

TOWN OF OLUSTEE
Financial Statements
as of and for the twelve months ended
June 30, 2015

David O. Tate
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Mangum, Oklahoma 73554

Town of Olustee
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June 30, 2015

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David O. Tate

Certified Public Accountant
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Mangum, Oklahoma 73554

Independent Auditor's Report

The governing body of the Town of Olustee

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditor's responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Olustee as of June 30, 2015, and 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

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated April 27, 2016, on my consideration of the Town of Olustee, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance with 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 Olustee, Oklahoma's internal control over financial reporting and compliance.



Certified Public Accountant
April 27, 2016

Town of Olustee, Oklahoma
Statement of Net Position
June 30, 2015

Primary Government				
	Governmental activities	Business-type activities	Total	
Assets				
Cash and cash equivalents:				
Unrestricted	36,624	138,775	175,399	
Restricted		44,606	44,606	
Short-term investments:				
Unrestricted	47,077	228,326	275,403	
Restricted		26,908	26,908	
Accounts receivable (net of allowance for uncollectible accounts)	65	69,712	69,777	
Capital assets:				
Property and equipment, net of accumulated depreciation	229,962	671,380	901,342	
Total assets	313,728	1,179,707	1,493,435	
Liabilities				
Current liabilities:				
Accounts payable	2,523	126	2,649	
Notes payable-current portion		22,271	22,271	
Accrued interest payable		-	-	
Total current liabilities	2,523	22,397	24,920	
Long-term liabilities:				
Notes payable		120,598	120,598	
Refundable deposits		44,606	44,606	
Total long-term liabilities	-	165,204	165,204	
Total liabilities	2,523	187,601	190,124	
Net position				
Net investment in capital assets	229,962	528,511	758,473	
Restricted for:				
Debt service reserve		26,908	26,908	
Customer deposits		44,606	44,606	
Unrestricted	81,243	392,081	473,324	
Total net position	311,205	992,106	1,303,311	
Total liabilities and net position	313,728	1,179,707	1,493,435	
See the accompanying notes to the basic financial statements				

Town of Olustee, Oklahoma
Statement of Activities and Changes in Net Position
For the twelve months ended June 30, 2015

Functions/programs	Expenses	Program revenues	Net (expense) revenue and changes in net assets			Total	
			Charges for services	Operating grants	Governmental activities		Business-type activities
Primary government							
Governmental activities							
Public safety	81,025	1,583	94,475	15,033		15,033	
General government	113,014	1,515		(111,499)		(111,499)	
Total governmental activities	194,039	3,098	94,475	(96,466)		(96,466)	
Business-type activities							
Utility services	517,379	638,448	-		121,069	121,069	
Total business-type activities	517,379	638,448	-		121,069	121,069	
Total primary government	711,418	641,546	94,475	(96,466)	121,069	24,603	
General revenues							
Taxes:							
				2,746		2,746	
				3,558		3,558	
				7,055		7,055	
				1,212		1,212	
				84		84	
				1,420		1,420	
				3,023		3,023	
				14,444		14,444	
				1,744	635	2,379	
				6,875	125	7,000	
				23,217	(23,217)	-	
				65,378	(22,457)	42,921	
					(31,088)	98,612	67,524
					342,293	893,494	1,235,787
					311,205	992,106	1,303,311
See the accompanying notes to the basic financial statements							

Town of Olustee, Oklahoma
 Balance Sheet
 Governmental Funds
 June 30, 2015

	General fund	Other governmental funds	Total
Assets			
Cash and cash equivalents	34,274	2,350	36,624
Short-term investments	47,077		47,077
Accounts receivable	65		65
Total assets	81,416	2,350	83,766
Liabilities and Fund Balances			
Liabilities:			
Current liabilities:			
Accounts payable	2,523		2,523
Total liabilities	2,523	-	2,523
Fund balances:			
Unassigned	78,893	2,350	81,243
Total fund balance	78,893	2,350	81,243
Total liabilities and fund balance	81,416	2,350	83,766
Reconciliation to Statement of Net Position:			
Amounts reported for governmental activities in the statement of net position are different because:			
Amounts withheld from employees but not paid			
Capital assets used in governmental activities of \$717,421 net of accumulated depreciation of \$487,459 are not financial resources and, therefore are not reported in the funds			
			229,962
Net position of governmental activities			311,205
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the twelve months ended June 30, 2015

	General fund	Other governmental funds	Total
Revenues:			
Taxes:			
Alcoholic beverage	2,746		2,746
Franchise	3,558		3,558
Sales	7,055		7,055
Use	1,212		1,212
Tobacco trust fund	84		84
Gasoline excise		1,420	1,420
Motor vehicle		3,023	3,023
Intergovernmental grants/contributions	94,475		94,475
Charges for services	1,515		1,515
Investment income	1,737	7	1,744
Municipal fines	1,583		1,583
Public safety fees	14,444		14,444
Other	6,701	174	6,875
Total revenues	135,111	4,624	139,735
Expenditures:			
General government			
Personal services	76,620		76,620
Maintenance/operation	85,932	4,553	90,484
Capital outlay	93,950		93,950
Total expenditures	256,502	4,553	261,054
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(121,390)	71	(121,319)
Other financing sources and uses:			
Interest expense			-
Operating transfers in	23,216	-	23,216
Operating transfers (out)	-	-	-
Total other financing sources (uses)	23,216	-	23,216
Excess (deficiency) of revenues over expenditures and changes in net position	(98,174)	71	(98,103)
Fund balances, July 1, 2014	179,590	2,279	181,869
Fund balances, June 30, 2015	81,416	2,350	83,766
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Statement of Net Position
Proprietary Fund
June 30, 2015

	Olustee Public Works Authority	Airfield	Total
Enterprise funds			
Assets			
Current assets			
Cash and cash equivalents:			
Unrestricted	106,058	32,717	138,775
Restricted	44,606		44,606
Short-term investments:			
Unrestricted	197,902	30,424	228,326
Restricted	26,908		26,908
Accounts receivable (net of allowance for uncollecti	69,712		69,712
Total current assets	445,186	63,140	508,326
Noncurrent assets			
Property and equipment net of accumulated deprec	671,380		671,380
Total noncurrent assets	671,380		671,380
Total assets	1,116,566	63,140	1,179,706
Liabilities			
Current liabilities			
Accounts payable	126		126
Notes payable-current portion	22,271		22,271
Accrued interest payable	-		-
Total current liabilities	22,397		22,397
Noncurrent liabilities			
Refundable deposits	44,606		44,606
Notes payable-noncurrent portion	120,598		120,598
Total noncurrent liabilities	165,204	-	165,204
Total liabilities	187,601	-	187,601
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Statement of Net Position
Proprietary Fund
June 30, 2015

	Olustee Public Works Authority	Airfield	Total
	Enterprise funds		
Net position			
Net investment in capital assets	528,511	-	528,511
Restricted:			
Debt service reserve	26,908		26,908
Customer deposits	44,606		44,606
Unrestricted	328,940	63,140	392,080
Total net position	928,965	63,140	992,105
Total liabilities and net position	1,116,566	63,140	1,179,706

See the accompanying notes to the basic financial statements

Town of Olustee, Oklahoma					
Statement of Revenues, Expenses, and Changes in Net Position					
Proprietary Fund					
For the twelve months ended June 30, 2015					
			Olustee Public Works Authority	Airfield	Total
Operating revenues:			Enterprise funds		
Utility services			599,670		599,670
Penalties			6,973		6,973
Gross revenue from operations			606,643	-	606,643
Cost of utility services			265,683		265,683
Net revenues from utility services			340,960	-	340,960
Rent				31,805	31,805
Other income/revenues			125		125
Net operating revenue			341,084	31,805	372,890
Operating expenses:					
Repairs/maintenance			152,600	3,084	155,684
Depreciation			39,546		39,546
Salaries/wages			82,015		82,015
Bad debts			(33,272)		(33,272)
Other					-
Total operating expenses			240,889	3,084	243,973
Net operating income (loss)			100,195	28,722	128,917
Non-operating revenues (expenses):					
Intergovernmental revenues			-		-
Investment income			635		635
Interest expense			(7,723)		(7,723)
Operating transfers in (out)				(23,217)	(23,217)
Total non-operating revenues (expenses)			(7,088)	(23,217)	(30,305)
Change in net position			93,107	5,505	98,612
Net position, July 1, 2014			835,858	57,635	893,493
Net position, June 30, 2015			928,965	63,140	992,105
See the accompanying notes to the basic financial statements					

Town of Olustee, Oklahoma
Statement of Cash Flows
Proprietary Fund
For the twelve months ended June 30, 2015

	Olustee Public Works Authority	Airfield	Total
	Enterprise funds		
Cash flows from operating activities			
Receipts from customers	638,510	31,805	670,315
Payments to suppliers	(420,247)	(3,084)	(423,331)
Payments to employees	(82,015)		(82,015)
Receipts (refunds) of customer utility deposits	931		931
Net cash provided by operating activities	137,179	28,721	165,900
Cash flows from capital and related financing activities			
Intergovernmental revenues			-
Net operating transfers in (out)		(23,217)	(23,217)
Principal paid on capital debt	(21,185)		(21,185)
Acquisition of property and equipment	-		-
Interest paid on capital debt	(8,375)		(8,375)
Net cash used in capital and related financing activities	(29,560)	(23,217)	(52,777)
Cash flows from investing activities:			
Interest earned	635	3	638
Net cash flows provided by investing activities	635	3	638
Net increase (decrease) in cash and cash equivalents	108,254	5,507	113,761
Balance, July 1, 2014	267,220	57,634	324,854
Balance, June 30, 2015	375,474	63,141	438,615
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

1. The financial reporting entity.

In determining the financial reporting entity, the Town of Olustee complies with the provisions of Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity" as amended by Governmental Accounting Standards Board Statement 61 and includes all component units for which the Town of Olustee is financially accountable.

The Town of Olustee's financial reporting entity includes the primary government (Town of Olustee) and blended component units (Olustee Public Works Authority and Airfield).

The Town of Olustee operates the public safety, streets and highways, parks and recreation, and administrative activities.

The Town of Olustee is located in Jackson County, Oklahoma with a population (according to the 2010 census conducted by the U. S. Census Bureau) of 607. The Town is governed by a five member council elected by the citizens of the Town of Olustee.

Olustee Public Works Authority – Accounts for the operation of the electric, water, sewer, and sanitation activities and collects the public safety fee for the Town of Olustee.

Airfield – Accounts for the activities in connection with the rental and maintenance of the airfield.

The Olustee Public Works Authority and the Airfield is governed by the same members as the council of the Town of Olustee. As such, the Town is able to impose its will on The Olustee Public Works Authority and the Airfield through required approval of all debt obligations issued by this unit.

The component unit (The Olustee Public Works Authority) is a public trust established pursuant to Title 60 of Oklahoma Statutes. Public Trusts have no taxing power. These trusts are usually created to finance services through the issuance of revenue bonds or other non-general obligation debt. These trusts generally retain title to assets which are acquired or constructed with trust debt or other trust generated resources. The Town of Olustee, as beneficiary of the trust, receives title to any residual assets when a public trust is dissolved.

2. Basis of presentation and accounting.

Government-Wide Financial Statements

The statement of net position and revenues, expenses, and changes in net position is reported on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

2. Basis of presentation and accounting (continued).

Government-Wide Financial Statements (continued)

Program revenues within the statement of revenues, expenses, and changes in net position are derived directly from each activity or from parties outside the Town of Olustee's taxpayers. The Town of Olustee has the following program revenues in each activity:

General government – Rentals of facilities, operating grants, capital grants, and public safety fees collected for the Town of Olustee by the Olustee Public Works Authority.

Streets and highways – Commercial vehicle tax and gasoline excise tax shared by the State of Oklahoma

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental funds

The Town of Olustee's governmental funds are comprised of the following:

Major fund

General fund – Accounts for all activities not accounted for in other special-purpose funds.

Non-major fund (reported as other governmental funds)

Street and alley fund – Accounts for amounts shared by the State of Oklahoma of commercial vehicle taxes and gasoline excise taxes restricted for maintenance of streets, highways and alleys.

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The Town of Olustee defines revenue availability as collected within sixty (60) days of year end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

2. Basis of presentation and accounting (continued).

Proprietary funds

When the Town of Olustee charges customers for the services it provides, revenues and expenses from these services are generally reported in proprietary funds. Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The Town of Olustee's enterprise funds are the Olustee Public Works Authority and the Airfield.

The Town of Olustee's proprietary funds are comprised of the following:

Major funds

Olustee Public Works Authority – Accounts for the operation of the electric, water, sewer, and sanitation activities and collects the public safety fee for the Town of Olustee.

Airfield – Accounts for the activities in connection with the rental and maintenance of the airfield.

For purposes of the statement of revenues, expenses, and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

3. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and certain assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

5. Cash, cash equivalents, deposits, and investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be return to it. The Town of Olustee is governed by the State Public Deposit Act which requires that the town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust department or agent, but not in the government's name.

As of June 30, 2015, the Town of Olustee was not exposed to custodial credit risk as defined above.

Investment credit risk

The Town of Olustee's investments are limited to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitations, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in paragraphs a, b, c, and d.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

5. Cash, cash equivalents, deposits, and investments (continued)

Restricted cash and cash equivalents

The amounts reported as restricted cash and cash equivalents on the statement of net position are comprised of amounts required to be held in reserve by debt covenants or deposits held for others.

The amount placed in a reserve account required by a debt covenant with the U. S. Department of Agriculture is \$29,608. Amounts held as utility deposits of customers are \$44,606.

6. Accounts receivable

Accounts receivable of the business-type activities consists of customers utilities services provided and billed, due at year end, reported net of allowance for uncollectible amounts. The amount due from customers is \$87,573 and the allowance for uncollectible amounts is estimated to be \$17,860 which management feels is adequate.

7. Capital assets

Capital assets consist of land, land improvement, construction in progress, building and building improvements, machinery and equipment and furniture and fixtures. A capitalization threshold of \$2,500 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets such as streets, bridges, drainage systems and traffic signal systems were not capitalized. Infrastructure assets acquired since that date are recorded at cost. If donated capital assets are received, they are recorded at their fair value at the date of donation.

Property, plant, and equipment of the primary government as well as the component units are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Automotive equipment	10 years
Machinery and equipment	10 years
Infrastructure	50 years
Data processing equipment	7 years

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

7. Capital assets (continued)

The changes in capital assets are summarized below:

	Beginning balance July 1, 2014	Additions	Deductions	Ending balance June 30, 2015
Governmental activities:				
Equipment	623,471	93,950		717,421
Total capital assets at historical cost	623,471	93,950	-	717,421
Less accumulated depreciation for:				
Equipment	(460,524)	(26,935)		(487,459)
Governmental activities capital assets	162,947	67,015	-	229,962
Business type activities:				
Buildings	78,000			78,000
Water, sewer, electrical systems	1,255,714			1,255,714
Total other capital assets at historical cost	1,333,714	-	-	1,333,714
Less accumulated depreciation for:				
Water, sewer, electrical systems	(622,788)	(39,546)		(662,334)
Total accumulated depreciation	(622,788)	(39,546)	-	(662,334)
Business type activities capital assets	710,926	(39,546)	-	671,380

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefitting from the use of the specific asset. Depreciation expense of \$26,935 has been charged to governmental activities and \$39,546 has been charged to business-type activities for the year ended June 30, 2015.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

8. Debt service requirements

		U. S. Department of Agriculture				
		Principal	Interest	Total		
	2015-2016	22,271	6,637	28,908		
	2016-2017	23,370	5,498	28,867		
	2017-2018	10,078	4,552	14,629		
	2018-2019	5,573	4,231	9,804		
	2019-2020	5,858	3,946	9,804		
	2020-2025	34,106	14,914	49,020		
	2025-2029	34,121	14,899	49,020		
	2029-2034	7,493	3,561	11,053		
	Total	142,869	58,237	201,106		

The note payable to the U. S. Department of Agriculture bears interest at the rate of 5% per annum and is repayable in monthly payments of \$2,409.

The changes in debt are shown below:

		Balance			Balance		
		July 1, 2014	Additions	Retirements	June 30, 2015		
	U. S. Department of Agri	164,054		21,185	142,869		
	Customer deposits	43,675	931		44,606		
	Totals	207,729	931	21,185	187,475		

9. Net position and fund balances

Net position

Net position is reported in the government-wide and proprietary fund financial statements and is displayed in three components:

Net investment in capital assets-Consists of capital assets and related accounts, 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 improvements of those assets.

Restricted net position-Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

9. Net position and fund balances (continued)

Net position (continued)

Unrestricted net position-All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

It is the Town of Olustee’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for which both restricted and unrestricted net position is available.

Fund balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. These classifications are defined as:

Non-spendable-includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted-consists of fund balance with constraints placed on the use of resources either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation.

Committed-includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the town’s highest level of decision-making authority. The town’s highest level of decision-making authority is by ordinance. The Town of Olustee currently reports no committed fund balance.

Assigned-includes amounts that are constrained by the town’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by governing body action or management decision when the governing body has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.

Unassigned-represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Town of Olustee’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The town’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

In the proprietary funds, restricted net position is the amount placed in a reserve account required by a debt covenant with the U. S. Department of Agriculture of \$29,608. Amounts held as utility deposits of customers are \$44,606.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2015

10. Internal balances and transfers between legal entities

The Town of Olustee's policy is to eliminate inter-fund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Inter-fund transfers and balances are not eliminated in the fund financial statements.

11. Risk management

The Town of Olustee is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Town of Olustee manages these various risks of loss by purchasing insurance. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the town, and such claims have not exceeded the coverage over the past several fiscal years.

12. Commitments, contingencies and subsequent events

The Town of Olustee and its component units participate in various federal or state loan and/or grant programs from year to year. For the year ended June 30, 2015, the Town of Olustee's involvement in federal and state award programs was immaterial. These programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to insure compliance with the specific conditions of the grant or loan. The Town of Olustee has not been notified of any noncompliance with federal or state award requirements.

The Town of Olustee has been awarded grants in the amount of \$94,475. The grants were awarded to facilitate the purchase of a fire truck for use by the volunteer fire department. The cost of the fire truck was \$93,950.

David O. Tate

Certified Public Accountant
112 North Oklahoma, Suite A
Mangum, Oklahoma 73554

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with "Government Auditing Standards"

The governing body of the Town of Olustee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Olustee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Olustee's basic financial statements, and have issued my report thereon dated April 27, 2016.

Internal control over financial reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. I consider the deficiency described in the accompanying schedule of findings to be a material weakness. This is identified as Finding 2014-001.

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.

Compliance and other matters

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

Purpose of this report

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

A handwritten signature in cursive script that reads "David O. Tate". The signature is written in dark ink on a light-colored background.

Certified Public Accountant
April 27, 2016

Town of Olustee
Status or Prior Audit Findings
June 30, 2015

Finding number 2014-001:

Here is the progress report on the implementation of procedures by our governing body relative to the findings contained in the previous audit report for the Town of Olustee, Oklahoma. Below is a list of actions takes to prevent lost or uncollected revenue.

1. The date that late charges (10%) are to be added was moved from the 15th of the month to the 6th day of the month.
2. A 120-day notice was given to all contract customers to pay the full contract amount off before disconnection.
3. Contracts are no longer granted.
4. All current customers with past-due balances on inactive (multiple) accounts were paid or disconnected until the balance and reconnection fee were paid.
5. The utility service deposit was raised from \$200.00 to 300.00.
6. The reconnection fee after disconnection was raised from \$25.00 to \$40.00.
8. The Town of Olustee discontinued sending later paper notices and made mandatory a 24-hour cut off notice at the location where the utility services were established.
9. The cut-off date and time were moved up from the last day of the month at 5pm to the 15th day of the month at 3pm.
10. Because the Code of Ordinances interfered with the utility billing policy, the ordinance was modified to reflect new policy for the billing, late charges and cut off procedure of the utility billing.
11. The Utility billing responsibilities were taken from the Clerk/Treasurer, Cindy Moellering, and given to Leah Joblin, the current office assistant.