

**TOWN OF AFTON, OKLAHOMA**

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

**OBER & LITTLEFIELD**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLC  
124 SOUTH MAIN, MIAMI, OK 74354

**TOWN OF AFTON, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**TOWN OF AFTON, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**TOWN OF AFTON, OKLAHOMA  
LIST OF TOWN OFFICIALS  
June 30, 2015**

City Council

Mayor	Billy Mack Harrison
Member	Sandy Baker
Member	George (Pete) Rozell
Member	Terry Miller
Member	Dean Williams

**Treasurer**

Margie Johnson

**Clerk**

Phyllis Driggars

**OBER & LITTLEFIELD**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*  
124 S. MAIN, MIAMI, OK 74354  
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**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Town Council  
Town of Afton, Oklahoma

**Report on the Financial Statements**

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Afton, State of Oklahoma (“the Town”), as of and for the year ended June 30, 2015, and the related notes to the financial statements, 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 the modified cash basis of accounting, which is described in Note 1C. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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, 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, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in modified cash-basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34 and 35 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.

Management has omitted the management's discussion and analysis 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. Our 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*, we have also issued our report dated June 10, 2016, on our consideration of the Town of Afton, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Afton, Oklahoma's internal control over financial reporting and compliance.



**OBER & LITTLEFIELD, CPAS, PLLC**  
MIAMI, OKLAHOMA

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements – Modified Cash Basis
- Fund financial statements:
  - Governmental funds – Modified Cash Basis
  - Proprietary (enterprise) fund – Modified Cash Basis

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**Town of Afton, Oklahoma**  
**Statement of Net Position – Modified Cash Basis**  
**June 30, 2015**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 486,392.00	\$ 325,678.37	\$ 812,070.37	\$ -
Cash held with third party administrator	89,330.74	-	89,330.74	-
Investments	78,468.57	150,136.00	228,604.57	-
Total Current Assets	<u>654,191.31</u>	<u>475,814.37</u>	<u>1,130,005.68</u>	<u>-</u>
Non-Current Assets:				
Restricted Assets:				
Cash and cash equivalents	-	49,695.00	49,695.00	-
Investments	-	107,364.00	107,364.00	-
Capital Assets:				
Capital Assets, net of accumulated depreciation	476,308.58	1,355,076.37	1,831,384.95	3,240,581.49
Other Assets:				
Bond issuance costs, net of accumulated amortization	-	-	-	-
Total Non-Current Assets	<u>476,308.58</u>	<u>1,512,135.37</u>	<u>1,988,443.95</u>	<u>3,240,581.49</u>
Total ASSETS	<u>1,130,499.89</u>	<u>1,987,949.74</u>	<u>3,118,449.63</u>	<u>3,240,581.49</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Current portion of bonds payable	-	-	-	222,759.08
Current portion of notes payable	-	52,625.95	52,625.95	-
Total Current Liabilities	<u>-</u>	<u>52,625.95</u>	<u>52,625.95</u>	<u>222,759.08</u>
Non-Current Liabilities:				
Payable from restricted assets:				
Meter deposits payable	-	79,695.00	79,695.00	-
Bonds payable	-	-	-	2,066,631.33
Notes payable	-	445,393.89	445,393.89	-
Total Non-Current Liabilities	<u>-</u>	<u>525,088.89</u>	<u>525,088.89</u>	<u>2,066,631.33</u>
Total Liabilities	<u>-</u>	<u>577,714.84</u>	<u>577,714.84</u>	<u>2,289,390.41</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	476,308.58	857,056.53	1,333,365.11	951,191.08
Restricted for:				
Debt service	-	77,364.00	77,364.00	-
Purpose	309,626.05	-	309,626.05	-
Unrestricted	344,565.26	475,814.37	820,379.63	-
Total NET POSITION	<u>\$ 1,130,499.89</u>	<u>\$ 1,410,234.90</u>	<u>\$ 2,540,734.79</u>	<u>\$ 951,191.08</u>

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

**Town of Afton, Oklahoma**  
**Statement of Activities – Modified Cash Basis**  
**June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General Government:								
Personal services	\$ 91,894.84	\$ -	\$ -	\$ -	\$ (91,894.84)		\$ (91,894.84)	
Maintenance and operation	37,155.10	-	-	-	(37,155.10)		(37,155.10)	
Total General Government	<u>129,049.94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,049.94)</u>		<u>(129,049.94)</u>	
Public Safety and Judiciary:								
Animal control	6,291.74	125.00	-	-	(6,166.74)		(6,166.74)	
Fire	48,903.61	11,755.00	7,000.00	-	(30,148.61)		(30,148.61)	
Municipal court	42,612.94	16,401.00	-	-	(26,211.94)		(26,211.94)	
Police	36,398.50	-	-	-	(36,398.50)		(36,398.50)	
Total Public Safety and Judiciary	<u>134,206.79</u>	<u>28,281.00</u>	<u>7,000.00</u>	<u>-</u>	<u>(98,925.79)</u>		<u>(98,925.79)</u>	
Transportation:								
Street and alley	<u>61,666.17</u>	<u>-</u>	<u>47,962.74</u>	<u>-</u>	<u>(13,703.43)</u>		<u>(13,703.43)</u>	
Culture, Parks and Recreation:								
Cemetery	23,175.00	3,200.00	12,918.67	-	(7,056.33)		(7,056.33)	
Community center	22,198.16	-	-	10,290.00	(11,908.16)		(11,908.16)	
Business park	24,195.49	10.00	-	-	(24,185.49)		(24,185.49)	
Total Culture, Parks and Recreation	<u>69,568.65</u>	<u>3,210.00</u>	<u>12,918.67</u>	<u>10,290.00</u>	<u>(43,149.98)</u>		<u>(43,149.98)</u>	
Total Governmental Activities	<u>394,491.55</u>	<u>31,491.00</u>	<u>67,881.41</u>	<u>10,290.00</u>	<u>(284,829.14)</u>		<u>(284,829.14)</u>	
Business-type activities:								
Water	143,691.95	317,160.54	-	-	-	\$ 173,468.59	173,468.59	
Gas	276,580.01	363,718.62	-	-	-	87,138.61	87,138.61	
Sewer	102,623.31	99,458.40	-	-	-	(3,164.91)	(3,164.91)	
Sanitation	43,946.18	43,946.18	-	-	-	-	-	
Operating and administrative costs	447,462.54	33,140.66	-	-	-	(414,321.88)	(414,321.88)	
Total Business-Type Activities	<u>1,014,303.99</u>	<u>857,424.40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,879.59)</u>	<u>(156,879.59)</u>	
<b>Total primary government</b>	<u>\$ 1,408,795.54</u>	<u>\$ 888,915.40</u>	<u>\$ 67,881.41</u>	<u>\$ -</u>	<u>(284,829.14)</u>	<u>(156,879.59)</u>	<u>(441,708.73)</u>	

(continued)

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

**Town of Afton, Oklahoma**  
**Statement of Activities – Modified Cash Basis**  
**June 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Primary Government			Component Units			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
<b>Component Units:</b>								
Economic Development Authority	\$ 189,947.78	\$ 319,767.21	\$ -	\$ -				\$ 129,819.43
Total Component Units	<u>\$ 189,947.78</u>	<u>\$ 319,767.21</u>	<u>\$ -</u>	<u>\$ -</u>				<u>129,819.43</u>
General revenues:								
Taxes								
Sales and use taxes				266,287.77	104,040.23	370,328.00		-
Franchise tax				18,532.81	-	18,532.81		-
Cigarette tax				3,684.33	-	3,684.33		-
Occupational tax				474.00	-	474.00		-
Alcoholic beverage tax				5,263.05	-	5,263.05		-
Reimbursements restricted for transportation purposes:								
Motor vehicle tax				8,011.87	-	8,011.87		-
Gasoline tax				2,009.55	16,552.56	18,562.11		-
Donations				2,000.00	-	2,000.00		-
Investment income				1,515.77	1,119.32	2,635.09		-
Miscellaneous				4,840.60	-	4,840.60		-
Reimbursement				24,986.10	-	24,986.10		-
Transfers				20,000.00	(20,000.00)	-		-
Total general revenues, special items, and transfers				<u>357,605.85</u>	<u>101,712.11</u>	<u>459,317.96</u>		<u>-</u>
Change in net position				72,776.71	(55,167.48)	17,609.23		129,819.43
Net position - beginning				1,097,282.43	1,507,503.52	2,604,785.95		881,329.10
Prior period adjustment				(39,559.25)	(42,101.14)	(81,660.39)		(59,957.45)
Net position - beginning restated				<u>1,057,723.18</u>	<u>1,465,402.38</u>	<u>2,523,125.56</u>		<u>821,371.65</u>
Net position - ending				<u>\$ 1,130,499.89</u>	<u>\$ 1,410,234.90</u>	<u>\$ 2,540,734.79</u>		<u>\$ 951,191.08</u>

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

**Town of Afton, Oklahoma**  
**Balance Sheet – Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2015**

	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Street and Alley Fund</u>	<u>Sr. Citizens Center Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 334,961.78	\$ 78,985.34	\$ 62,841.40	\$ 9,603.48	\$ 486,392.00
Investments	-	78,468.57	-	-	78,468.57
Cash held with third party administrator	89,330.74	-	-	-	89,330.74
Total ASSETS	<u>\$ 424,292.52</u>	<u>\$ 157,453.91</u>	<u>\$ 62,841.40</u>	<u>\$ 9,603.48</u>	<u>\$ 654,191.31</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Restricted	\$ 89,330.74	\$ 157,453.91	\$ 62,841.40	\$ -	\$ 309,626.05
Unassigned	334,961.78	-	-	9,603.48	344,565.26
Total Fund Balances	<u>424,292.52</u>	<u>157,453.91</u>	<u>62,841.40</u>	<u>9,603.48</u>	<u>654,191.31</u>
Total FUND BALANCES	<u>\$ 424,292.52</u>	<u>\$ 157,453.91</u>	<u>\$ 62,841.40</u>	<u>\$ 9,603.48</u>	

**Reconciliation to Statement of Net Position:**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$900,742.72 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$503,011.85.

476,308.58

Net position of governmental activities

\$ 1,130,499.89

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

**Town of Afton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2015**

	<u>General Fund</u>	<u>Cemetery Fund</u>	<u>Street and Alley Fund</u>	<u>Sr. Citizens Center Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 242,206.22	\$ -	\$ 62,057.16	\$ -	\$ 304,263.38
Grants	7,000.00	-	47,962.74	10,290.00	65,252.74
Charges for services	11,890.00	-	-	-	11,890.00
Donations	2,000.00	12,918.67	-	-	14,918.67
Fines and forfeitures	16,401.00	-	-	-	16,401.00
Investment income	418.98	1,036.52	60.27	-	1,515.77
Property sales	-	3,200.00	-	-	3,200.00
Miscellaneous	4,840.60	-	-	-	4,840.60
Reimbursement	9,600.00	-	25.00	15,361.10	24,986.10
Total Revenues	<u>294,356.80</u>	<u>17,155.19</u>	<u>110,105.17</u>	<u>25,651.10</u>	<u>447,268.26</u>
<b>Expenditures:</b>					
General Government:					
Personal services	91,894.84	-	-	-	91,894.84
Maintenance and operation	32,840.83	-	-	-	32,840.83
Public Safety and Judiciary:					
Animal control	6,291.74	-	-	-	6,291.74
Fire	30,407.59	-	-	-	30,407.59
Municipal court	42,612.94	-	-	-	42,612.94
Police	36,398.50	-	-	-	36,398.50
Transportation:					
Street and alley	-	-	154,764.17	-	154,764.17
Culture, Parks and Recreation:					
Cemetery	-	23,175.00	-	-	23,175.00
Community center	3,817.10	-	-	26,671.06	30,488.16
Business park	24,195.49	-	-	-	24,195.49
Total Expenditures	<u>268,459.03</u>	<u>23,175.00</u>	<u>154,764.17</u>	<u>26,671.06</u>	<u>473,069.26</u>
Excess (deficiency) of revenues over expenditures	25,897.77	(6,019.81)	(44,659.00)	(1,019.96)	(25,801.00)
<b>Other Financing Sources (Uses):</b>					
Transfer in (out)	<u>(29,700.00)</u>	<u>-</u>	<u>49,700.00</u>	<u>-</u>	<u>20,000.00</u>
Total Other Financing Sources (Uses)	<u>(29,700.00)</u>	<u>-</u>	<u>49,700.00</u>	<u>-</u>	<u>20,000.00</u>
Net change in fund balances	(3,802.23)	(6,019.81)	5,041.00	(1,019.96)	(5,801.00)
Fund balance - beginning	463,064.13	163,495.78	68,140.96	10,021.94	704,722.81
Prior period adjustments	<u>(34,969.38)</u>	<u>(22.06)</u>	<u>(10,340.56)</u>	<u>601.50</u>	<u>(44,730.50)</u>
Fund balance - beginning restated	<u>428,094.75</u>	<u>163,473.72</u>	<u>57,800.40</u>	<u>10,623.44</u>	<u>659,992.31</u>
Fund balances - ending	<u>\$ 424,292.52</u>	<u>\$ 157,453.91</u>	<u>\$ 62,841.40</u>	<u>\$ 9,603.48</u>	<u>\$ 654,191.31</u>

(continued)

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

**Town of Afton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2015**

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds	\$ (5,801.00)
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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:

Depreciation expense	<u>78,577.71</u>
Change in Net Position of Governmental Activities	<u>\$ 72,776.71</u>

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

**Town of Afton, Oklahoma**  
**Statement of Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**June 30, 2015**

	<u><b>Afton Public Works Authority</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 325,678.37
Investments	150,136.00
Total Current Assets	<u>475,814.37</u>
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents	49,695.00
Investments	107,364.00
Capital assets, net of accumulated depreciation	1,355,076.37
Total Noncurrent Assets	<u>1,512,135.37</u>
Total Assets	<u>1,987,949.74</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Current portion of notes payable	52,625.95
Total Current Liabilities	<u>52,625.95</u>
Noncurrent Liabilities:	
Payable from restricted assets:	
Meter deposits	79,695.00
Notes payable	445,393.89
Total Noncurrent Liabilities	<u>525,088.89</u>
Total Liabilities	<u>577,714.84</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	857,056.53
Restricted for debt service and meter deposits	77,364.00
Unrestricted	475,814.37
Total Net Position	<u>\$ 1,410,234.90</u>

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

**Town of Afton, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**June 30, 2015**

	<u><b>Afton Public Works Authority</b></u>
<b>Operating Revenues:</b>	
Water revenues	\$ 317,160.54
Gas revenues	363,718.62
Sewer revenues	99,458.40
Sanitation revenues	43,946.18
Gas tax	16,552.56
Sales tax	104,040.23
Other revenues	<u>33,140.66</u>
Total Operating Revenues	<u>978,017.19</u>
<b>Operating Expenses:</b>	
Water distribution costs	143,691.95
Gas operation costs	276,580.01
Sewer operation costs	102,623.31
Sanitation operation costs	43,946.18
Salaries and benefits	232,316.54
System wide costs	104,200.27
Other administration costs	3,372.38
Depreciation	<u>81,043.74</u>
Total Operating Expenses	<u>987,774.38</u>
Operating Income (Loss)	<u>(9,757.19)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	1,119.32
Interest expense	<u>(26,529.61)</u>
Total Non-operating Revenue (Expenses)	<u>(25,410.29)</u>
Net Income (Loss) Before Transfers	(35,167.48)
Transfers in (out)	<u>(20,000.00)</u>
Change in net position	(55,167.48)
Total net position - beginning	1,507,503.52
Prior period adjustment	<u>(42,101.14)</u>
Total net position - beginning restated	<u>1,465,402.38</u>
Total net position - ending	<u>\$ 1,410,234.90</u>

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

**Town of Afton, Oklahoma**  
**Statement of Cash Flows – Modified Cash Basis**  
**Proprietary Funds**  
**June 30, 2015**

	<u><b>Afton Public Works Authority</b></u>
<b>Cash Flows From Operating Activities</b>	
Cash received for water, gas, sewer, sanitation and rent charges	\$ 824,283.74
Cash received for gas tax	16,552.56
Cash received for sales tax	104,040.23
Cash received for other services	33,140.66
Cash paid for operations	(566,841.45)
Cash paid for salaries and benefits	(232,316.54)
Cash paid for goods and services	(107,572.65)
Net Cash Provided by (Used in) Operating Activities	<u>71,286.55</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchases of capital assets	(8,170.94)
Transfers to other governments	(20,000.00)
Principal paid on capital debt	(50,834.39)
Interest payments on capital debt	(26,529.61)
Meter deposits	2,210.00
Net Cash Provided by (Used in) Capital and Related Activities	<u>(103,324.94)</u>
<b>Cash Flows From Investing Activities</b>	
Interest	<u>1,119.32</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,119.32</u>
Net increase (decrease) in cash and cash equivalents	(30,919.07)
Beginning cash and cash equivalents	<u>406,292.44</u>
Ending cash and cash equivalents	<u><u>\$ 375,373.37</u></u>
<b>Reconciliation of net income to net cash provided (used) by operating activities:</b>	
Operating Income (Loss)	\$ (9,757.19)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	<u>81,043.74</u>
Change in assets and liabilities:	
Net cash provided by (used in) operating activities	<u><u>\$ 71,286.55</u></u>

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

**TOWN OF AFTON, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**INDEX**

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**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Town of Afton, Oklahoma’s (“Town”) financial statements.

As discussed further in Note 1C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurements and recognition criteria of the modified cash basis of accounting.

1.A. Financial Reporting Entity

The Town’s financial reporting entity is comprised of the following:

Primary Government:	Town of Afton, Oklahoma
Blended Component Unit:	Afton Public Works Authority
Discretely Presented Component Unit:	Afton Economic Development Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity” and includes all component units of which the Town appointed a voting majority of the units’ board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit’s fund is blended into those of the Town’s by appropriate activity type to comprise the primary government presentation.

**Blended Component Units**

Component units that are blended into the reporting activity types of the Town’s reports are presented below:

<b>Component Unit</b>	<b>Brief Description/Inclusive Criteria</b>	<b>Reporting</b>
Afton Public Works Authority	Created to finance, develop and operate the utilities services activities. The current Town Council serves as the governing body (Trustees). Any issuance of debt would require a two-thirds approval of the Town Council.	Enterprise Fund

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.A. Financial Reporting Entity: continued

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Additional detailed information and/or separately issued financial statements for this component unit can be obtained from the Town Council.

Component units that are discretely presented are presented below:

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Afton Economic Development Authority	Created to finance, develop and operate economic development activities. The current Town Council serves as the governing board.	Special Revenue Fund

1.B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 and services.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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. 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:

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.B. Basis of Presentation: continued

- 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 fund 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 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 either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

**Proprietary Funds**

Enterprise Funds

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 net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

<u>Fund</u>	<u>Brief Description</u>
Afton Public Works Authority	Accounts for the activities of the public trust in providing utility services to the public.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.B. Basis of Presentation: continued

**Major and Non-Major Funds**

<i>Major:</i>	General Fund	
	Special Revenue Fund:	
	Cemetery Care Fund	Accounts for revenues and expense to maintain the Town cemetery.
	Street and Alley Fund	Accounts for revenues and expense to maintain the Town roads.
	Sr. Citizens Center Fund	Accounts for revenues and expense for the Town community center.
	Proprietary Fund:	
	Afton Public Works Authority	Accounts for activities of the public trust in providing utility services to the public.

1.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**

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, 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 within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.
- c. Agency funds are not involved in the measurement of results or operations, therefore, measurement focus is not applied to them.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.C. Measurement Focus and Basis of Accounting: continued

**Basis of Accounting**

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets, cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

1.D. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the City. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Deposits with Third-Party Administrator

Certain sales tax revenues designated for the Fire Department are received by the Ottawa County Clerk. For the year ended June 30, 2015, \$26,176.90 was received and \$18,962.17 was disbursed for fire department expenditures. The cash balance with Ottawa County as of June 30, 2015 was \$89,330.74.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Capital Assets

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations, and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	60 years
Machinery and Equipment	15 to 20 years
Utility System	10 to 40 years
Infrastructure	20 years

*Fund Financial Statements*

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are the same as in the government-wide statements.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the promissory notes with Rural Economic Community Development (RECD) require that funds be held in a reserve account. Under the terms and provisions of the promissory notes, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the notes are outstanding. Also included in restricted assets are funds on deposit representing utility customer meter deposits, which are refundable to the customer.

Long-Term Debt

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in government-wide statements.

Equity Classification

*Government-Wide Statements:*

Equity is classified as net position 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 any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Equity: continued

Equity Classification: continued

- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements:*

In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- c. Committed – amounts that can be spent only for specific purposes determined by a formal action of government’s highest level of decision-making authority.
- d. Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – amounts that are available for any purpose; these amounts can be reported only in the Town’s General Fund.

1.E. Revenues, Expenditures and Expenses

Sales Tax

The Town’s presently levies a 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 Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 1. Summary of Significant Accounting Policies: continued

1.E. Revenues, Expenditures and Expenses: continued

Use Tax

The Town levies a use-tax on personal property purchased outside the Town limits but stored, used or consumed within the Town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July are received by the Town in July and August.

Operating Revenues and Expenses

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 all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by activity)
	Capital Outlay
	Debt Service

Proprietary Fund – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

1.F. Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

1.G. Use of Estimates

The preparation of the financial statements in accordance with the modified cash basis requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 2. Stewardship, Compliance and Accountability

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws, regulations, grants and contracts and demonstration of its stewardship over Town resources follows:

2.A. Fund Accounting Requirements

The Town complies, in all material respects, with state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture
Cemetery Care Fund	State Law

2.B. Deposit and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bond. As required by 12 U.S.C. A., Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized for the fiscal year ended June 30, 2015.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

1. Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
2. 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;
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
4. 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;
5. 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 obligation of national mortgage associations;

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 2. Stewardship, Compliance and Accountability: continued

2.B. Deposit and Investment Laws and Regulations: continued

6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs 1., 2., 3., and 4.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2015, the Town and its public trusts complied, in all material respects, with these investment restrictions.

2.C. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restriction of Use</u>
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2015, the Town complied, in all material respects, with those revenue restrictions.

2.D. Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2015, the Town had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2015, the Town incurred no such indebtedness.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 2. Stewardship, Compliance and Accountability: continued

2.D. Debt Restrictions and Covenants: continued

Bonds and Notes Payable

The various loan agreements relating to the notes payable issuances of Afton Public Works Authority contain some financial restrictions or covenants. These include covenants such as the required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon, as of June 30, 2015.

<u>Requirements</u>	<u>Level of Compliance</u>
Reserve Account Requirements (RECD Loan Agreements) Account balance should be equal to \$77,364 or 12 months of debt service payments.	Full Compliance

2.E. Fund Equity Restrictions

Deficit Prohibition

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute, in all material respects, for the year ended June 30, 2015.

2.F. Budgetary Accounting and Control

The Town operates under the Oklahoma Estimates of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund of the Town. The budget is prepared using the cash basis and budget laws of the State of Oklahoma. The financial statements are prepared using the modified cash basis of accounting, which differs from generally accepted accounting principles in the United States of America. There are timing differences related to encumbrances between the financial statements presentation and the budget that are reconciled on page 34 of this report. The Board of Trustees can legally amend the budget once it has been approved by filing a supplemental appropriation with the state auditor and inspector and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. There were no supplemental appropriations made during the fiscal year. All appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is the fund level for each legally adopted fiscal operating budget.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 3. Detail Notes – Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. Cash and Investments

Authorized Investments

State statutes govern the Town’s investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit or savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, none of the Town’s investments were exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

3.B. Restricted Assets

The amounts reported as restricted assets are comprised of cash held by the Ottawa County Treasure for the Fire Department, cash held in trust on behalf of the Afton Public Works Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

The restricted assets, as of June 30, 2015, are as follows:

<i>Governmental Activities:</i>	
County Fire Funds	\$ <u>89,330.74</u>
 <i>Business-type Activities:</i>	
Meter Deposits	\$ 79,695.00
Loan Reserves	<u>77,364.00</u>
	<u>\$157,059.00</u>

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.C. Capital Assets

Capital asset activity, for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<i>Governmental Activities:</i>				
Non-depreciable assets				
Land	\$ 93,478.88	\$ -	\$ -	\$ 93,478.88
Total Non-depreciable assets	<u>93,478.88</u>	<u>-</u>	<u>-</u>	<u>93,478.88</u>
Depreciable assets				
Buildings	238,292.00	8,290.00	-	246,582.00
Infrastructure	30,604.81	97,962.74	-	128,567.55
Vehicles	344,770.05	-	-	344,770.05
Machinery and equipment	193,596.98	-	-	193,596.98
Total capital assets being depreciated	<u>807,263.84</u>	<u>106,252.74</u>	<u>-</u>	<u>913,516.58</u>
Less: accumulated depreciation for				
Buildings	107,150.30	3,707.28	-	110,857.58
Infrastructure	15,174.88	4,795.66	-	19,970.54
Vehicles	255,148.30	10,788.50	-	265,936.80
Machinery and equipment	125,538.37	8,383.59	-	133,921.96
Total accumulated depreciation	<u>503,011.85</u>	<u>27,675.03</u>	<u>-</u>	<u>530,686.88</u>
Governmental activities capital assets, net	<u>\$ 397,730.87</u>	<u>\$ 78,577.71</u>	<u>\$ -</u>	<u>\$ 476,308.58</u>
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<i>Business-Type Activities:</i>				
Depreciable assets				
Utility system	\$ 2,743,421.45	\$ 8,170.94	\$ -	\$ 2,751,592.39
Vehicles	66,400.00	-	-	66,400.00
Machinery and equipment	131,324.53	-	-	131,324.53
Furniture and equipment	274.50	-	-	274.50
Total capital assets being depreciated	<u>2,941,420.48</u>	<u>8,170.94</u>	<u>-</u>	<u>2,949,591.42</u>
Less: accumulated depreciation for				
Utility system	1,410,987.39	70,092.52	-	1,481,079.91
Vehicles	40,063.33	4,385.00	-	44,448.33
Machinery and equipment	62,146.09	6,566.22	-	68,712.31
Furniture and fixtures	274.50	-	-	274.50
Total accumulated depreciation	<u>1,513,471.31</u>	<u>81,043.74</u>	<u>-</u>	<u>1,594,515.05</u>
Business-Type activities capital assets, net	<u>\$ 1,427,949.17</u>	<u>\$ (72,872.80)</u>	<u>\$ -</u>	<u>\$ 1,355,076.37</u>

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 3. Detail Notes – Transaction Classes/Accounts: continued

3.D. Capital Assets: continued

Depreciation expense was charged to governmental activities as follows:

General Government	\$	4,314.27
Public Safety and Judiciary:		
Fire		18,496.02
Transportation:		
Street and alley		4,864.74
Total depreciation expense	\$	<u><u>27,675.03</u></u>

3.E. Long-Term Debt

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The Town, acting through the Trustees of the Afton Economic Development Authority, executed a lease purchase agreement on August 1, 2007 with the Northeast Technology Center School District No. 11. The Afton Economic Development Authority issued a \$3,500,000 revenue bond at 4.65% interest, in order to assist with the project. The purpose of the Lease Revenue Note, Series 2007 is to finance certain educational facilities of the Northeast Technology Center and residents of the Town, and pay certain costs of issuance. As part of the Ground Lease Agreement, the Northeast Technology Center leased, to the Town, the real property on which the project is to be constructed. With the proceeds of the note, the Town will finance the project and lease it back to the Northeast Technology Center. The Town will make the debt service payments with the lease payments from the Northeast Technology Center. Future payments are as follows:

Year Ending June 30	Principal	Interest	Totals
2016	\$ 222,759.08	\$ 106,601.14	\$ 329,360.22
2017	242,998.19	96,242.84	339,241.03
2018	264,474.94	84,943.42	349,418.36
2019	287,255.47	72,645.34	359,900.81
2020	311,409.86	59,287.97	370,697.83
2021-2023	960,492.87	86,147.78	1,046,640.65
	<u><u>\$ 2,289,390.41</u></u>	<u><u>\$ 505,868.49</u></u>	<u><u>\$ 2,795,258.90</u></u>

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 3. Detail Notes – Transactions Classes/Accounts: continued

3.E. Long-Term Debt: continued

Business-Type Activities

As of June 30, 2015, the long-term debt payable from proprietary fund resources consisted of the following:

**RECD Note Payable 91-09**

A note payable (91-09) due in 40 years to Rural Economic Community Development in the principal amount of \$750,000.00 was issued on December 21, 1981. The note bears interest at 5.00% with initial monthly installments of \$3,683.00. The note was re-amortized in December of 1991 with new monthly installments of \$3,996.00. The note is secured by the land, building, all rights and titles associated with the water system, and all monies received from the proceeds of a special one cent municipal sales tax in the Town of Afton. The note matures as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 35,748.10	\$ 11,973.11	\$ 47,721.21
2017	37,577.02	10,144.16	47,721.18
2018	39,499.54	8,816.95	48,316.49
2019	41,520.41	5,605.46	47,125.87
2020	43,644.67	4,076.53	47,721.20
2021 - 2022	58,580.13	1,942.29	60,522.42
	<u>\$ 256,569.87</u>	<u>\$ 42,558.50</u>	<u>\$ 299,128.37</u>

**RECD Note Payable 92-10**

A note payable (92-10) due in 40 years to Rural Economic Community Development in the principal amount of \$350,000.00 was issued on January 9, 1986. The note bears interest at 5.00% with initial monthly installments of \$1,719.00. The note was re-amortized in December of 1991, with new monthly installments of \$1,826.00. The note is secured by the land, building, and all rights and titles associated with the water system. The note matures as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 12,968.11	\$ 8,323.36	\$ 21,291.47
2017	13,631.59	8,309.89	21,941.48
2018	14,329.01	7,612.49	21,941.50
2019	15,062.13	6,879.39	21,941.52
2020	15,832.71	6,108.77	21,941.48
2021 - 2025	87,689.03	17,532.07	105,221.10
2026	26,440.56	582.87	27,023.43
	<u>\$ 185,953.14</u>	<u>\$ 55,348.84</u>	<u>\$ 241,301.98</u>

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 3. Detail Notes – Transactions Classes/Accounts: continued

3.E. Long-Term Debt: continued

**RECD Note Payable 92-05**

A note payable (92-05) due in 40 years to Rural Economic Community Development in the principal amount of \$79,800.00 was issued on January 9, 1986. The note bears interest at 5.00%, with monthly installments of \$392.00. The note is secured by the land, building, and all rights and titles associated with the water system. The note matures as follows:

Year Ending June 30	Principal	Interest	Totals
2016	\$ 2,558.89	\$ 2,144.83	\$ 4,703.72
2017	2,720.49	1,983.48	4,703.97
2018	2,892.01	1,811.93	4,703.94
2019	3,074.38	1,629.61	4,703.99
2020	3,268.23	1,435.74	4,703.97
2021 - 2025	21,209.66	3,844.96	25,054.62
2026	-	-	-
	<u>\$ 35,723.66</u>	<u>\$ 12,850.55</u>	<u>\$ 48,574.21</u>

**RECD Note Payable 91-07**

A note payable (91-07) due in 40 years to Rural Economic Community Development in the principal amount of \$41,000.00 was issued on April 28, 1988. The note bears interest at 6.125% with monthly installments of \$233.00. The note is secured by the land, building, and all rights and titles associated with the water system. The note matures as follows:

Year Ending June 30	Principal	Interest	Totals
2016	\$ 1,350.85	\$ 1,195.63	\$ 2,546.48
2017	1,703.67	1,094.65	2,798.32
2018	1,811.03	987.34	2,798.37
2019	1,925.09	873.23	2,798.32
2020	2,046.38	751.96	2,798.34
2021 - 2025	11,510.40	1,667.65	13,178.05
2026	-	-	-
	<u>\$ 20,347.42</u>	<u>\$ 6,570.46</u>	<u>\$ 26,917.88</u>

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 3. Detail Notes – Transactions Classes/Accounts: continued

3.E. Long-Term Debt: continued

Debt service requirements for all business-type activities are as follows:

Year Ending June 30	Principal	Interest	Totals
2016	\$ 52,625.95	\$ 23,636.93	\$ 76,262.88
2017	55,632.77	21,532.18	77,164.95
2018	58,531.59	19,228.71	77,760.30
2019	61,582.01	14,987.69	76,569.70
2020	64,791.99	12,373.00	77,164.99
2021 - 2025	178,989.22	24,986.97	203,976.19
2026	26,440.56	582.87	27,023.43
	<u>\$ 498,594.09</u>	<u>\$ 117,328.35</u>	<u>\$ 615,922.44</u>

Changes in Long-Term Debt

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2015:

	Amount Outstanding July 1, 2014	Issued	Retired	Amount Outstanding June 30, 2015
Business-Type Activities:				
Notes Payable	\$ 548,854.23	\$ -	\$ 50,260.14	\$ 498,594.09
Component Units:				
AEDA Bonds Payable	2,493,222.76	-	203,832.35	2,289,390.41
	<u>\$ 3,042,076.99</u>	<u>\$ -</u>	<u>\$ 254,092.49</u>	<u>\$ 2,787,984.50</u>

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 4. Other Information

4.A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that Town, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. The Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the Town. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

4.B. Employee Retirement System and Plan

The Town provides pension benefits for substantially all of its full time employees (excluding firemen who are covered under a separate state retirement system) through a defined contribution cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined contribution plan. The OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma 73105, or by calling 1-888-394-6673.

The OMRF Defined Contribution Program provides a savings vehicle for individual employees where the funds are credited to participant accounts and then pooled for investment through OMRF. All gains and/or losses are credited directly to each participant. Upon retirement, termination, disability, or death, the vested portion of the participant's account is paid to the participant or beneficiary. The benefit is payable based on the accumulation of employee and employer contributions, forfeitures, and interest earnings.

Employees may contribute a percentage of their gross pay, which the Town matches up to 10%. The amount of contribution from the Town for this plan was **\$28,366.41** for fiscal year 2015.

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 4. Other Information: continued

4.B. Employee Retirement System and Plan: continued

Firefighters Pension and Retirement System

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit adopted under Oklahoma Statutes. The plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8% of base salary and the Town contributes an additional 13% (\$60 for volunteer firemen). The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461.

4.C. Previous Year Adjustments

During current year audit, financial statements changed from accrual method, as prescribed under GAAP, to the modified cash basis of accounting.

Financial statements for the year ended December 31, 2014, were restated to appropriately capture these changes and provide consistency and comparability among the years.

	As reported 12/31/2014	Adjustment	As restated 12/31/2014
To reflect change from accrual basis to modified cash basis of accounting:			
General Fund: Accrued interest receivable	\$ 24.89	\$ (24.89)	\$ -
General Fund: Due from other governments	37,567.08	(37,567.08)	-
General Fund: Accounts payable	(2,622.59)	2,622.59	-
General Fund: Fund balance	(463,064.13)	34,969.38	(428,094.75)
Cemetery Fund: Accrued interest receivable	22.06	(22.06)	-
Cemetery Fund: Fund balance	(163,495.78)	22.06	(163,473.72)
Street & Alley Fund: Due from other governments	10,872.75	(10,872.75)	-
Street & Alley Fund: Accounts payable	(532.19)	532.19	-
Street & Alley Fund: Fund balance	(68,140.96)	10,340.56	(57,800.40)
Sr. Citizens Center Fund: Accounts payable	(601.50)	601.50	-
Sr. Citizens Center Fund: Fund balance	(10,021.94)	(601.50)	(10,623.44)
To write off previous years' AEDA bond costs in accordance with GASB 65:			
AEDA: Bond issuance costs	105,481.39	(105,481.39)	-
AEDA: Accumulated amortization	(52,185.98)	52,185.98	-
AEDA: Fund balance	(881,329.10)	59,957.45	(821,371.65)
AEDA: Amortization expense	6,662.04	(6,662.04)	-

**Town of Afton, Oklahoma**  
**Notes to the Financial Statements**  
**June 30, 2015**

Note 4. Other Information: continued

4.D. Subsequent Events

Subsequent events have been evaluated through the date of the auditor's report.

4.C. Proprietary Fund Rates and Charges

Water Rates and Charges

Minimum monthly charge on first 1,000 gallons	\$ 25.00
Price per thousand gallons for next 2,000 gallons	4.70
Price per thousand gallons for next 2,000 gallons	5.15
Price per thousand gallons for next 5,000 gallons	5.60
Price per thousand gallons for next 5,000 gallons	6.05
Price per thousand gallons for next 5,000 gallons	6.50
Price per thousand gallons on gallons over 20,000	6.95

Sewer Rates and Charges

Minimum monthly charge on first 1,000 gallons	\$ 15.50
Price per thousand gallons for next 2,000 gallons	3.25
Price per thousand gallons for next 2,000 gallons	3.50
Price per thousand gallons for next 5,000 gallons	3.75
Price per thousand gallons for next 5,000 gallons	4.00
Price per thousand gallons for next 5,000 gallons	4.25
Price per thousand gallons on gallons over 20,000	4.50

Gas Rates and Charges

Basic Rate	\$ 10.00
Price per MFC (cost plus \$2.00)	

Initial Meter Installation Fees (Residential and Commercial)

Water, Sewer, and Gas Meter Tap Fee - In Town	\$ 400.00	each
Water, Sewer, and Gas Meter Tap Fee - Out of Town	750.00	each
Reconnect Fee	50.00	
Additional charge for after hours reconnections	75.00	

Meter Deposits (Residential and Commercial)

	Owner	Renter
Water	\$ 50.00	\$ 100.00
Gas	100.00	200.00

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Cemetery Fund
- Notes to RSI – Budgetary Comparison Schedule

**Town of Afton, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balance – Budget and Actual**  
**Regulatory Basis – General Fund**  
**June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to</u>	<u>Final to</u>
				<u>Final</u>	<u>Actual</u>
Revenues:					
Senior Citizens/Community Center	\$ 1,200.00	\$ 8,500.00	\$ 9,700.00	\$ 7,300.00	\$ 1,200.00
Animal Control	-	-	-	-	-
Municipal Court	40,000.00	(23,500.00)	16,500.00	(63,500.00)	40,000.00
Administration	-	700.00	700.00	700.00	-
Fire Department	14,000.00	4,300.00	18,300.00	(9,700.00)	14,000.00
Police Department	-	2,000.00	2,000.00	2,000.00	-
Business Park	6,000.00	3,700.00	9,700.00	(2,300.00)	6,000.00
Internal Accounts	-	157,000.00	157,000.00	157,000.00	-
General Fund	203,810.00	6,690.00	210,500.00	(197,120.00)	203,810.00
Total Revenues Collected	<u>265,010.00</u>	<u>159,390.00</u>	<u>424,400.00</u>	<u>(105,620.00)</u>	<u>265,010.00</u>
Expenditures:					
Senior Citizens/Community Center	4,550.00	3,900.00	3,817.10	(650.00)	82.90
Animal Control	5,900.00	6,300.00	6,291.74	400.00	8.26
Municipal Court	48,600.00	42,700.00	42,612.94	(5,900.00)	87.06
Administration	94,375.00	124,300.00	124,272.67	29,925.00	27.33
Fire Department	36,200.00	23,100.00	23,054.73	(13,100.00)	45.27
Police Department	43,500.00	36,400.00	36,398.50	(7,100.00)	1.50
Business Park	2,200.00	24,200.00	24,195.49	22,000.00	4.51
Internal Accounts	-	156,900.00	156,838.97	156,900.00	61.03
To Reserve for Business Park	29,685.00	-	-	(29,685.00)	-
To Reserves	-	6,600.00	6,689.00	6,600.00	(89.00)
Total Expenditures Paid	<u>265,010.00</u>	<u>424,400.00</u>	<u>424,171.14</u>	<u>159,390.00</u>	<u>228.86</u>
Excess (Deficit)	-	(265,010.00)	228.86	(265,010.00)	265,238.86
Cash fund balance, beginning of year	300,377.89	361,777.89	358,524.58	61,400.00	(3,253.31)
Cash fund balance, end of year	<u>\$ 300,377.89</u>	<u>\$ 96,767.89</u>	358,753.44	<u>\$(203,610.00)</u>	<u>\$ 261,985.55</u>

Amounts reported for general fund cash fund in the Balance Sheet for Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting. The differences are attributable to:

Cash held with third party administrator	<u>89,330.74</u>
Fund Balance - General Fund	<u>\$ 448,084.18</u>

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

**Town of Afton, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balance – Budget and Actual**  
**Regulatory Basis – Cemetery Fund**  
**June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to</u>	<u>Final to</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>	<u>Actual</u>
Revenues:					
Cemetery	\$ 15,200.00	\$ 23,200.00	\$ 17,069.44	\$ 8,000.00	\$ (6,130.56)
Total Revenues Collected	<u>15,200.00</u>	<u>23,200.00</u>	<u>17,069.44</u>	<u>8,000.00</u>	<u>(6,130.56)</u>
Expenditures:					
Maintenance and operations	15,200.00	23,200.00	23,175.00	8,000.00	25.00
Total Expenditures Paid	<u>15,200.00</u>	<u>23,200.00</u>	<u>23,175.00</u>	<u>8,000.00</u>	<u>25.00</u>
Excess (Deficit)	-	-	(6,105.56)	-	(6,105.56)
Cash fund balance, beginning of year	163,044.60	163,744.60	163,473.72	700.00	(270.88)
Cash fund balance, end of year	<u>\$ 163,044.60</u>	<u>\$ 163,744.60</u>	<u>157,368.16</u>	<u>\$ 700.00</u>	<u>\$ (6,376.44)</u>

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

**Town of Afton, Oklahoma**  
**Notes to Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2015**

Budgetary Accounting

The Town prepares its budget for the General and Cemetery Funds on the cash basis of accounting. All unexpended appropriations lapse at year-end.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

**OBER & LITTLEFIELD**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*  
124 S. MAIN, MIAMI, OK 74354  
918-542-4401

**INDEPENDENT AUDITORS 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 Mayor and Town Council  
Town of Afton, Oklahoma

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Afton, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Afton, Oklahoma's basic financial statements, and have issued our report thereon dated June 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Afton, 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 Town of Afton, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Afton, 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Afton, 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 Standard*.

To the Mayor and Town Council  
Town of Afton, Oklahoma  
Page 2

**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.

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

**OBER & LITTLEFIELD, CPAS, PLLC**  
MIAMI, OKLAHOMA

**Town of Afton, Oklahoma  
Schedule of Prior Years Findings  
For the Year Ended June 30, 2015**

There were no audit findings for the year ended June 30, 2014.