TOWN OF PORTER, OKLAHOMA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2014

TOWN OF PORTER, OKLAHOMA

JUNE 30, 2014

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION:	
TOWN OFFICIALS	
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	1-3
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	4
STATEMENT OF ACTIVITIES	5
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	7-8
STATEMENT OF NET ASSETS – PROPRIETARY FUND	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –PROPRIETARY FUND	10
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	11-12
STATEMENT OF NET ASSETS – FIDUCIARY FUNDS	13
NOTES TO FINANCIAL STATEMENTS	14-22

TOWN OF PORTER, OKLAHOMA

JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)	23
OTHER SUPPLEMENTARY INFORMATION:	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	24
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON ANAUDIT OF FINANCIAL STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	26-28

TOWN OF PORTER, OKLAHOMA

JUNE 30, 2014

TOWN OFFICIALS

BOARD OF TRUSTEES

RICHARD KECK	MAYOR/TRUSTEE
DENNIS HOLMES	TRUSTEE
RON HART	TRUSTEE
BRENT FATKIN	TRUSTEE
STEVE RUSH	TRUSTEE
STEVE DICKEY	TRUSTEE
MATT MOORE	TRUSTEE

TOWN CLERK

SHIRLEY HERRING

SAMUEL S ALEXANDER

Certified Public Accountant

304 South Hayes
Wagoner, Oklahoma 74467
918.485.2733 – Facsimile 918.485.3666
E-mail: ndncpa@samuelalexandercpa.com

INDEPENDENT AUDITOR'S REPORT

To Mayor Richard Keck and
The Board of Trustees
Town of Porter
Porter, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Town of Porter, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Porter'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 of these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 top provide a basis for my audit opinions.

Basis for Qualified Opinion on the General Fund

As discussed in Note 1 to the financial statements, management has not recorded capital assets, including general infrastructure assets, in the governmental activities and, accordingly has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including general infrastructure assets, be capitalized and depreciated, which would increase the assets, net assets and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonable determinable.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the General Fund", the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Town of Porter, Oklahoma, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the Town of Porter, Oklahoma, as of June 30, 2014, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund 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 Management's Discussion and Analysis be presented to supplement the basis financial statements. The Town of Porter, Oklahoma, has not presented Management's Discussion and Analysis, which is not a part of the basic financial statements.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Porter's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary schedules 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. Except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not recorded capital assets and the related depreciation expense on those assets in the General Fund, the combining and individual nonmajor fund financial statements and budgetary schedules, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Wagoner, Oklahoma
December 30, 2014

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET ASSETS
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 219,878	$ 272,917	$ 492,795
Accounts receivable	16,717	39,052	55,769
Prepaid expense	5,280	4,357	9,637
Total current assets	241,875	316,326	558,201
Noncurrent assets:			
Capital assets:			
Land	-	12,798	12,798
Plant in service	-	1,761,875	1,761,875
Less: Accumulated Depreciation	-	(1,356,486)	(1,356,486)
Total capital assets	-	418,187	418,187
Total assets	241,875	734,513	976,388
LIABILITIES			
Current liabilities:			
Deferred revenue	2,500		
Accounts payable	27,131	21,836	48,967
Accrued salaries	-	4,052	4,052
Vacation payable	-	6,687	6,687
Total current liabilities	29,631	32,575	59,706
NET ASSETS			
Invested in capital assets, net of related debt	-	418,187	418,187
Unrestricted	212,244	283,751	495,995
Total net assets	$ 212,244	$ 701,938	$ 914,182

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the fiscal year ended June 30, 2014

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Functions/programs:							
Governmental Activities:							
General government	$124,862	$ 720	$53,184	$ 4,335	-$66,623	$ -	-$66,623
Public safety	101,243	46,226	-	500	-54,517	-	(54,517)
Streets	31,630	-	-	-	-31,630	-	(31,630)
Capital Outlay	17,200				-17,200		
Cemetery	0	1,256	-	-	1,256	-	1,256
Total governmental activities	274,935	48,202	53,184	4,835	(168,714)	-	(168,714)
Business-type activities							
Water, sewer and trash	496,789	490,780	-	-	-	(6,009)	(6,009)
Totals	$771,724	$ 538,982	$ 53,184	$ 4,835	(168,714)	(6,009)	(174,723)
General revenues							
Sales taxes					145,767	-	145,767
Other taxes					43,112	-	43,112
Unrestricted interest earnings					582	578	1,160
Miscellaneous					10,226	210	10,436
Total general revenues					199,687	788	200,475
Change in net assets					30,973	(5,221)	25,752
Net Assets, beginning of year					181,271	707,159	888,430
Net Assets, end of year					$ 212,244	$ 701,938	$ 914,182

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF PORTER, OKLAHOMA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 58,757	$ 161,121	$ 219,878
Accounts receivable	16,717		16,717
Prepaid insurance	5,280		5,280
Total assets	$ 80,754	$ 161,121	$ 241,875
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	$ 2,500	$ -	$ 2,500
Accounts payable	26,709	422	27,131
Total liabilities	29,209	422	29,631
Fund balances:			
Unreserved:			
Undesignated, reported in:			
General fund	51,545	-	51,545
Special revenue funds	-	159,949	159,949
Debt service fund	-	750	750
Total fund balances	51,545	160,699	212,244
Total liabilities and fund balances	$ 80,754	$ 161,121	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.

Capital outlay expenditures	-
Accumulated depreciation	-

Note: The Town of Porter does not maintain a record of the Town's capital outlay and does not record depreciation of the Town's fixed assets.

Net assets of governmental activities	$ 212,244

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales taxes	$ 128,343	$ 17,424	$ 145,767
Other taxes	37,644	5,468	43,112
Fees and fines	46,226	-	46,226
Charges for services	720	1,256	1,976
Grants	28,924	24,260	53,184
Interest	582	-	582
Donations	500	4,335	4,835
Miscellaneous	10,226	-	10,226
Total revenues	253,165	52,743	305,908
Expenditures:			
General government	122,882	1,980	124,862
Public safety	101,243	-	101,243
Capital Outlay	15,000	2,200	17,200
Streets & lights	-	31,630	31,630
Total expenditures	239,125	35,810	274,935
Excess of revenues over (under) expenditures	14,040	16,933	30,973
Fund balances - beginning	37,505	143,766	181,271
Fund balances - ending	$ 51,545	$ 160,699	$ 212,244

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
For the fiscal year ended June 30, 2014

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of the governmental activities:	
Net change in fund balances - governmental funds	$ 30,973
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases, capitalized	-
Depreciation	-
Note: The Town of Porter does not maintain a record of the Town's capital outlay and does not record depreciation of the Town's fixed assets.	
Change in net assets of governmental activities	$ 30,973

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2014

ASSETS	Porter Public Works Authority
Current assets	
Cash and cash equivalents	$ 272,917
Accounts receivable	39,052
Prepaid expense	4,357
Total current assets	316,326
Proper, plant & equipment	
Land	12,798
Plant in service	1,761,875
Total property, plant & equipment	1,774,673
Less: Accumulated depreciation	(1,356,486)
Net property, plant & equipment	418,187
Total assets	734,513
LIABILITIES AND FUND EQUITY	
Current liabilities	
Accounts payable	21,836
Accrued salaries	4,052
Vacation payable	6,687
Total current liabilities	32,575
NET ASSETS	
Invested in capital assets, net of related debt	418,187
Unrestricted	283,751
Total net assets	$ 701,938

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
For the fiscal year ended June 30, 2014

	Porter Public Works Authority
Operating revenues	
Garbage, sewer and water sales	$ 479,575
Charge for taps	8,750
Miscellaneous	210
Total operating revenues	488,535
Operating expenses	
Compensation	131,904
Bad debts	34,907
Workers' compensation insurance	5,351
Materials and supplies	18,331
Gas and oil	9,233
Utilities	211,150
Legal and accounting	2,960
Miscellaneous	20,304
Equipment operation and maintenance	8,872
Insurance	6,675
Depreciation	44,243
Telephone and Postage	2,859
Total operating expenses	496,789
Operating income (loss)	(8,254)
Non-operating revenues (expenses)	
Interest income	578
Income before operating transfers	(7,676)
Operating transfers in (out) - Meter Deposit fund	2,455
Net income	(5,221)
Net assets - beginning of year	707,159
Net assets - end of year	$ 701,938

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the fiscal year ended June 30, 2014

	Porter Public Works Authority
Cash flows from operating activities	
Receipts from customers	$ 448,146
Payments to employees	(128,683)
Payments to suppliers	(288,172)
Net cash provided (used) by operating activities	31,291
Cash flows from noncapital financing activities	
Transfer (to) from other funds	2,455
	2,455
Cash flows from capital and related financing activities	
Purchase equipment	(2,994)
Net cash used by capital and related financing activities	(2,994)
Cash flows from investing activities	
Interest received	578
Net increase (decrease) in cash and cash equivalents	31,330
Net cash and cash equivalents - beginning of year	241,587
Net cash and cash equivalents - end of year	$ 272,917

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
For the fiscal year ended June 30, 2014

	Porter Public Works Authority
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	(8,254)
Adjustments to reconcile net income to net cash provided by operating activities - Depreciation	44,243
(Increase) decrease in	
Accounts receivable	(5,482)
Prepaid expense	(881)
Increase (decrease) in	
Accounts payable	(1,556)
Accrued salaries payable	2,208
Accrued vacation payable	1,013
Net cash provided by operations	$ 31,291

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2014

ASSETS

	Agency Funds
Cash and cash equivalents	$ 26,020
Total assets	$ 26,020

LIABILITIES

Liabilities	
Fund balance	
Reserved for:	
Meter deposits	$ 23,076
Court bonds	2,944
Total liabilities	$ 26,020

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Porter (the "Town") comply with accounting principles generally accepted in the United States of America (U.S. GAAP) with respect to business-type activities but do not comply with U.S. GAAP with respect to governmental activities as discussed in Note 1 (D). U.S. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Except for the omission described in Note 1 (D), in the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements. In that event, GASB pronouncements prevail. The accounting framework and the more significant accounting policies are discussed in subsequent subsections of Note 1.

A. REPORTING ENTITY

Management considered all potential component units (and applicable criteria) in defining the Town for reporting purposes. The basic criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this authority is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its citizens. A third criterion used to evaluate potential component unites for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Porter Public Works Authority (the "Authority") is included with the Town as the reporting entity.

The Authority is a public trust created under applicable Oklahoma statutes; the Town is the beneficiary of the trust. The Authority operates and maintains the water and sewer system. The Authority's governing board of trustees is the same as the Town's governing body. Transactions of the Authority are included in these financial statements as the enterprise fund.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed by fees charged to external parties for services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

B. BASIS OF PRESENTATION

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below.

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 other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the Town other than debt service payments made by the enterprise funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. BASIS OF PRESENTATION

Proprietary Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurements similar to the private sector. The reporting entity includes the Porter Public Works Authority.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes tow agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), the do not involve the measurement of results of operations. The agency funds are as follows:

Meter Deposit Fund

Court Bond Fund

Major and Non-Major funds

The funds are further classified as major or non-major as follows:

Major Funds:	Brief Description
General	See above
Proprietary Fund-	
Porter Public Works Authority	See above

Non-Major Funds

Special Revenue Funds	
Street & Alley	Accounts for revenues & expenditures for streets.
Cemetery Cash	Accounts for revenues & expenditures for cemetery care.
Cemetery Land	Accounts for revenues & expenditures for cemetery capital improvements.
Debt Service Fund	See above

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net assets (or recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both the governmental and business-like activities are presented using the accrual basis method of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets, liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All proprietary funds utilize the accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, cash including time deposits includes all demand, savings accounts and certificates of deposit of the Town. Investments are carried at fair value based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. All accounts receivable are considered collectable at year end. Major receivable balances for the governmental activities include sales tax, grants and contracts as they become both measureable and available. Business-type activities report utilities and interest earnings as their major receivables.

Inventories

The value of consumable inventories at June 30, 2014 is not material to the financial statements; purchases of inventory items are considered expenditures.

Fixed Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets for the proprietary fund. The Town does not maintain a record of the capital assets or infrastructure assets for governmental funds and accordingly does not record depreciate expense on those assets. All fixed assets of the enterprise fund are valued at historical cost except donated fixed assets recorded at estimated fair values.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the asset's estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset follows.

Utility system	10-40 years
Machinery & equipment	5-15 years
Vehicles	5 years

In the government-wide financial statements, all machinery, equipment, furniture and automobiles costing $500 or more have been capitalized and depreciated over the estimated useful life. Repairs, remodeling and construction costing $1,500 or more have been capitalized and depreciated over the estimated useful life.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

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 in the proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation time permits employees to accumulate earned but unused vacation leave. The liability for these compensated absences is considered and recorded as short-term debt in government-wide statements. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components.

a. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt attributable to the acquisition, construction or improvement of those assets.

b. Restricted net assets consist of net assets with constraints placed on the use whether by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets consist of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated or undesignated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax Revenue

The Town presently levies a four-cent sales tax (on the dollar) on taxable sales within the Town. Three and one half cents of the sales tax is recorded in the General Fund and on half cent is recorded in the Street & Alley Fund.

Operating Revenues and Expense

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function of governmental activities. In the fund financial statements, governmental funds report expenditures of financial resources. Those expenditures are classified by character: Current (further classified by function), Debt Service and Capital Outlay.

NOTE 2 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. CASH AND INVESTMENTS

The Town's investment policies are governed by state statutes. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, banks and trust companies; and savings accounts or savings certificates of savings and loan associations. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by FDIC amounts. Investments are carried at cost which approximates market value.

Cash

The Town's cash deposits at June 30, 2014 are categorized to give an indication of the level of risk assumed by the Town at year end.

Investments

The Town's investments consist of certificates of deposit and are categorized to give an indication of risk assumed by the Town at year end.

NOTE 2-DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CON'T)

C. INVENTORIES

The value of consumable inventories at June 30, 2014 is not material to the financial statements. Purchases for inventory items are considered expenditures at the time the items were encumbered.

D. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Land	$ 12,798	-	-	12,798
Plant and equipment	1,758,881	2,994	-	1,761,875
Totals at historical cost	1,771,679	2,994	-	1,774,673
Less: Accumulated depreciation				-
Plant and equipment	(1,312,243)	(44,243)	-	(1,356,486)
Business-type activities capital assets, net	$ 459,436	(41,249)	-	418,187

E. ACCOUNTS PAYABLE

Accounts payable in the general fund, non-major governmental funds and the Public Works Authority are composed of payables to vendors, accrued salaries and compensated absences.

F. CAPITAL LEASES

The town had no capital leases at June 30, 2014

G. INTER-FUND TRANSACTIONS

Inter-fund transfers are reported as operating transfers.

NOTE 3 – OTHER NOTES

A. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

B. LEGAL COMPLIANCE – BUDGETS

A proposed budget is presented to the Town's Board of Trustees for review. The Board of Trustees holds a public hearing and may add to, subtract from or change appropriation, but may not change form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town's management or the revenue estimates must be changed by an affirmative vote of a majority of the Town's Board of Trustees. During the year, supplemental appropriations were necessary.

Expenditures may not legally exceed budgeted appropriations at the activity level.

C. EMPLOYEE RETIREMENT SYSTEM

The Town does not offer any retirement plan or early retirement incentive plan.

D. RISK MANAGEMENT

The town participates in a risk pool for Worker's Compensation coverage in which there is a transfer or pooling of risk among the participants of that pool. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense.

E. CONTINGENT LIABILITIES

According to management and legal counsel, there were no known contingent liabilities as June 30, 2014 that would have a material effect on the financial statements.

F. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 29, 2014 with no items noted for reporting.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET VS. ACTUAL COMPARISON
GENERAL FUND

	Budgeted Amounts			Variance with Final Budget
Revenue	Original	Final	Actual	Pos (Neg)
Sales and other taxes	$ 100,000	$ 100,000	$ 128,343	$ 28,343
Use tax	16,000	16,000	32,611	16,611
Utility franchise tax	12,000	12,000	13,538	1,538
Alcoholic beverage tax	4,600	4,600	5,032	432
Fines & forfeits	57,000	57,000	32,364	(24,636)
Charges for services	3,650	3,650	1,045	(2,605)
Grant	-	-	28,924	28,924
Interest	550	550	582	32
Donations	600	600	500	(100)
Miscellaneous	10,000	10,000	10,226	226
Total Revenues	204,400	204,400	253,165	48,765
Expenditures				
General government	82,500	82,500	122,882	(40,382)
Police and fire department	161,250	161,250	116,243	45,007
Total Expenditures	243,750	243,750	239,125	4,625
Excess of revenues over (under) expenditures	$ (53,414)	$ (53,414)	14,040	$ 67,454
Fund balance,beginning of year			37,505	
Fund balance, end of year			$ 51,545	

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF PORTER, OKLAHOMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2014

	Special Revenue			Debt Service	Total
ASSETS	Street & Alley	Cemetary Cash	Cemetery Land Purchase	Sinking Fund	Nonmajor Governmental Funds
Cash and cash equivalents	$ 118,349	$ 24,695	$ 17,327	$ 750	161,121
.IABILITIES AND FUND BALANCE					
Liabilities	$ 422	$ -	$ -	$ -	422
Fund balances					
Unreserved					
Designated for Debt Service	-	-	-	750	750
Undesignated	117,927	24,695	17,327	-	159,949
Total fund balances	117,927	24,695	17,327	750	160,699
Total liabilities and fund balanc	$ 118,349	$ 24,695	$ 17,327	$ 750	$ 161,121

The accompanying notes are an integral part of these financial statements.

TOWN OF PORTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2014

	Special Revenue			Debt Service	Total
	Street & Alley	Cemetery Cash	Cemetery Land Purchase	Sinking Fund	Nonmajor Governmental Funds
Revenues					
Sales tax	$ 17,424	$ -	$ -	$ -	$ 17,424
Vehicle licenses	4,424	-	-	-	4,424
Gasoline excise	1,044	-	-	-	1,044
Grant - REAP	24,260	-	-	-	24,260
Lot sales and interments	-	825	431	-	1,256
Donations	-	4,335	-	-	4,335
Total Revenues	47,152	5,160	431	-	52,743
Expenditures					
General government					
Personal services	-	1,776	-	-	1,776
Streets	31,630	-	-	-	31,630
Capital Outlay			2,200		2,200
Maintenance & operations	-	204	-	-	204
Total Expenditures	31,630	1,980	2,200	-	35,810
Excess of revenues over (under) expenditures	15,522	3,180	(1,769)	-	16,933
Other financing sources (uses)					
Operating transfers in (out)	-	-	-	-	-
Sale of general fixed assets	-	-	-	-	-
Total other financing sources (use	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other (uses)	15,522	3,180	(1,769)	-	16,933
Fund balances - beginning	102,405	21,515	19,096	750	143,766
Fund balances - ending	$ 117,927	$ 24,695	$ 17,327	$ 750	$ 160,699

The accompanying notes are an integral part of these financial statements.

SAMUEL S. ALEXANDER
Certified Public Accountant

304 South Hayes
Wagoner, Oklahoma 74467
918.485.2734 Facsimile 918.485.3666
E-mail: ndncpa@samuelalexandercpa.com

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Town of Porter
Porter, Oklahoma

I have audited the financial statements of the Town of Porter, Oklahoma, as of and for the year ended June 30, 2014, and have issued my report thereon dated December 30, 2014, which was qualified with regard to governmental activities because of the omission of the capital assets, including infrastructure assets, and related depreciation required by accounting principles generally accepted in the United States of America. Also, my report was unqualified with regard to the business-type activities. I conducted my audits 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Porter's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Porter's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town of Porter, Oklahoma's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. My audit disclosed that

the Town has only two employees directly involved in the initiation and recording of financial transactions. This precludes the adequate separation of duties necessary to affect all desirable controls.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Trustee and management and is not intended to be and should not be used by any one other than these specified parties.

December 30, 2014
Wagoner, Oklahoma

TOWN OF PORTER, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2014

Lack of Segregation of Duties

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent proper segregation of accounting functions necessary to assure adequate internal controls continued in the current fiscal year.