

Town of Foyil
Rogers County, Oklahoma

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2014

Town of Foyil
Rogers County, Oklahoma

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Town of Foyil
Management Discussion & Analysis
For the Year Ended June 30, 2014

This section of the Town of Foyil's financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's net assets increase \$27,096 from fiscal year 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an optional section that presents supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's operations in more detail than the government-wide financial statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of Town of Foyil's Government-wide and Fund Financial Statements

	<u>Fund Statements</u>		
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Town government (except fiduciary funds) and Town's component units	The activities of the Town are not proprietary or fiduciary, such as police, fire, and parks.	Activities the Town operates similar to private businesses: the water and sewer system, and parking facilities.
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net assets *Statement of revenues, expenses, and changes in net assets *Statement of cash flows
Accounting basis and Measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources Focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities; both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflows/outflow information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net assets* and how they have changed. Net assets - the difference between the Town's assets and liabilities - is one way to measure the Town's financial health, or *position*.

* Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Town are divided into three categories:

* *Government activities* - Most of the Town's basic services are included here, such as the police, fire, public works, parks departments and general administration. Sales taxes, use taxes and grants finance most of these activities.

* *Business-type activities* - The Town charges fees to customers to help it cover the costs of certain services it Provides. The Towns sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has two kinds of funds:

* *Governmental Funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or in the subsequent page, that explains the relationship (or differences) between them.

* *Proprietary Funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Assets. (See Table A-1).

Table A-1
Town of Foyil's Net Assets

	Governmental Activities		Business-type Activities	
	2013	2014	2013	2014
Current and other assets	\$ 65,878	\$ 73,994	\$ 137,426	\$ 148,262
Capital assets	<u>107,265</u>	<u>104,039</u>	<u>1,457,526</u>	<u>1,463,481</u>
Total Assets	173,143	178,033	1,610,152	1,611,743
Other liabilities	<u>8,322</u>	<u>7,473</u>	<u>443,313</u>	<u>437,124</u>
Total Liabilities	8,322	7,473	443,313	437,124
Net assets				
Invested in capital assets	107,265	104,039	1,014,796	1,009,189
Restricted	0	0	15,201	17,743
Unrestricted	<u>57,556</u>	<u>66,522</u>	<u>136,842</u>	<u>147,686</u>
Total Net Assets	<u>\$ 164,821</u>	<u>\$ 170,561</u>	<u>\$1,166,839</u>	<u>\$1,174,618</u>

Governmental Activities

Table A-2
Changes in Town of Foyil's Net Assets

	Governmental Activities		Business-type Activities	
	2013	2014	2013	2014
Revenues				
Program revenues				
Investment earnings	\$ 256	\$ 275	\$ 7	\$ 7
Sewer Charges			9,807	10,833
General revenues				
Sales tax revenues (net)	29,936	28,647	93,073	82,542
Other taxes	10,455	10,962		
Other	75	14,500		
Total Revenues	40,722	54,384	102,888	93,382
Expenses				
Personal services	19,574	19,859		
Interest Expense			19,512	19,239
Maintenance and operation	16,898	28,785	60,530	66,364
Total Expenses	36,472	48,644	80,041	85,603
Increase (Decrease) in Net Assets	\$ 4,250	\$ 5,740	\$ 22,847	\$ 7,779

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General Fund Budgetary Highlights

The actual expenditures were \$37,869 under final budget amounts and revenues collected were \$32,254 under the amount estimated. Which resulted in a \$5,740 increase in the total fund budget appropriation.

Capital Assets

Table A-4
Town of Foyil's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	\$ 2,000	\$ 2,000	\$ 132,430	\$ 132,430
Building and improvements	105,265	102,039	1,325,096	1,313,307
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 117,265</u>	<u>\$ 104,039</u>	<u>\$1,457,526</u>	<u>\$1,445,737</u>

Town of Foyil
Rogers County, Oklahoma
Budget and Actual - General Fund
 Budgeted Governmental Fund Types
 For the Year Ended June 30, 2014

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>				
Taxes	\$ 46,083	\$ 46,083	\$ 39,609	\$ (6,474)
Investment income	250	250	275	25
Grant Income	40,305	40,305	10,695	(29,610)
Sales, services, fines & other	0	0	3,805	3,805
Total revenues	86,613	86,613	54,384	(32,254)
<u>Expenditures</u>				
Personal service	18,000	18,000	19,859	(1,859)
Capital outlay	28,308	28,308	0	28,308
Maintenance and operation	40,305	40,305	28,785	11,520
Total Expenditures	86,613	86,613	48,644	37,869
Excess of Revenues over/(under) expenditures	0	0	5,740	5,740
Fund Balance, beginning	0	0	164,821	164,821
Fund Balance, end of year	\$ 0	\$ 0	\$ 170,561	\$ 170,561

Violet F. Kirkendall CPA, PC

Certified Public Accountants

405 W. Claremore St.

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Independent Auditor's Report

Board of Trustees
Town of Foyil

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Foyil, Rogers County, 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 Foyil, Rogers County, Oklahoma's basic financial statements as listed in the table of contents.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

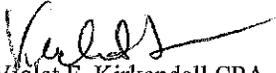
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foyil, Rogers County, Oklahoma as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report dated November 3, 2014 on my consideration of the Town of Foyil, Rogers County, Oklahoma internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Foyil, Rogers County, Oklahoma's internal control over financial reporting and compliance.


Violet F. Kirkendall CPA, PC
November 3, 2014

Violet F. Kirkendall CPA, PC
Certified Public Accountants
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(918) 342-5474

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

Board of Trustees
Town of Foyil
Rogers County, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Town of Foyil, Rogers County, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise which comprise Town of Foyil, Rogers County, Oklahoma basic financial statements, and have issued my report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Foyil, Rogers County, Oklahoma internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Foyil, Rogers County, Oklahoma internal control.

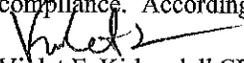
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance

As part of obtaining reasonable assurance about whether the Town of Foyil, Rogers County, Oklahoma financial statements are free of material misstatement, I performed tests of the 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, 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*.

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


Violet F. Kirkendall CPA, PC
November 3, 2014

Town of Foyil
Rogers County, Oklahoma
Statement of Net Assets
June 30, 2014

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 62,409.15	\$ 140,789.29	\$ 203,198.44
Accounts Receivable		7,472.56	7,472.56
Due from other Governments	11,585.30		11,585.30
Total Current Assets	73,994.45	148,261.85	222,256.30
Non-current Assets:			
Cash and Cash Equivalents – restricted		17,743.32	17,743.32
Capital Assets:			
Property, Plant and Equipment, net	104,039.07	1,445,737.64	1,549,776.71
Total Non-current Assets	104,039.07	1,463,480.96	1,567,520.03
Total Assets	178,033.52	1,611,742.81	1,789,776.33
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,472.56		7,472.56
Accrued Interest Payable		575.58	575.58
Current Portion of Notes Payable		6,100.00	6,100.00
Total Current Liabilities	7,472.56	6,675.58	14,148.14
Long term Liabilities:			
Note Payable – ODOC		430,448.88	430,448.88
Total Liabilities	7,472.56	437,124.46	444,597.02
NET ASSETS			
Invested in capital assets, net of related debt	104,039.07	1,009,188.76	1,113,227.83
Unassigned Fund Balance	66,521.89		66,521.89
Restricted		17,743.32	17,743.32
Unrestricted		147,686.27	147,686.27
Total Net Assets	\$ 170,560.96	\$ 1,174,618.35	\$ 1,345,179.31

The accompanying notes are an integral part of the combined financial statements.

Town of Foyil
Rogers County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs:</u>	Program Revenues				Net (Expense)/ Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities:</i> General Government	\$ 48,643.79	\$ 0.00	\$ 10,694.50	\$ 0.00	\$ (37,949.29)
<i>Business Type Activities</i> Water and Sewer	85,603.04	10,833.40	0.00	0.00	(74,769.64)
TOTAL	\$ 134,246.83	\$ 10,833.40	\$ 10,694.50	\$ 0.00	\$ (112,718.93)
			Primary Government		
			Governmental Activities	Business-Type Activities	Totals
Changes in Net Assets: Net (expense) revenue			\$ (37,949.29)	\$ (74,769.64)	\$ (112,718.93)
General revenues:					
Taxes:					
Sales Tax			111,189.49		111,189.49
Franchise Tax			4,065.25		4,065.25
Cigarette Tax			1,326.35		1,326.35
Other Tax			241.50		241.50
Alcoholic Beverage Tax			2,050.49		2,050.49
Rental Income			1,975.00		1,975.00
Other			1,830.00		1,830.00
Restricted for transportation purposes:					
Motor Vehicle Tax			2,650.77		2,650.77
Gasoline Tax			627.94		627.94
Interest Income			274.60	6.77	281.37
Transfers - Internal Activity			(82,542.24)	82,542.24	0.00
Total Taxes			43,689.15	82,549.01	126,238.16
Change in Net Assets			5,739.86	7,779.37	13,519.23
Net Assets-beginning			164,821.10	1,166,838.98	1,331,660.08
Net Assets-ending			\$ 170,560.96	\$ 1,174,618.35	\$ 1,345,179.31

The accompanying notes are an integral part of the combined financial statements.

Town of Foyil
Rogers County, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund
ASSETS	
Cash	\$ 62,409.15
Due from other Governments	<u>11,585.30</u>
Total Assets	<u>\$ 73,994.45</u>
 LIABILITIES & FUND EQUITY	
Liabilities:	
Accounts Payable	\$ 7,472.56
Fund Equity:	
Unreserved	<u>66,521.89</u>
Total Liabilities & Fund Equity	<u>\$ 73,994.45</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Foyil
Rogers County, Oklahoma
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2014*

Total Fund Balances – Governmental Funds \$ 66,521.89

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 in the governmental funds.

Net Assets of Governmental Activities 104,039.07
\$ 170,560.96

The accompanying notes are an integral part of the combined financial statements.

Town of Foyil
Rogers County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Funds</u>
REVENUES	
Investment Income	\$ 274.60
Grant Income	9,694.50
Rental Income	1,975.00
Contributions	1,000.00
Other income	1,830.00
Taxes	<u>122,151.79</u>
Total Revenues	<u>136,925.89</u>
EXPENDITURES	
General Government	
Personal Services	19,858.50
Maintenance and Operation	<u>25,559.27</u>
Total Expenditures	<u>45,417.77</u>
Excess (deficit) of revenues over expenditures	91,508.12
Other Financing Sources (Uses)	
Transfer Out	<u>(82,542.24)</u>
Net Change in Fund Balance	8,965.88
Fund Balance - Beginning of Year	<u>57,556.01</u>
Fund Balance - End of Year	<u>\$ 66,521.89</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Foyil
Rogers County, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014*

Net Change in Fund Balances – Total Governmental Funds \$ 8,965.88

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

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Depreciation expense (3,226.02)

Change in Net Assets of Governmental Activities \$ 5,739.86

The accompanying notes are an integral part of the combined financial statements.

Town of Foyil
Rogers County, Oklahoma
Statement of Net Assets
Proprietary Funds-Enterprise Funds
June 30, 2014

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	140,789.29
Accounts receivable		7,472.56
Total Current Assets		<u>148,261.85</u>

Non-current Assets:

Cash and Cash Equivalents – Restricted		17,743.32
Capital Assets:		
Property, Plant and Equipment, net of Accumulated Depreciation		1,445,737.64
Total Non-current Assets		<u>1,463,480.96</u>

Total Assets

1,611,742.81

LIABILITIES

Current Liabilities:

Accrued Interest Payable		575.88
Current Portion of Notes Payable		6,100.00
Total Current Liabilities		<u>6,675.88</u>

Long-Term Liabilities:

N/P ODOC		<u>430,448.88</u>
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Total Liabilities

437,124.46

NET ASSETS

Invested in capital assets, net of related debt		1,009,188.76
Restricted		17,743.32
Unrestricted		147,686.27
Total Net Assets	\$	<u>1,174,618.35</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Foyil
Rogers County, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2014*

Operating Revenues:

Sewer Charges	\$ <u>10,833.40</u>
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Operating Expenses:

Insurance	1,947.50
Other Expenses	1,025.56
Payroll Expenses	13,091.00
Professional Fees	1,400.00
Repairs	9,861.50
Depreciation	<u>39,038.32</u>
Total Operating Expenses	<u>66,363.88</u>

Operating Income	<u>(55,530.48)</u>
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Non-Operating Revenues (Expenses):

Interest Income	6.77
Interest Expense	(19,239.16)
Sales Tax - Town of Foyil	<u>82,542.24</u>
Total Non-Operating Revenues (Expenses)	<u>63,309.85</u>

Net Income (Loss)	7,779.37
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Total Net Assets-Beginning	<u>1,166,838.98</u>
Total Net Assets-Ending	<u>\$ 1,174,618.35</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Foyil
Rogers County, Oklahoma
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended June 30, 2014*

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 10,840.17
Payments for goods and services	(27,048.11)
Net Cash Provided (Used) from Operating Activities	(16,207.94)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Sales Tax Income	83,391.40
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of Capital Assets	(27,250.00)
Principal Payments on Long Term Debt	(6,180.68)
Interest Paid on Long Term Debt	(19,239.16)
	(52,669.84)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	0.00
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Net cash inflow (outflow) from all activities	14,513.62
Cash and cash equivalents, beginning of year	144,018.99
Cash and cash equivalents, end of year	\$ 158,532.61

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (55,523.71)
Adjustments to reconcile operating income (loss) in net assets to net cash provided by operating activities	
Depreciation/amortization	39,038.32
(Increase) decrease in accounts receivable	849.16
Increase (decrease) in accrued liabilities	(571.71)
Net cash provided (used) by operating activities	\$ (16,207.94)

The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncement 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 which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

For the fiscal year ended June 30, 2005, the Town implemented the new financial reporting requirements of GASB Statements No. 33 and 34 and in fiscal year June 30, 2014 the Town implemented the GASB 54. As a result, an entirely new financial presentation format has been implemented. This implementation will affect comparability with reports issued in prior years.

Reporting Entity

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

Primary Government:	Town of Foyil
Blended Component Unit:	Foyil 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.

Component Unit

Foyil Economic Development Authority

Brief Description/Inclusion Criteria Reporting

Created to finance, develop and operate the Enterprise Fund sewer services activities.

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. Currently, the Town has no discretely presented component units.

Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 expenditure/expenses. Fund 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 expenditure/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 that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

GOVERNMENTAL FUNDS

General Fund. This is the Town's primary operating fund. It accounts for all financial resources of the general government , except those required to be accounted for in another fund.

PROPRIETARY FUND

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

Foyil Economic Development Authority Accounts for activities of the public trust in providing sewer services to the public.

MAJOR AND NON-MAJOR FUNDS

Major: General fund
 Proprietary Fund: Foyil Economic Development Authority

Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting

Measurement focus is a term used to describe “when” 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

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- 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 objectives of this measurement focus are the determination of net income, 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 applied to them.

BASIS OF ACCOUNTING

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

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash and Investments

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. 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.

Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

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 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	20-60
Building improvements	20-60
Utility system	20-60
Equipment	3-20

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

The Town's does not have a compensated absences policy, therefore, there are not amounts recorded as liabilities in the financial statements.

Employee Pension Plans

The Town does not offer a pension plan to its employees.

Equity Classifications

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 any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets 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.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- d. Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.
- e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained in tact.
- f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues, Expenditures and Expenses

SALES TAX

The town 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 on 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 have been accrued and are included under the caption “Due from other governments”.

*Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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 function), Debt Service,
Capital Outlay
- Proprietary Funds – 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.

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 and regulations and demonstration of its stewardship over Town resources follows:

Fund Accounting Requirements

The Town complies with all 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>
Economic Development Authority Fund	Trust Indenture

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 Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Sewer Revenue	Utility Operations

For the year ended June 30, 2014 the Town complied, in all material respects, with those revenue restrictions.

*Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

Deposits 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 bonds. 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 III A., all deposits were fully insured or collateralized.

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 Town 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 Town;
- 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;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

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, 2014, the Town and its public trusts complied, in all material respects, with these investment restrictions.

OTHER LONG-TERM DEBT

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, 2014, the Town incurred no such indebtedness.

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, 2014.

Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS
CASH AND INVESTMENTS

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of 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, 2014, none of the Town's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of sales tax receivable.

Accounts receivable as of June 30, 2014 is as follows:

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 11,585.30	\$ 7,472.56	\$ 19,057.86

Capital Assets

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,000	\$	\$	\$ 2,000
<i>Capital assets being depreciated:</i>				
Equipment	3,795			3,795
Building	117,895			117,895
Total capital assets being depreciated	<u>123,610</u>	<u>0</u>	<u>0</u>	<u>123,610</u>
Less accumulated depreciation for:				
Buildings and improvements	16,345	3,226	0	19,571
Governmental activity capital assets, net	<u>\$ 107,265</u>	<u>\$ 3,226</u>	<u>\$ 0</u>	<u>\$ 104,039</u>
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Land	\$ 132,430	\$	\$	\$ 132,430
Sewer System	1,548,328	27,250		1,575,578
Total capital assets being depreciated	<u>1,680,758</u>	<u>\$ 27,250</u>	<u>\$ 0</u>	<u>1,708,008</u>
Less accumulated depreciation for:				
Land and Sewer System	223,232	39,038	0	262,270
Business-type activity capital assets, net	<u>\$1,457,526</u>		<u>\$ 0</u>	<u>\$ 1,445,738</u>

*Town of Foyil
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)

Long Term Debt

Business-Type Activities

As of June 30, 2014, the long-term debt payable from proprietary fund resources consisted of the following:

A note payable due to the Rural Utilities Service in the principal amount of \$475,000. The note bears interest at 4.375% with monthly installments of \$2,119 for a term of forty years.

The note matures as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,100	\$ 19,328	\$ 25,428
2016	6,372	19,056	25,428
2017	6,656	18,772	25,428
2018-2022	38,013	89,127	127,140
2023-2027	45,541	81,599	127,140
2028-2032	60,576	66,564	127,140
2033-2037	73,183	53,957	127,140
2038-2042	91,042	36,098	127,140
2043-2047	<u>109,066</u>	<u>12,585</u>	<u>122,002</u>
Totals	<u>\$436,549</u>	<u>\$397,086</u>	<u>\$ 833,635</u>

Reserve requirements: 1% of monthly payment should be made to a restricted account until the amount reaches one annual installment of \$212 a month until amount reaches \$25,428.

The following is a schedule of the changes in long term debt for the current year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Delet</u>	<u>Payments</u>	<u>End of Year</u>
Rural Utilities Service	\$ 442730	\$ 0	\$ 6182	\$ 436548	

Town of Foyil
Rogers County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A. Audit Findings – Prior Year

NONE

B. Audit Findings – Current Year

Compliance

NONE

Internal Control Over Financial Reporting

NONE

C. Questioned Costs

NONE