gerald Haury

Town Treasurer and Town Clerk

Susan Rauh



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Okeene, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Okeene, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Municipal Hospital and Schallmo Authority, which is the 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 Municipal Hospital and Schallmo Authority, 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, each major fund, and the aggregate remaining fund information of the Town of Okeene, Oklahoma, as of June 30, 2018, 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 schedule of the Town's proportionate share of net pension liability schedules on pages 3-10, 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Okeene, Oklahoma's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2018, except as to Note 6, which is as of February 19, 2019, 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

December 10, 2018

February 19, 2019

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, 2018. 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 \$8,226,690 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$7,817,143.
- Total liabilities of the Town decreased \$332,934 from \$3,107,763 to \$2,774,829 during the fiscal year. The decrease is due to scheduled payments made on outstanding debt held by the Town.
- Total net position are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$5,173,749 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 \$696,687 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
 - 3) Reserve for restricted purposes of \$2,356,254 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 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	
	2018	2017	2018	2017	2018	2017	\$	%
Current assets	\$ 545,827	\$ 489,605	\$ 2,678,590	\$ 2,609,235	\$ 3,224,417	\$ 3,098,840	\$ 125,577	4%
Capital assets, net	3,186,659	3,349,346	4,544,119	4,409,090	7,730,778	7,758,436	(27,658)	0%
Total assets	\$ 3,732,486	\$ 3,838,951	\$ 7,222,709	\$ 7,018,325	\$ 10,955,195	\$ 10,857,276	\$ 97,919	1%
Deferred outflows	194,787	146,522	-	-	194,787	146,522	48,265	33%
Current liabilities	\$ 23,769	\$ 39,189	\$ 362,270	\$ 369,533	\$ 386,039	\$ 408,722	\$ (22,683)	-6%
Non-current liabilities	62,290	142,013	2,326,500	2,557,028	2,388,790	2,699,041	(310,251)	-11%
Total liabilities	86,059	181,202	2,688,770	2,926,561	2,774,829	3,107,763	(332,934)	-11%
Deferred inflows	148,463	78,892	-	-	148,463	78,892	69,571	88%
Net position								
Invested in capital assets, net of related debt	3,186,659	3,349,346	1,987,090	1,627,111	5,173,749	4,976,457	197,292	4%
Restricted	382,562	324,725	1,973,692	1,973,692	2,356,254	2,298,417	57,837	3%
Unrestricted	123,530	51,308	573,157	490,961	696,687	542,269	154,418	28%
Total net position	\$ 3,692,751	\$ 3,725,379	\$ 4,533,939	\$ 4,091,764	\$ 8,226,690	\$ 7,817,143	\$ 409,547	5%

The Town reported positive balances in net position for both governmental and business-type activities. The Town's overall financial position improved \$409,547 or 6% during fiscal year.

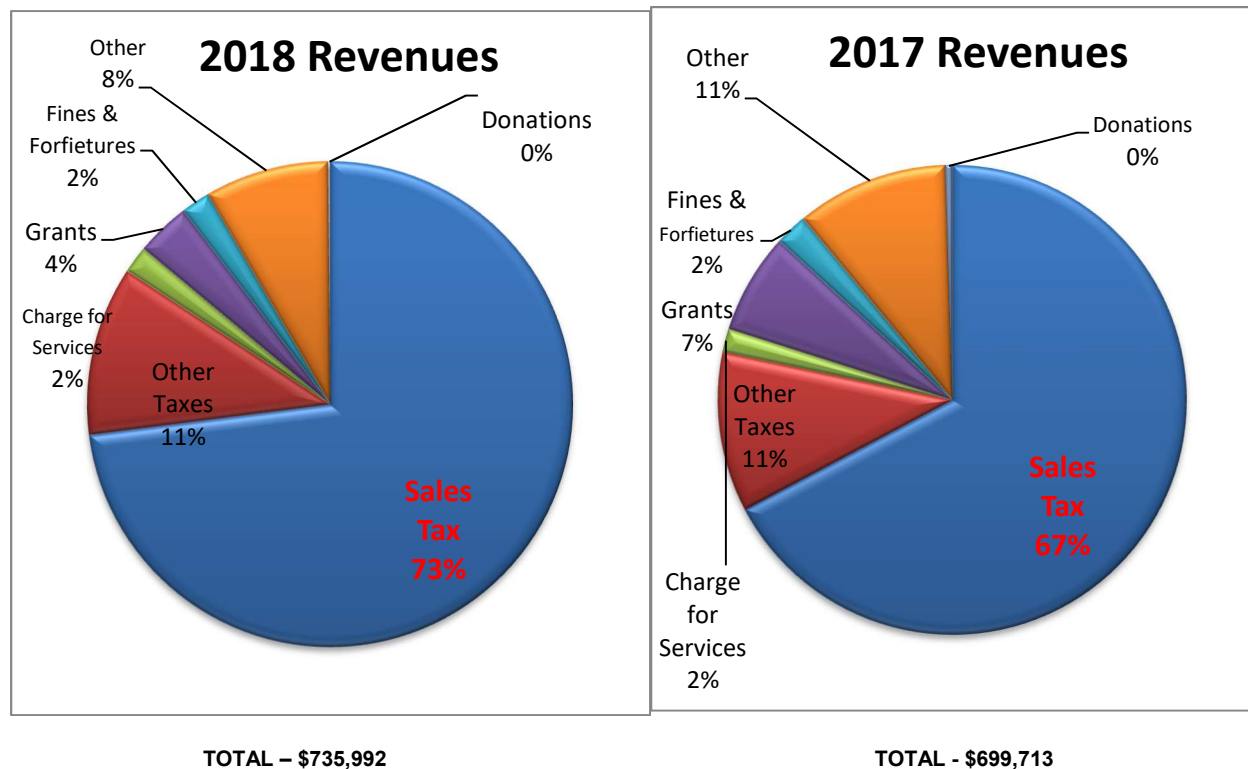
Total assets remained consistent between years noting an increase of 1% over prior year. Deferred outflows related to the pension obligations of the City increased 33% over prior year. This increase is determined by an actuarial valuation of the Oklahoma Municipal Retirement Fund, Police Pension fund, and the Fire Pension fund participation.

Total liabilities of the Town declined 11% over prior year. The Town made payments on outstanding debt consistent with the scheduled timing. Additionally, pension liability decreased for the City. The pension liability is determined by a third-party actuarial valuation and reported to the City on an annual basis.

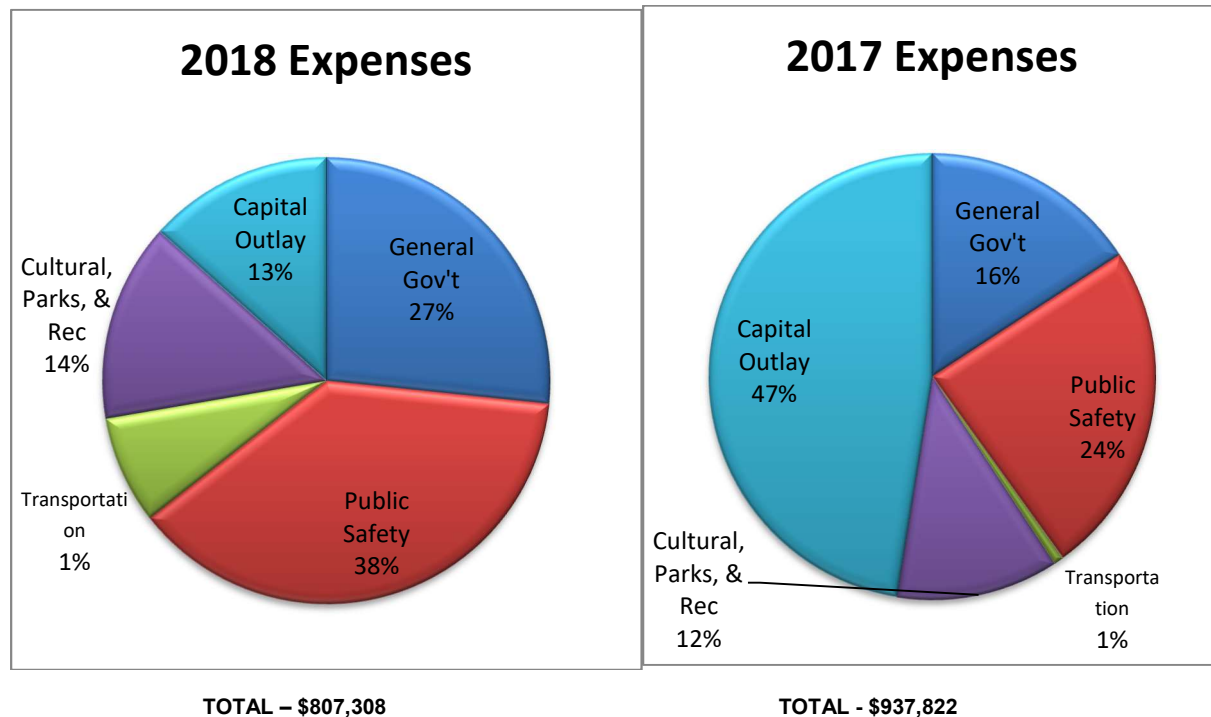
	Governmental Activities		Business-type Activities		Totals		Change	
	2018	2017	2018	2017	2018	2017	\$	%
Revenues								
Program revenues	\$ 89,972	\$ 105,589	\$ 3,281,763	\$ 3,011,390	\$ 3,371,735	\$ 3,116,979	\$ 254,756	8%
Taxes and other general revenues	704,437	617,854	11,250	5,509	715,687	623,363	92,324	15%
Total revenues	794,409	723,443	3,293,013	3,016,899	4,087,422	3,740,342	347,080	9%
Expenses								
General government	248,017	180,567	-	-	248,017	180,567	67,450	37%
Public safety and judiciary	375,654	298,670	-	-	375,654	298,670	76,984	26%
Transportation	157,622	101,062	-	-	157,622	101,062	56,560	56%
Cultural, parks, and recreation	188,702	181,376	-	-	188,702	181,376	7,326	4%
Electric	-	-	1,769,186	1,637,418	1,769,186	1,637,418	131,768	8%
Water	-	-	294,764	244,731	294,764	244,731	50,033	20%
Sewer	-	-	162,645	175,000	162,645	175,000	(12,355)	-7%
Sanitation	-	-	93,251	88,009	93,251	88,009	5,242	6%
Customer service	-	-	265,992	273,478	265,992	273,478	(7,486)	-3%
Total expenses	969,995	761,675	2,585,838	2,418,636	3,555,833	3,180,311	375,522	12%
Excess (deficiency) before transfers	(175,586)	(38,232)	707,175	598,263	531,589	560,031	(28,442)	-5%
Transfers	265,000	310,202	(265,000)	(310,202)	-	-	-	0%
Transfers to component units	(122,042)	(111,724)	-	-	(122,042)	(111,724)	(10,318)	9%
Increase (decrease) in net position	\$ (32,628)	\$ 160,246	\$ 442,175	\$ 288,061	\$ 409,547	\$ 448,307	\$ (38,760)	-9%

Revenues increased \$347,080 or 9% over prior year. This increase is the result of program revenues, specifically utility billing in the Okeene Public Works Authority. Correspondingly, operating expenses increased \$375,522 or 12%. Electric and water expenses increased due to the increase in demand, which increased the operating cost of the system as well as depreciation on new assets added to the infrastructure.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2018.



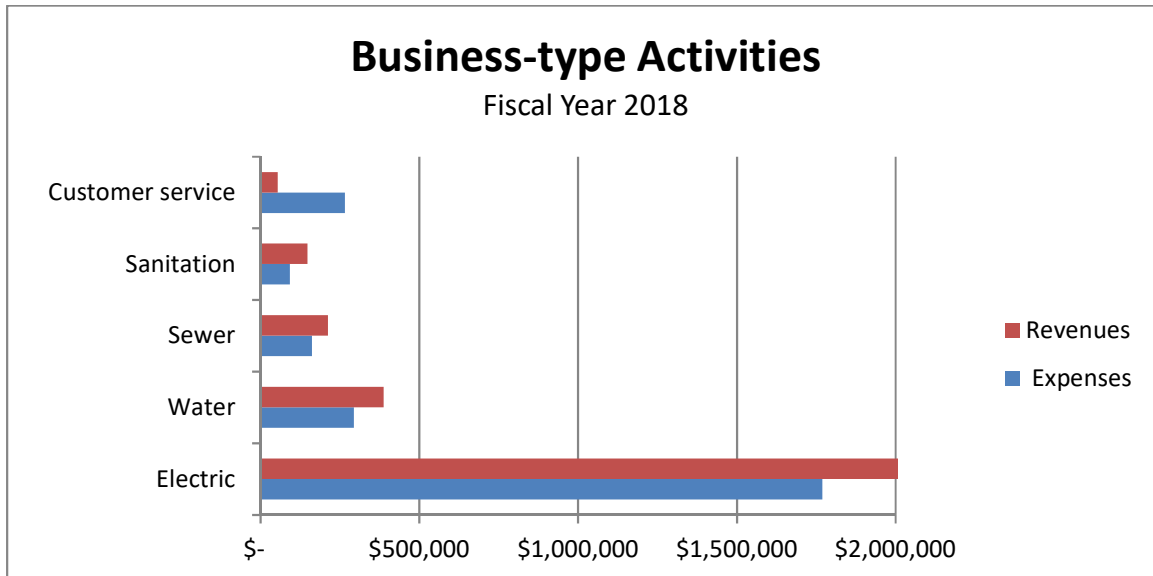
Sales tax provided for 73% of the Town's governmental revenues in fiscal year 2018 as compared to 67% in 2017. Other taxes remained consistent at 11%. All other categories shifted incrementally.



This graph shows the total governmental activities cost of \$807,308 for 2018. Of this amount, public safety at \$305,327 was the largest operating service cost. Public safety cost include police, fire, judiciary, and code enforcement expenses. These costs, as well as all governmental activities expense, were primarily funded by sales tax collections as noted above.

It should be noted that governmental expenses were 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 2018 was \$743,580. Council approved budget amendments during the fiscal year increasing the budget by \$21,900, for a final amended budget of \$765,480 prior to transfers, compared to \$936,542 in prior year. 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, 2018, the Town had \$5,173,749 net investment in capital assets, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 2,100	\$ 2,100	\$ 276,140	\$ 276,140	\$ 278,240	\$ 278,240
Construction in process	-	-	197,485	197,485	197,485.00	197,485
Other improvements	484,295	506,309	-	-	484,295	506,309
Machinery & equipment	362,487	366,091	349,600	319,797	712,087	685,888
Utility property & improvements	2,337,777	2,474,846	3,483,564	3,615,668	5,821,341	6,090,514
Totals	\$ 3,186,659	\$ 3,349,346	\$ 4,306,789	\$ 4,409,090	\$ 7,493,448	\$ 7,758,436

Long-Term Debt

At year-end, the Town had \$2,388,790 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ -	\$ -	\$ 2,425,000	\$ 2,610,000	\$ 2,425,000	\$ 2,610,000
Notes payable	-	-	132,029	171,979	132,029	171,979
Pension liability	62,290	142,013	-	-	62,290	142,013
subtotal	62,290	142,013	2,557,029	2,781,979	2,619,319	2,923,992
less current portion	-	-	(230,529)	(224,951)	(230,529)	(224,951)
Totals	\$ 62,290	\$ 142,013	\$ 2,326,500	\$ 2,557,028	\$ 2,388,790	\$ 2,699,041

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the William S. Spears School of Business, Center for Applied Economic Research, noted in July 2018 "The recovery of the energy sector has breathed new life into the Oklahoma economy. After declining for almost two years, Oklahoma total nonfarm employment began growing in 2017 and reached a new high by the end of the year. The rebound in oil prices led to increased drilling and oil sector employment. At the same time, the U.S. economy has continued to produce robust employment growth, though it has slowed slightly as the economy approaches full employment. Energy prices are forecast to remain stable the remainder of 2018, while U.S. employment is expected to continue at current pace of growth."

The economic environment of the state sheds light on the local economy of the City.

The FY19 budget reflects a loss in the General Fund of approximately \$28,000. Tax revenues are budgeted at 90% as indicated. If taxes are collected at 100% of current year collections, that will generate about \$49,000. Additionally, the City has budgeted over \$233,000 in capital improvements in the fiscal year.

The FY19 budget includes a pass thru rate increase for the Trash utilities of 2.59%. This is a direct pass through; no additional profit will be recognized on this increase. There are no electric, water, or sewer rate increases in the budget.

Pay increases totaling approximately \$24,500 for full time employees were included in the proposed budget.

Total capital improvements are planned at a total of \$803,380 including water improvements, street paving, community building repairs, and others. Refer to a detail of the capital improvements in the 2019 approved budget.

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, 2018

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 37,833	\$ 1,087,795	\$ 1,125,628	\$ 1,693,842
Investments, including time deposits	28,741	324,224	352,965	-
Accounts receivable, net	67,782	361,858	429,640	602,684
Due from other funds	18,504	(18,504)	-	-
Due from other governments	2,030	-	2,030	-
Inventory	-	-	-	181,031
Prepaid expenses	-	-	-	205,928
Total current assets	154,890	1,755,373	1,910,263	2,683,485
Restricted assets:				
Cash and cash equivalents	275,977	849,663	1,125,640	-
Investments, including time deposits	114,960	73,554	188,514	-
Total restricted assets	390,937	923,217	1,314,154	-
Noncurrent Assets:				
Land and construction in progress	2,100	1,434,323	1,436,423	160,101
Other capital assets (net of accumulated depreciation)	3,184,559	3,109,796	6,294,355	5,066,063
Total noncurrent assets	3,186,659	4,544,119	7,730,778	5,226,164
Total assets	3,732,486	7,222,709	10,955,195	7,909,649
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on pension obligations/refunding	\$ 194,787	\$ -	\$ 194,787	\$ 249,103
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 23,769	\$ 23,394	\$ 47,163	\$ 153,640
Accrued expenses payable	-	6,670	6,670	190,164
Notes payable, current	-	40,529	40,529	-
Bonds payable, current	-	190,000	190,000	185,551
Total current liabilities	23,769	260,593	284,362	529,355
Liabilities payable from restricted assets:				
Customer deposits payable	-	101,677	101,677	-
Total liabilities payable from restricted assets	-	101,677	101,677	-
Noncurrent liabilities:				
Pension liability	62,290	-	62,290	-
Notes payable, non-current	-	91,500	91,500	-
Bonds payable, non-current	-	2,235,000	2,235,000	6,617,627
Total noncurrent liabilities	62,290	2,326,500	2,388,790	6,617,627
Total liabilities	86,059	2,688,770	2,774,829	7,146,982
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pension obligations	148,463	-	148,463	-
NET POSITION				
Net investment in capital assets	3,186,659	1,987,090	5,173,749	(1,327,910)
Restricted	382,562	1,973,692	2,356,254	-
Unrestricted	123,530	573,157	696,687	2,339,680
Total net position	\$ 3,692,751	\$ 4,533,939	\$ 8,226,690	\$ 1,011,770

Town of Okeene, Oklahoma
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 178,607	\$ 21,935	\$ -	\$ -	\$ (156,672)
Library	69,410	-	4,432	1,070	(63,908)
Total general government	<u>248,017</u>	<u>21,935</u>	<u>4,432</u>	<u>1,070</u>	<u>(220,580)</u>
Public safety and judiciary:					
Police	215,764	14,209	-	-	(201,555)
Fire	159,890	-	11,711	-	(148,179)
Total public safety and judiciary	<u>375,654</u>	<u>14,209</u>	<u>11,711</u>	<u>-</u>	<u>(349,734)</u>
Transportation:					
Street	53,074	-	10,472	-	(42,602)
Airport	104,548	12,936	-	-	(91,612)
Total transportation	<u>157,622</u>	<u>12,936</u>	<u>10,472</u>	<u>-</u>	<u>(134,214)</u>
Cultural, parks and recreation:					
Park	16,271	-	-	-	(16,271)
Golf Course	38,226	3,380	-	-	(34,846)
Cemetery	14,736	2,600	-	-	(12,136)
Community building	8,840	-	-	-	(8,840)
Swimming Pool	99,416	7,227	-	-	(92,189)
Industrial Park	11,213	-	-	-	(11,213)
Total cultural, parks and recreation	<u>188,702</u>	<u>13,207</u>	<u>-</u>	<u>-</u>	<u>(175,495)</u>
Total governmental activities	<u>969,995</u>	<u>62,287</u>	<u>26,615</u>	<u>1,070</u>	<u>(880,023)</u>
Business-type activities:					
Utility services:					
Electric	1,769,186	2,477,875	-	-	708,689
Water	294,764	347,861	-	39,850	92,947
Sewer	162,645	212,644	-	-	49,999
Sanitation	93,251	148,615	-	-	55,364
Customer service	265,992	54,918	-	-	(211,074)
Total business-type activities	<u>2,585,838</u>	<u>3,241,913</u>	<u>-</u>	<u>39,850</u>	<u>695,925</u>
Total primary government	\$ 3,555,833	\$ 3,304,200	\$ 26,615	\$ 40,920	\$ (184,098)
Component unit					
Hospital:					
Patient services	6,703,334	5,904,223	7,650	-	(791,461)
Total component unit	<u>\$ 6,703,334</u>	<u>\$ 5,904,223</u>	<u>\$ 7,650</u>	<u>\$ -</u>	<u>\$ (791,461)</u>

Town of Okeene, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2018

Changes in Net Position:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (880,023)	\$ 695,925	\$ (184,098)	\$ (791,461)
General revenues:				
Taxes:				
Sales taxes	537,222	-	537,222	-
Use taxes	40,329	-	40,329	-
Franchise taxes	20,864	-	20,864	-
Alcoholic beverage tax	15,528	-	15,528	-
Cigarette tax	6,202	-	6,202	-
Investment income	1,407	11,250	12,657	9,146
Miscellaneous	24,468	-	24,468	364,500
Change in pension obligation	58,417	-	58,417	-
Transfers - Other governments, net	(122,042)	-	(122,042)	122,042
Transfers - Internal activity, net	265,000	(265,000)	-	-
Total general revenues and transfers	847,395	(253,750)	593,645	495,688
Change in net position	(32,628)	442,175	409,547	(295,773)
Net position - beginning	3,725,379	4,091,764	7,817,143	1,307,543
Net position - ending	\$ 3,692,751	\$ 4,533,939	\$ 8,226,690	\$ 1,011,770

Town of Okeene, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
ASSETS							
Cash	\$ 37,833	\$ 124,676	\$ 23,350	\$ 2,217	\$ 111,948	\$ 13,786	\$ 313,810
Investments, including time deposits	28,741	-	-	46,058	-	68,902	143,701
Due from other funds	1,014,081	-	-	-	717,999	150	1,732,230
Taxes receivable	67,782	-	-	-	-	-	67,782
Total assets	<u>\$ 1,148,437</u>	<u>\$ 124,676</u>	<u>\$ 23,350</u>	<u>\$ 48,275</u>	<u>\$ 829,947</u>	<u>\$ 82,838</u>	<u>\$ 2,257,523</u>
LIABILITIES							
Accounts payable	\$ 23,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,769
Due to other funds	767,055	-	-	-	819,087	125,554	1,711,696
Total liabilities	<u>790,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,087</u>	<u>125,554</u>	<u>1,735,465</u>
FUND BALANCES							
Nonspendable	247,026	-	-	-	-	-	247,026
Restricted	-	124,676	-	-	10,860	-	135,536
Committed	29,324	-	-	48,275	-	-	77,599
Assigned	-	-	23,350	-	-	-	23,350
Unassigned	81,263	-	-	-	-	(42,716)	38,547
Total fund balances	<u>\$ 357,613</u>	<u>\$ 124,676</u>	<u>\$ 23,350</u>	<u>\$ 48,275</u>	<u>\$ 10,860</u>	<u>\$ (42,716)</u>	<u>\$ 522,058</u>
Total fund balance- total governmental funds							\$ 522,058
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.							
				\$ 5,303,575			
				(2,116,916)			3,186,659
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							
				(20,198)			
				(2,268)			
				(39,824)			
				46,324			(15,966)
Net assets of governmental activities							<u>\$ 3,692,751</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2018

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
REVENUES							
Sales tax	\$ 537,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 537,222
Use tax	40,329	-	-	-	-	-	40,329
Beverage tax	15,528	-	-	-	-	-	15,528
Franchise taxes	20,864	-	-	-	-	-	20,864
Cigarette tax	6,202	-	-	-	-	-	6,202
Licenses and permits	2,485	-	-	-	-	-	2,485
Fines and forfeitures	14,209	-	-	-	-	-	14,209
Investment income	93	-	279	388	160	487	1,407
Charges for services	10,607	-	-	-	-	2,600	13,207
Rental income	19,450	-	-	-	12,936	-	32,386
Intergovernmental	11,711	10,472	-	4,432	-	-	26,615
Donations	-	-	-	1,070	-	-	1,070
Miscellaneous	23,859	-	-	609	-	-	24,468
Total revenues	<u>702,559</u>	<u>10,472</u>	<u>279</u>	<u>6,499</u>	<u>13,096</u>	<u>3,087</u>	<u>735,992</u>
EXPENDITURES							
General government:							
General government	169,621	-	-	-	-	-	169,621
Library	-	-	-	45,522	-	-	45,522
Total general government	<u>169,621</u>	<u>-</u>	<u>-</u>	<u>45,522</u>	<u>-</u>	<u>-</u>	<u>215,143</u>
Public safety and judiciary:							
Police	194,983	-	-	-	-	-	194,983
Fire	110,344	-	-	-	-	-	110,344
Total public safety and judiciary	<u>305,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,327</u>
Transportation:							
Airport	-	-	-	-	10,062	-	10,062
Street and alley	-	53,074	-	-	-	-	53,074
Total transportation	<u>-</u>	<u>53,074</u>	<u>-</u>	<u>-</u>	<u>10,062</u>	<u>-</u>	<u>63,136</u>
Cultural, parks and recreation:							
Park	16,271	-	-	-	-	-	16,271
Golf Course	36,266	-	-	-	-	-	36,266
Cemetery	-	-	-	-	-	10,986	10,986
Community Building	7,534	-	-	-	-	-	7,534
Swimming Pool	36,381	-	-	-	-	-	36,381
Industrial park	-	-	8,365	-	-	-	8,365
Total cultural, parks and recreation	<u>96,452</u>	<u>-</u>	<u>8,365</u>	<u>-</u>	<u>-</u>	<u>10,986</u>	<u>115,803</u>
Capital outlay	68,475	22,439	-	6,735	1,650	8,600	107,899
Total expenditures	<u>639,875</u>	<u>75,513</u>	<u>8,365</u>	<u>52,257</u>	<u>11,712</u>	<u>19,586</u>	<u>807,308</u>
Excess (deficiency) of revenues over expenditures	62,684	(65,041)	(8,086)	(45,758)	1,384	(16,499)	(71,316)
OTHER FINANCING SOURCES (USES)							
Transfers out to other governments	(122,042)	-	-	-	-	-	(122,042)
Transfers in	265,000	97,562	8,123	46,388	-	-	417,073
Transfers out	(152,073)	-	-	-	-	-	(152,073)
Total other financing sources and uses	<u>(9,115)</u>	<u>97,562</u>	<u>8,123</u>	<u>46,388</u>	<u>-</u>	<u>-</u>	<u>142,958</u>
Net change in fund balances	53,569	32,521	37	630	1,384	(16,499)	71,642
Fund balances - beginning	304,044	92,155	23,313	47,645	9,476	(26,217)	450,416
Fund balances - ending	<u>\$ 357,613</u>	<u>\$ 124,676</u>	<u>\$ 23,350</u>	<u>\$ 48,275</u>	<u>\$ 10,860</u>	<u>\$ (42,716)</u>	<u>\$ 522,058</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2018

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 \$ 71,642

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	107,899
Depreciation expense	(270,586)

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.

58,417

Change in Fund Balance of Governmental Activities \$ (32,628)

Town of Okeene, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2018

	<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	\$ 1,087,795	\$ 1,693,842
Investments	324,224	-
Due from other funds	57,621	-
Accounts receivable (net)	322,008	602,684
Grant receivable	39,850	-
Supplies	-	181,031
Prepaid expenses and other current assets	-	205,928
Total current assets	<u>1,831,498</u>	<u>2,683,485</u>
Restricted assets:		
Cash and cash equivalents	849,663	-
Investments	73,554	-
Total restricted assets	<u>923,217</u>	<u>-</u>
Noncurrent assets:		
Capital assets (net)	4,544,119	5,226,164
Total noncurrent assets	<u>4,544,119</u>	<u>5,226,164</u>
Total assets	<u>\$ 7,298,834</u>	<u>\$ 7,909,649</u>
DEFERRED OUTFLOWS OF RESOURCES		
Refunding costs	-	249,103
Total assets and deferred outflows of resources	<u>\$ 7,298,834</u>	<u>\$ 8,158,752</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 23,394	\$ 153,640
Accrued payables	6,670	190,164
Due to other funds	76,125	-
Notes payable, current	40,529	-
Bonds payable, current	190,000	185,551
Total current liabilities	<u>336,718</u>	<u>529,355</u>
Liabilities payable from restricted assets:		
Customer deposits payable	101,677	-
Total liabilities payable from restricted assets	<u>101,677</u>	<u>-</u>
Noncurrent liabilities:		
Notes payable, non-current	91,500	-
Bonds payable, noncurrent	2,235,000	6,617,627
Total noncurrent liabilities	<u>2,326,500</u>	<u>6,617,627</u>
Total liabilities	<u>2,764,895</u>	<u>7,146,982</u>
NET POSITION		
Net investement in capital assets	1,987,090	(1,327,910)
Restricted	923,217	-
Unrestricted	<u>1,623,632</u>	<u>2,339,680</u>
Total net position	<u>\$ 4,533,939</u>	<u>\$ 1,011,770</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2018

	<u>Business-Type Activities</u>	<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Municipal Hospital and Schallmo Authority</u>
<u>Operating revenues:</u>		
Charges for services:		
Electric charges	\$ 2,477,875	\$ -
Water charges	347,861	-
Sewer charges	212,644	-
Sanitation charges	148,615	-
Penalties	23,261	-
Net patient and service charges	-	5,619,798
Total charges for services	<u>3,210,256</u>	<u>5,619,798</u>
Miscellaneous	31,657	284,425
Total operating revenues	<u>3,241,913</u>	<u>5,904,223</u>
<u>Operating expenses:</u>		
Cost of goods sold	1,480,502	-
Personal services	316,359	3,248,543
Materials and supplies	244,560	698,341
Other services and charges	260,360	1,895,584
Depreciation and amortization	203,565	483,034
Total operating expenses	<u>2,505,346</u>	<u>6,325,502</u>
Net operating income	\$ 736,567	(421,279)
<u>Nonoperating revenue (expense):</u>		
Investment income	11,250	9,146
Interest expense	(80,492)	(377,832)
Loss on disposal of capital assets	-	364,500
Noncapital and grant contributions	39,850	7,650
Total nonoperating revenue (expense)	<u>(29,392)</u>	<u>3,464</u>
Net income before contributions and transfers	707,175	(417,815)
Transfers from other funds	-	122,042
Transfers to other funds, net	<u>(265,000)</u>	<u>-</u>
Change in net position	442,175	(295,773)
Net position - beginning of year	4,091,764	1,307,543
Net position-end of year	<u>\$ 4,533,939</u>	<u>\$ 1,011,770</u>

Town of Okeene, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	<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	\$ 3,125,468	\$ 6,170,781
Payments to suppliers	(1,998,263)	(2,661,281)
Payments to employees	(316,359)	(3,257,550)
Other operating revenues	31,657	284,424
Net cash provided (used) by operating activities	<u>842,503</u>	<u>536,374</u>
<u>Cash flows from non-capital financing activities:</u>		
Noncapital contributions	(203,271)	7,650
Transfers from other funds	-	-
Transfers to other funds	(265,000)	122,042
Net cash provided (used) by non-capital financing activities	<u>(468,271)</u>	<u>129,692</u>
<u>Cash flows from capital and related financing activities:</u>		
Purchase of capital assets	(101,264)	(706,813)
Sale of capital assets	-	368,568
Issuance of debt	-	-
Principal paid on capital debt	(224,951)	(170,947)
Interest paid on capital debt	(80,492)	(366,756)
Net cash provided (used) by capital and related financing activities	<u>(406,707)</u>	<u>(875,948)</u>
<u>Cash flows from investing activities:</u>		
Investment income	11,250	9,147
Net cash provided (used) by investing activities	<u>11,250</u>	<u>9,147</u>
Net increase (decrease) in cash and cash equivalents	(21,225)	(200,735)
Cash and cash equivalents, beginning of the year	<u>2,032,237</u>	<u>1,894,577</u>
Cash & cash equivalents, end of the year	<u>\$ 2,011,012</u>	<u>\$ 1,693,842</u>
Cash, including time deposits	\$ 1,087,795	\$ 1,693,842
Restricted cash, including time deposits	923,217	-
Total cash and cash equivalents, end of year	<u>\$ 2,011,012</u>	<u>\$ 1,693,842</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>		
Operating income (loss)	\$ 736,567	\$ (421,280)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	203,565	483,034
Non-operating revenue (expense)		583,604
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(44,938)	(32,621)
(Increase) decrease in grants receivable	(39,850)	-
(Increase) decrease in supplies	-	(50,668)
Increase (decrease) in accounts payable	(11,336)	(25,695)
Increase (decrease) in deposits subject to refund	(1,505)	-
Total adjustments	<u>105,936</u>	<u>957,654</u>
Net cash provided (used) by operating activities	<u>\$ 842,503</u>	<u>\$ 536,374</u>

Town of Okeene, Oklahoma
Statement of Net Position
Fiduciary Fund
June 30, 2018

	<u>Charitable Trust Fund</u>
ASSETS	
Cash, including time deposits	\$ 13,302
Investments	<u>214,045</u>
Total assets	<u><u>227,347</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>225,317</u>
Total net position	<u>225,317</u>
Total liabilities and net position	<u><u>\$ 227,347</u></u>

Town of Okeene, Oklahoma
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Charitable Trust Fund
<u>REVENUES</u>	
Investment income	\$ 30
Unrealized gains on investments	11,224
Total revenues	11,254
 <u>EXPENDITURES</u>	
Charitable trust	2,800
Total charitable trust	2,800
 Net change in net position	 8,454
 Net position - beginning	 216,863
Net position - ending	\$ 225,317

(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 which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Okeene.

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

Blended Component Units Reported with Primary Government

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

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

Discretely Presented Component Unit:

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

Fiduciary Component Unit

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

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net 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:

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 Town 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 Town. 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 Town reports deferred charge on net pension obligations for the retirement plans of the Town. 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 a deficit in the Cemetery fund for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2018, 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	\$ 143,701	\$ 143,701	N/A	186
Total investments	<u>143,701</u>	<u>143,701</u>		
Total governmental investments	<u>\$ 143,701</u>	<u>\$ 143,701</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 28,714
Investments, restricted	<u>114,987</u>
Total governmental investments	<u>\$ 143,701</u>

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 397,778	\$ 397,778	N/A	198
Total investments	<u>397,778</u>	<u>397,778</u>		
Total business-type investments	<u>\$ 397,778</u>	<u>\$ 397,778</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 324,224
Investments, restricted	<u>73,554</u>
Total governmental investments	<u>\$ 397,778</u>

(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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2018 follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Land	\$ 2,100	\$ -	\$ -	\$ 2,100
Construction in process	-	-	-	-
Buildings & structures	693,502	-	-	693,502
Machinery, furniture, & equipment	1,400,305	83,801	-	1,484,106
Improvements other than land	3,099,769	24,098	-	3,123,867
Total	5,195,676	107,899	-	5,303,575
Less accumulated depreciation	1,846,330	270,586	-	2,116,916
Fixed assets, net	\$ 3,349,346	\$ (162,687)	\$ -	\$ 3,186,659

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2018 follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Okeene Public Works Authority				
Land	\$ 267,250	\$ -	\$ -	\$ 267,250
Machinery, furniture, & equipment	610,952	91,094	-	702,046
Electric system	1,509,293	-	-	1,509,293
Sewer system	1,367,681	4,770	-	1,372,451
Water system	1,316,958	5,400	-	1,322,358
Construction in process	1,167,073	-	-	1,167,073
Total	6,239,207	101,264	-	6,340,471
Less accumulated depreciation	1,830,117	203,565	-	2,033,682
Fixed assets, net	\$ 4,409,090	\$ (102,301)	\$ -	\$ 4,306,789

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

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

Depreciation expense charges to governmental activities:

General government	\$	12,736
Public safety & judiciary		70,327
Transportation		94,486
Cultural, parks & recreation		93,037
Total governmental activities depreciation expense	<u>\$</u>	<u>270,586</u>

Depreciation expense charges to business-type activities:

Electric	\$	95,592
Water		31,415
Customer service		3,883
Sewer		72,675
Total business-type activities depreciation expense	<u>\$</u>	<u>203,565</u>

C. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2018:

NOTE PAYABLE

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.	\$70,673
Note payable to State Guaranty Bank in the original amount of \$90,000 for the purchase of a motor grader in the water department. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 0.71% at June 30, 2017.	61,356
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.	745,000
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.	1,680,000
	<u>\$2,557,029</u>

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

<u>Type of Debt</u>	<u>Balance at July 1, 2017</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2018</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Notes Payable</i>					
OWRB #2 note payable	\$ 93,273	\$ -	\$ 22,602	\$ 70,671	\$ 22,704
Motor Grader - SGB	78,705	-	17,349	61,356	17,825
<i>Total notes payable</i>	171,978	-	39,951	132,027	40,529
<i>Bonds Payable</i>					
2007 Series Revenue Bonds	890,000	-	145,000	745,000	150,000
2016 Series Revenue Bonds	1,720,000	-	40,000	1,680,000	40,000
<i>Total bonds payable</i>	2,610,000	-	185,000	2,425,000	190,000
Total business-type activities	\$ 2,781,978	\$ -	\$ 224,951	\$ 2,557,027	\$ 230,529
Total primary government debt	\$ 2,781,978	\$ -	\$ 224,951	\$ 2,557,027	\$ 230,529

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2018 follow:

<u>Year Ending June 30</u>	<u>Business-Type Notes Payable</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 40,529	\$ 3,220	\$ 190,000	\$ 68,581
2020	41,105	2,161	200,000	61,446
2021	41,713	1,040	210,000	53,905
2022	8,680	92	240,000	45,938
2023	-	-	250,000	36,598
2024-2028	-	-	1,335,000	89,386
Totals	\$ 132,027	\$ 6,513	\$ 2,425,000	\$ 355,854

E. INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Receivable from/Payable to</u>	<u>Due From</u>	<u>Due To</u>
GENERAL FUND:		
Okeene Airport Fund	\$ 812,431	\$ 717,999
Cemetery Fund	125,525	150
Okeene Public Works Authority	76,125	48,906
OKEENE AIRPORT FUND:		
General Fund	717,999	812,431
Okeene Public Works Authority	-	6,656
CEMETARY FUND:		
General Fund	150	125,525
Okeene Public Works Authority	-	29
ENTERPRISE FUND: Public Works Authority		
General Fund	48,906	76,125
Okeene Airport Fund	6,656	-
Cemetery Fund	29	-
Municipal Charitable Trust (fiduciary fund)	2,030	-
FIDUCIARY FUND: Municipal Charitable Trust		
Okeene Public Works Authority	-	2,030
Grand Total	\$ 1,789,851	\$ 1,789,851

<u>Operating Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND:		
Street & Alley	\$ 30,498	\$ -
Okeene Public Works Authority	265,000	-
STREET & ALLEY FUND:		
General Fund	-	30,498
ENTERPRISE FUND: Public Works Authority		
General Fund	-	265,000
Grand Total	\$ 295,498	\$ 295,498

(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

The Oklahoma Municipal Retirement Fund Employee Retirement System of Okeene, Oklahoma (the Plan) is a defined benefit retirement plan covering Town employees not covered by other plans. The Town contributes to the OMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The OMRF plan issues a separate financial report and can be obtained from OMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the Town Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies

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 plan and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by OMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

TOWN OF OKEENE, OKLAHOMA
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Investments are reported at fair value based on published market prices. Detailed information about the OMRP plans' fiduciary net position is available in the separately issued OMRF financial report.

Eligibility Factors and Benefit Provisions

Provision	July 1, 2017 through June 30, 2018
Eligibility	All regular, full-time employees except police, firefighters, and other employees who are covered under an approved system.
Probationary period	None
Employee Contributions	3.6% of pay
Service:	
Credited service	The last period of continuous employment with the employer
Vesting	Credited service plus transferred service from other OMRF employers.
Benefit eligibility	7 or more years of service
Final average compensation	Average of 5 highest consecutive years of salaries out of the last 10 years of service
Accrued benefit	Plan AAA 3% of final average compensation multiplied by the number of years of credited service.
Normal retirement age	Age 65 with 7 or more years of vesting service
Normal retirement	
Eligibility	Termination of employment on or after normal retirement age.
Benefit	The accrued benefit payable immediately.
Early retirement	
Eligibility	Termination after age 55 with 7 or more years of vesting service
Benefit	The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced by 5% per year for commencement prior to normal retirement age.
Disability Retirement	
Eligibility	Total and permanent disability after 7 or more years of service
Benefit	The accrued benefit payable upon disablement without reduction for early payment.
Termination Before Retirement Age	
Before vesting	Return of employee contributions, if any, with interest.
After vesting	The accrued benefit payable starting at normal retirement age, or a reduced benefit payable at an early retirement age
In-service Death	
Before vesting	Return of employee contributions, if any, with interest.
After vesting (married participants only)	50% of the accrued benefit is payable to the spouse until death or remarriage
After vesting (other participants)	50% of the accrued benefit is payable for 5 years certain
Payment options	
Normal form	Monthly lifetime annuity with 5 years certain
Optional forms	Disability retirement benefits paid under normal form. Actuarially equivalent optional forms: Joint & 50% survivor annuity Joint & 66 2/3rds% last survivor annuity

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 7/1/2016	\$ 985,200	\$ 922,092	\$ 63,108
Changes for the year:			
Service cost	36,004	-	36,004
Interest	75,071	-	75,071
Differences between expected and actual experience	(41,664)	-	(41,664)
Assumption changes	34,033	-	34,033
Contributions - employer	-	24,058	(24,058)
Contributions - employee	-	10,262	(10,262)
Net investment income	-	114,029	(114,029)
Benefit payments, including refunds of employee contributions	(33,704)	(33,704)	-
Administrative expense	-	(1,995)	1,995
Other changes	-	-	-
Net changes	<u>69,740</u>	<u>112,650</u>	<u>(42,910)</u>
Balances at 7/1/2017	<u>\$ 1,054,940</u>	<u>\$ 1,034,742</u>	<u>\$ 20,198</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%)
Total Pension Liability	\$ 1,186,735	\$ 1,054,940	\$ 943,464
Plan Fiduciary Net Position	1,034,742	1,034,742	1,034,742
Net Pension Liability	<u>\$ 151,993</u>	<u>\$ 20,198</u>	<u>\$ (91,278)</u>

For the year ended June 30, 2018, the Town recognized pension expense of \$23,778. At June 30, 2018, 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	\$ 14,514	\$ 56,887
Changes of assumptions	26,586	-
Net difference between projected and actual earnings on pension plan investments	55,143	45,819
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	29,738	-
Total	<u>\$ 125,981</u>	<u>\$ 102,706</u>

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

Year ended June 30:

2019	\$	22,119
2020		4,104
2021		6,476
2022		(9,424)
2023		-

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. OPPRS issues a publically available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits Provided

The OPPRS provides retirement, death, and disability benefits to plan members and beneficiaries. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in Lieu of having their accumulated contributions refunded. If the vested balance is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employments continued uninterrupted, whichever is first.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service, this disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

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 \$13,000 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$2,268 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of June 30, 2017, 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, 2018, the Town's proportion was 0.000295 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$13,852. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF OKEENE, OKLAHOMA
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 114	\$ 13,712
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	44,279	27,386
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	13,000	-
Total	\$ 57,393	\$ 41,098

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

Year ended June 30:

	2019	\$	12,457
	2020		8,341
	2021		3,870
	2022		(6,812)
	2023		(1,559)

Actuarial assumptions: The total pension liability in the June 30, 2018 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.

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.

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)	76,655	2,268	(60,563)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPPRS 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 \$2,544 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$39,824 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of June 30, 2016, 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, 2018, the Town's proportion was 0.003166 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$4,402. At June 30, 2018, 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	\$ 5,320	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	3,549	4,659
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Town contributions subsequent to the measurement date	2,544	-
Total	\$ 11,413	\$ 4,659

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:

2019	\$	2,854
2020		1,542
2021		1,154
2022		112
2023		1,092

Actuarial assumptions: The total pension liability in the June 30, 2018 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.

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.

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	52,237	39,824	29,296

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPRRS 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, 2018 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 borrowed 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 Town for a 7 year period at 3.5% interest until the equipment is paid in full.

(6) CHANGE TO ISSUED AUDIT REPORT

Revisions to the audited financial statements on page 14 have been made. Deferred outflows on pension obligation has been corrected to \$46,324, total long-term liabilities corrected to (\$15,966), and reconciliation to net assets of governmental activities has been corrected to \$3,692,751. The original deferred outflows was incorrectly stated due to error.

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, 2018

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 415,214	\$ 100,000	\$ 515,214	\$ 537,222	\$ 22,008
Use tax	29,934	-	29,934	40,329	10,395
Beverage tax	14,471	-	14,471	15,528	1,057
Franchise taxes	16,392	4,250	20,642	20,864	222
Fines and forfeitures	17,000	(3,320)	13,680	14,209	529
Investment income	300	-	300	93	(207)
Charges for services	12,700	24,276	36,976	32,542	(4,434)
Intergovernmental	9,312	-	9,312	11,711	2,399
Miscellaneous	13,230	(4,930)	8,300	23,859	15,559
Total revenues before carryover	<u>528,553</u>	<u>120,276</u>	<u>648,829</u>	<u>696,357</u>	<u>47,528</u>
EXPENDITURES					
General government:					
General government	179,500	18,500	198,000	175,521	22,479
Public safety and judiciary:					
Police	281,380	(5,600)	275,780	230,891	44,889
Fire	132,300	-	132,300	119,737	12,563
Total public safety and judiciary	<u>413,680</u>	<u>(5,600)</u>	<u>408,080</u>	<u>350,628</u>	<u>57,452</u>
Cultural, parks and recreation:					
Park	29,000	-	29,000	16,271	12,729
Golf Course	52,000	6,500	58,500	42,766	15,734
Community Building	5,650	2,500	8,150	7,534	616
Swimming Pool	37,750	-	37,750	36,381	1,369
Industrial Park and Economic Development	26,000	-	26,000	-	26,000
Total cultural, parks and recreation	<u>150,400</u>	<u>9,000</u>	<u>159,400</u>	<u>102,952</u>	<u>56,448</u>
Total expenditures	<u>743,580</u>	<u>21,900</u>	<u>765,480</u>	<u>629,101</u>	<u>136,379</u>
Revenue over (under) expenditures	(215,027)	98,376	(116,651)	67,256	183,907
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	164,046	(45,000)	119,046	(9,115)	(128,161)
Net other financing sources (uses)	<u>164,046</u>	<u>(45,000)</u>	<u>119,046</u>	<u>(9,115)</u>	<u>(128,161)</u>
Revenues and other financing sources over (under) expenditures and other uses	(50,981)	53,376	2,395	58,141	55,746
Fund balance at beginning of year (Non-GAAP budgetary basis)				417,068	417,068
Less budgeted carryover (1)	-				
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 475,209</u>	<u>\$ 472,814</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(19,638)	
Expenditure and transfer accruals				(97,958)	
Fund balance at end of year (GAAP basis)				<u>\$ 357,613</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, 2018

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>
Town's portion of the net pension liability (asset)	0.0109%	0.0113%	0.0210%	0.0295%
Town's proportionate share of the net pension liability (asset)	\$ (3,667)	\$ 459	\$ 32,109	\$ 2,268
Town's covered-employee payroll	\$ 93,340	\$ 98,038	\$ 103,173	\$ 110,341
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4%	0%	31%	2%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.00%	99.98%	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>	<u>2017*</u>	<u>2018*</u>
Contractually required contribution	\$ 3,960	\$ 4,137	\$ 8,038	\$ 8,000
Contributions in relation to the contractually required contribution	<u>(3,960)</u>	<u>(4,137)</u>	<u>(8,038)</u>	<u>(8,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 93,340	\$ 98,038	\$ 103,173	\$ 110,341
Contributions as a percentage of covered-employee payroll	4.24%	4.22%	7.79%	7.25%

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, 2018

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>
Town's portion of the net pension liability (asset)	0.0040%	0.0036%	0.0038%	0.0032%
Town's proportionate share of the net pension liability (asset)	\$ 41,272	\$ 38,293	\$ 46,796	\$ 39,824
Town's covered-employee payroll	\$ 14,958	\$ 14,933	\$ 17,084	\$ 42,120
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	276%	256%	274%	95%
Plan fiduciary net position as a percentage of the total pension liability	68.01%	100.00%	100.00%	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>	<u>2017*</u>	<u>2018*</u>
Contractually required contribution	\$ 1,500	\$ 1,380	\$ 1,500	\$ 2,544
Contributions in relation to the contractually required contribution	<u>(1,500)</u>	<u>(1,380)</u>	<u>(1,500)</u>	<u>(2,544)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 14,958	\$ 14,933	\$ 17,084	\$ 42,120
Contributions as a percentage of covered-employee payroll	10.03%	9.24%	8.78%	6.04%

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

	2015*	2016*	2017*	2018*
Total pension liability				
Service cost	\$ 32,261	\$ 34,761	\$ 22,121	\$ 36,004
Interest	62,712	66,885	68,604	75,071
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	(60,667)	24,154	(41,664)
Changes in assumptions	-	-	-	34,033
Benefit payments, including refunds of employee contributions	(8,971)	(8,743)	(29,243)	(33,704)
Net change in total pension liability	\$ 86,002	\$ 32,236	\$ 85,636	\$ 69,740
Total pension liability - beginning	781,326	867,328	899,564	985,200
Total pension liability - ending (a)	\$ 867,328	\$ 899,564	\$ 985,200	\$ 1,054,940
Plan fiduciary net position				
Contributions - employer	22,992	31,264	27,541	24,058
Contributions - employee	11,051	11,166	10,159	10,262
Net investment income	118,197	24,447	8,423	114,029
Benefit payments, including refunds of employee contributions	(8,971)	(8,743)	(29,243)	(33,704)
Administrative expense	(1,753)	(1,797)	(1,801)	(1,995)
Other	-	-	-	-
Net change in plan fiduciary net position	141,516	56,337	15,079	112,650
Plan fiduciary net position - beginning	709,160	850,676	907,013	922,092
Plan fiduciary net position - ending (b)	\$ 850,676	\$ 907,013	\$ 922,092	\$ 1,034,742
Town's net pension liability - ending (a) - (b)	\$ 16,652	\$ (7,449)	\$ 63,108	\$ 20,198
Plan fiduciary net position as a percentage of the total pension liability	98.08%	100.83%	93.59%	98.09%
Covered-employee payroll	\$ 306,970	\$ 194,388	\$ 280,786	\$ 265,839
Town's net pension liability as a percentage of covered-employee payroll	5.42%	-3.83%	22.48%	7.60%

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, 2018

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>
Town's portion of the net pension liability (asset)	0.1792%	0.1857%	0.1889%	0.1908%
Town's proportionate share of the net pension liability (asset)	\$ 16,652	\$ (7,449)	\$ 63,108	\$ 20,198
Town's covered-employee payroll	\$ 306,970	\$ 194,388	\$ 280,786	\$ 265,839
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-empl	5.42%	-3.83%	22.48%	7.60%
Plan fiduciary net position as a percentage of the total pension liability	98.04%	100.82%	93.16%	98.05%

* 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>2016*</u>	<u>2017*</u>	<u>2018*</u>
Actuarially determined contribution	\$ 14,175	\$ 31,264	\$ 27,541	\$ 29,738
Contributions in relation to the actuarially determined contribution	<u>(14,175)</u>	<u>(31,264)</u>	<u>(27,541)</u>	<u>(29,738)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 306,970	\$ 194,388	\$ 280,786	\$ 265,839
Contributions as a percentage of covered-employee payroll	4.62%	16.08%	9.81%	11.19%



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, each major fund, and the aggregate remaining fund information of the Town of Okeene, Oklahoma, as of and for the year ended June 30, 2018, 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 December 10, 2018. Our report includes a reference to other auditors who audited the financial statements of Municipal Hospital and Schallmo Authority, as described in our report on the Town Of Okeene, Oklahoma's financial statements. This report does not include the results of the other auditor's 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.

FSW&B CPA'S- PLLC

FSW&B CPAs-PLLC

Woodward, Oklahoma

December 10, 2018