

**THE TOWN OF OKARCHE, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Audit By
STORM & HAUSER, P.C.
Certified Public Accountants
Kingfisher, Oklahoma

TOWN OF OKARCHÉ, OKLAHOMA
TABLE OF CONTENTS
For the fiscal year ended June 30, 2013

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position – Cash Basis	4
Statement of Activities – Cash Basis	5
<i>Fund Financial Statements:</i>	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	6
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Governmental Funds	7
Statement of Net Position - Proprietary Funds	8
Statement of Cash Receipts, Disbursements and Changes in Net Position - Proprietary Funds	9
Notes to Basic Financial Statements	10-18
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	19-21
INTERNAL CONTROL AND COMPLIANCE:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	22-24

TOWN OF OKARCHE, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
June 30, 2013

Town Board

Richard Raupe, Mayor

Linda Miller

Mike Mendel

Clerk

Elise Turner

Treasurer

Brian Schieber

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Board
Town of Okarche, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Okarche, Oklahoma, as of and for the year ended June 30, 2013, 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 cash basis of accounting described in Note 1; this includes determining that the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Okarche, Oklahoma, as of June 30, 2013, and the respective changes in the financial position-cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplemental budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of the Town of Okarche'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* and should be considered in assessing the results of our audit.

Storn & Hauer, P.C.

October 7, 2014

TOWN OF OKARCHÉ, OKLAHOMA
 STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash	\$ 1,147,111	\$ 492,360	\$ 1,639,471
Cash Equivalents	-	-	-
Total assets	<u>1,147,111</u>	<u>492,360</u>	<u>1,639,471</u>
NET POSITION:			
Restricted for:			
Debt service		-	-
Construction Projects	78,430	-	78,430
Public safety	36,002	-	36,002
Other purposes	51,506	-	51,506
Meter Deposits	-	28,099	28,099
Unrestricted	981,173	464,261	1,445,434
Total net position	<u>\$ 1,147,111</u>	<u>\$ 492,360</u>	<u>\$ 2,121,879</u>

TOWN OF OKARCHIE, OKLAHOMA
STATEMENT OF ACTIVITIES - CASH BASIS
For the fiscal year ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 235,578	\$ 2,289	\$ 34,338	\$ -	\$ (198,951)	\$ -	(198,951)
Public safety	369,140	30,069	5,914	-	(333,157)	-	(333,157)
Highways and streets	86,866	-	10,918	-	(75,948)	-	(75,948)
Culture and recreation	143,827	3,625	-	-	(140,202)	-	(140,202)
Water Replacement	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-
Total governmental activities	835,411	35,983	51,170	-	(748,258)	-	(748,258)
Business-type activities:							
Water and Wastewater	571,516	551,036	-	-	-	(\$20,480)	(20,480)
Economic Development	7,899	-	5,875	-	-	(2,024)	(2,024)
Principal and interest on indebtedness	934,439	-	-	-	-	(934,439)	(934,439)
Total business-type activities	1,513,854	551,036	5,875	-	-	(956,943)	(956,943)
Total primary government	\$ 2,349,265	\$ 587,018	\$ 57,045	\$ -	(748,258)	(956,943)	(1,705,201)
General revenues:							
Taxes:							
Sales and use taxes					1,153,650		1,153,650
Franchise and public service taxes					66,357		66,357
Investment income					2,571		2,571
Bond Proceeds - Net					-	216	216
Transfers - Internal activity					(900,000)	900,000	-
Total general revenues and transfers					322,578	900,216	1,222,794
Change in net assets					(425,680)	(56,728)	(482,407)
Net position - beginning					1,572,791	549,088	2,121,879
Prior Period Adjustment					-	-	-
Net position - ending					\$ 1,147,111	\$ 492,360	\$ 1,639,472

See accompanying notes to the basic financial statements

TOWN OF OKARCHÉ, OKLAHOMA
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
 GOVERNMENTAL FUNDS
 June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,059,603	\$ 87,508	\$ 1,147,111
Total assets	<u>\$ 1,059,603</u>	<u>\$ 87,508</u>	<u>\$ 1,147,111</u>
FUND BALANCES:			
Fund Balances:			
Assigned - Construction Projects	78,430		78,430
Restricted, reported in nonmajor:			
Special revenue funds	-	87,508	87,508
Debt Service	-	-	-
Unassigned	<u>981,173</u>	<u>-</u>	<u>981,173</u>
Total fund balances	<u>1,059,603</u>	<u>87,508</u>	<u>1,147,111</u>

TOWN OF OKARCHÉ, OKLAHOMA
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts:			
Taxes	\$ 1,169,439	\$ -	\$ 1,169,439
Intergovernmental	63,816	16,833	80,648
Charges for services	3,625	-	3,625
Fines and forfeitures	30,069	-	30,069
Licenses and permits	2,289	-	2,289
Investment income	2,571	-	2,571
Rents & Royalties	4,814	-	4,814
Miscellaneous	16,276	-	16,276
Total Receipts	1,292,899	16,833	1,309,731
Disbursements:			
General government	235,578	-	235,578
Public safety	354,099	15,041	369,140
Highways and streets	86,866	-	86,866
Culture and recreation	143,827	-	143,827
Sanitation	-	-	-
Water replacement	-	-	-
Grant disbursements	-	-	-
Total Disbursements	820,370	15,041	835,411
Excess (deficiency) of receipts over disbursements	472,529	1,792	474,321
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(900,000)	-	(900,000)
Total Other Financing Sources (Uses)	(900,000)	-	(900,000)
Net change in cash basis fund balances	(427,471)	1,792	(425,679)
Cash basis fund balances - beginning	1,487,074	85,716	1,572,790
Cash basis fund balances - ending	\$ 1,059,603	\$ 87,508	\$ 1,147,111

TOWN OF OKARCHÉ, OKLAHOMA
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
June 30, 2013

	Okarche Public Works Authority	Okarche Economic Dev Authority	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 357,850	\$ 134,510	\$ 492,360
Restricted cash and cash equivalents	-	-	-
Total current assets	<u>357,850</u>	<u>134,510</u>	<u>492,360</u>
Total assets	<u>357,850</u>	<u>134,510</u>	<u>492,360</u>
LIABILITIES:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION:			
Restricted for:			
Debt service	-	-	-
Construction Projects	-	-	-
Meter Deposits	28,099	-	28,099
Unrestricted	329,751	134,510	464,261
Total net position	<u>\$ 357,850</u>	<u>\$ 134,510</u>	<u>\$ 492,360</u>

TOWN OF OKARCHE, OKLAHOMA
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH NET POSITION
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2013

	Okarche Public Works Authority	Okarche Economic Dev Authority	Total
Operating Receipts:			
Charges for services:			
Water & sewer	\$ 551,036	\$ -	\$ 551,036
Donations	-	-	-
Rent	-	-	-
Other	-	5,875	5,875
Total operating revenues	<u>551,036</u>	<u>5,875</u>	<u>556,911</u>
Operating Disbursements:			
Water	411,930	-	411,930
Sewer	122,121	-	122,121
Economic development	-	7,899	7,899
Capital Outlay	37,466	-	37,466
Total operating expenses	<u>571,516</u>	<u>7,899</u>	<u>579,415</u>
Operating income (loss)	(20,481)	(2,024)	(22,505)
Non-Operating Revenues (Expenses):			
Investment income	36	180	216
Bond proceeds - net	-	-	-
Other capital outlay	-	-	-
Fiscal agent fees	-	-	-
Principal and interest on indebtedness	(934,439)	-	(934,439)
Total non-operating revenues (expenses)	<u>(934,403)</u>	<u>180</u>	<u>(934,223)</u>
Net income (loss) before contributions and transfers	(954,884)	(1,844)	(956,728)
Capital contributions	-	-	-
Transfers in	900,000	-	900,000
Transfers out	-	-	-
Change in net assets	(54,884)	(1,844)	(56,728)
Total net position - beginning	412,734	136,354	549,088
Prior Period Adjustments	-	-	-
Total net position - ending	<u>\$ 357,850</u>	<u>\$ 134,510</u>	<u>\$ 492,360</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under the "Town Board of Trustees" form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements and general administrative services. A summary of the government's significant accounting policies are described below.

1.A. FINANCIAL REPORTING ENTITY

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

- **The Town of Okarche** – that operates, public safety, streets, culture and recreation, health and welfare, and administrative activities.
- **The Okarche Public Works Authority** – Created August 18, 1999 to operate the water, sewer, and sanitation services of the Town through a public Trust of which the Town is the beneficiary.
- **The Okarche Economic Development Authority** – Created in 1998 to furnish services and facilities to promote local development and assist in financing and constructing other facilities.

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Statement 61, and includes all component units for which the Town is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State Law. A Public Trust (Authority) has no taxing power. The Authority is generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Board to delegate certain functions to the governing body (Trustees) of the Authority. The Authority generally retains title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the Town has leased certain existing assets at the creation of the Authority to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The component units (Authorities) has the Town Board as their governing body (trustees) and the Town is able to impose its will on the Authority through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the Town Board. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the Town's financial reporting entity. The public trusts do not issue separate financial statements.

1.B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements:

The statement of net position and activities are reported on a cash basis of accounting. The cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and recognizes

revenues, expenses, assets and liabilities resulting from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivables and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, capital assets and long-term debt activity is not reported in the statements of net position.

Program revenues with in the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: Licenses and permits, rents and royalties and miscellaneous receipts
- Public safety: Fine revenue and fire run receipts and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Swimming pool receipts
- Grants: Various grants that the town receives and administers

Business-type activities are also reported on a cash basis of accounting.

Governmental Funds:

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

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds.

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

- Street & Alley Fund – accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
- Fire Department Fund – accounts for grants and donations received for the fire department use only
- Street Improvement Fund – accounts for funds restricted for curbing projects
- Grant Fund – accounts for grants received and restricted for the specific grant purpose

The governmental funds are reported on a cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The Town's proprietary fund is comprised of the following accounts:

- Okarche Public Works Authority (OPWA) – accounts for the operation of the water, wastewater and sanitation activities.
- Okarche Economic Development Authority – accounts for activities that furnish service facilities for the Town, including assistance in financing and constructing other facilities.

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

All of the above noted governmental funds are legally required to adopt annual budgets or appropriations. The public trusts (or Authorities) are not required to adopt legal annual appropriations.

Accounting for General Fixed Assets

As the Town acquires fixed assets such as land, buildings and equipment, the related costs are charged as expenditures of the respective funds at the time of purchase. Because detailed fixed asset records have not been maintained for such assets which are still in service, accounting for the Town's general fixed assets does not presently exist. As a result, a Statement of General Fixed Assets, required by generally accepted accounting principles, could not be prepared for inclusion in the financial statements.

1.C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand and savings accounts, certificates of deposits or short-term investments with an original maturity of three months or less and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

1.D. Fund Balances and Net Position

Fund Balances:

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

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority.
- d. *Assigned* – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by town board action or management decision when the town board has delegated that authority. Assignment for transfers and interest income for governmental funds are made through budgetary process.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

Net Position:

Net position is displayed in two components:

- a. *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) laws through constitutional provisions or enabling legislation.

- b. *Unrestricted net position* – All remaining net position that does not meet the definition of restricted or net investment in capital assets.

Due to the Town’s use of the cash basis of accounting , no capital assets or long-term debts are reported, therefore no net position for such transactions are reported.

1.E. Fund Balances and Net Position

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

2. Deposits and Investments

For the year ended June 30, 2013, the Town recognized \$ 2,787 of investment income. Due to the minimal rates of return on allowable investments in the current environment, the Town’s deposits are in demand and short-term time deposits.

At June 30, 2013, the primary government held the following deposits and investments:

Type	Carrying Value
Deposits:	
Demand deposits	<u>\$ 1,639,471</u>
 Reconciliation to Statements of Net Position:	
Cash	<u>\$ 1,639,471</u>

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

As of June 30, 2013, the Town was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, 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 noted of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the

Town's public trusts.

As of June 30, 2013, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

Concentration of Investment Credit Risk – The Town places no limit on the amount it may invest in any one issuer.

3. Fund Balances and Net Position

	General Fund	Other Governmental Funds	Total
Fund Balance:			
Restricted for:			
Public Safety	-	36,002	36,002
Street & Alley Purposes	-	50,802	50,802
Street Curbing	-	704	704
Sub-total Restricted	-	87,508	87,508
Assigned For:			
Construction Projects	78,430	-	78,430
Sub-total Assigned	78,430	-	78,430
Unassigned	981,173	-	981,173
 Total Fund Balance	 1,059,603	 87,508	 1,147,111
 Enterprise Fund:			
Restricted for Meter Deposits	28,099		

4. Sales Tax Revenue

The Town presently levies a 4.5-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The entire sales tax is recorded in the General Fund when received. During 2002 the Town appropriated the proceeds of the sales tax to the Okarche Public Works Authority. The Authority transfers any amount not needed back to the Town.

5. Property Tax Levy

At the present time the Town levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by voters and to pay judgments rendered against the Town.

6. Internal and Interfund Balances and Transfers

Balances:

There are no interfund balances between funds and activities for the year ended June 30, 2013

Transfers:

The General Fund transferred \$900,000 to the Okarche Public Works Authority.

7. 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; employees health and life; and natural disasters. The Town manages these various risks of loss as follows by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. Pension Plan Participation

The Town of Okarche participates in two pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS)
2. Oklahoma Public Employee's Retirement System (OPERS)

Plan Summary Information:

The Town of Okarche, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of the volunteer firefighters and other full-time public employees. These defined benefit pension plans provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS issues a publicly available financial report that included financial statements and required supplementary information. That report may be obtained by writing OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105.

The OPERS issues a publicly available financial report that included financial statements and required supplementary information. That report may be obtained by writing OPERS, 2121 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

Funding Policy

OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2011	\$ 660	\$ 660
2012	\$ 660	\$ 660
2013	\$ 1,020	\$ 1,020

OPERS plan members are required to contribute 3.5% of applicable compensation and the Town contributes 16.5% of applicable compensation. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary

The OPERS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2011	\$ 57,968	\$ 57,968
2012	57,217	57,217
2013	60,953	60,953

9. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan trustees under one of various pools of investment options offered by PEBSCO.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

The Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Town believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

10. Commitments and Contingencies

Long-term Debt Commitments:

Governmental activities had no long-term debt payable from taxes and other general revenues for June 30, 2013.

Business-type activities long-term debt payable from net revenues generated by the utility resources pledged to the debt include the following:

Revenue bonds

This debt does not constitute debt of the Town and is payable solely from the resources of the Authority. Revenues derived from the Authority are pledged for payment of the revenue bond debt service. The bond indenture contains significant requirements for annual debt service and flow of funds through various restricted accounts. The Utility System Revenue Bonds Series 2001 requires maintenance of bond reserve, principal (sinking) and construction accounts. The Town has appropriated the proceeds of a three percent (3%) sales tax levied by the Town of the Authority. The reporting entity is in compliance with all significant requirements of the bond covenants.

OPWA Fund	Amount of Original Issue	\$1,180,000.00
	Range of Final Maturity:	2003-2021
	Range of Interest Rates:	4.3% to 5.95%
	Balance Outstanding - 6-30-2013:	0.00

The bonds were redeemed early in May 2013.

Change in Long-term Debt Commitments:

<u>Type of Debt</u>	<u>Balance Due July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due June 30, 2013</u>
<i>Business-Type Activities</i>				
Revenue Bonds	<u>\$ 875,000</u>	<u>\$ -</u>	<u>\$ 875,000</u>	<u>\$ -</u>

Conduit Debt Obligation of the OEDA:

This debt is considered non-commitment (conduit) debt to the Town and Authority since the debt payments are made solely from direct financing lease payments. Payments are made directly by the School Districts to trustee banks that pay the bondholders. In the event of default by the Schools, the Town or Authority has no obligation, legally and in substance, to make any payments on the debt since the lease receivable, financing agreements and mortgages on the property with the Schools are the security for the debt.

The Okarche Development Authority has issued revenue bonds for various economic development projects.

TOWN OF OKARCHE, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENT
June 30, 2012

The following bonds were outstanding at June 30, 2013:

\$ 5,275,000 Build America Bonds and \$ 210,000 Federal Taxable revenue bonds issued for the benefit of the Okarche Public Schools, secured solely by lease payments, payable in various annual installments, including principal and interest from 2.031% to 5.294%, final payment due September 2019.

Balance outstanding at June 30, 2013 \$ 4,285,000.

Vacation, Sick Leave, Compensated Absences:

As a result of the Town's use of the cash basis of accounting accrued liabilities related to leave and compensated absences earned but unpaid at year-end are not reflected in the basic financial statements.

Employees will accrue sick leave at the rate of one calendar day per month for a period not to exceed 30 days. Annual leave time accrued may be used to supplement sick leave, but sick leave days may not be used to extend vacation-annual leave periods. Employees leaving the service will not be paid for unused sick leave.

Vacation or annual leave may be accrued at the rate of .833 days per month, or 10 days per year. Employees may not take vacation-annual leave until satisfactory completion of the respective probationary periods and the Town Board shall be notified in advance. Annual leave is not accumulative beyond a twelve month period. Upon termination from the service, an employee will be paid for all unused annual leave not to exceed 10 days. (Three weeks after ten year, etc., four weeks after twenty years.)

Litigation:

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement of judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

Federal and State Award Programs:

The Town participates in various federal and state grant/loan programs from year to year. In 2013, the Town's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

TOWN OF OKARCHÉ, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$1,487,074	\$1,487,074	\$1,487,074	-
Resources (Inflows):				
TAXES:				
Sales tax	600,000	600,000	1,098,905	498,905
Use tax	34,739	34,739	54,745	20,006
Cigarette Tax	14,853	14,853	15,789	936
Franchise tax	45,627	45,627	50,568	4,941
Total Taxes	<u>695,219</u>	<u>695,219</u>	<u>1,220,007</u>	<u>524,788</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	11,330	11,330	13,248	1,918
Total Intergovernmental	<u>11,330</u>	<u>11,330</u>	<u>13,248</u>	<u>1,918</u>
CHARGES FOR SERVICES:				
Swimming Pool	3,667	3,667	3,625	(42)
Fire Runs	-	-	-	-
Total Charges for Services	<u>3,667</u>	<u>3,667</u>	<u>3,625</u>	<u>(42)</u>
FINES AND FORFEITURES	<u>73,853</u>	<u>73,853</u>	<u>30,069</u>	<u>(43,784)</u>
LICENSES AND PERMITS:				
	1,847	1,847	2,288	441
Total Licenses and Permits	<u>1,847</u>	<u>1,847</u>	<u>2,288</u>	<u>441</u>
INVESTMENT INCOME	<u>2,902</u>	<u>2,902</u>	<u>2,571</u>	<u>(331)</u>
MISCELLANEOUS:				
Rentals and royalties	4,504	4,504	4,814	310
Miscellaneous	-	-	16,276	16,276
Total Miscellaneous	<u>4,504</u>	<u>4,504</u>	<u>21,090</u>	<u>16,586</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Resources (Inflows)	<u>793,322</u>	<u>793,322</u>	<u>1,292,898</u>	<u>499,576</u>
Amounts available for appropriation	<u>2,280,396</u>	<u>2,280,396</u>	<u>2,779,972</u>	<u>499,576</u>

(Continued)

TOWN OF OKARCHÉ, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the fiscal year ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
Clerk				
Personal services	\$75,000	\$75,000	\$66,504	8,496
Maintenance & Operation	-	-	-	-
Capital outlay	-	-	-	-
Total Clerk	<u>75,000</u>	<u>75,000</u>	<u>66,504</u>	<u>8,496</u>
Fire Department				
Personal services	\$2,500	\$2,500	\$1,615	885
Maintenance & Operation	35,000	35,000	33,060	1,940
Capital outlay	40,000	40,000	29,421	10,579
Total Fire Department	<u>77,500</u>	<u>77,500</u>	<u>64,096</u>	<u>13,404</u>
General Government				
Personal services	\$7,500	\$7,500	\$6,997	503
Maintenance & Operation	100,000	110,000	105,432	4,568
Capital outlay	70,000	60,000	13,277	46,723
Total General Government	<u>177,500</u>	<u>177,500</u>	<u>125,706</u>	<u>51,794</u>
Managerial				
Personal services	\$25,000	\$25,000	\$15,502	9,498
Maintenance & Operation	4,000	4,000	1,285	2,715
Capital outlay	-	-	-	-
Total Managerial	<u>29,000</u>	<u>29,000</u>	<u>16,787</u>	<u>12,213</u>
Municipal Court				
Personal services	6,000	6,000	5,200	800
Total Municipal Court	<u>6,000</u>	<u>6,000</u>	<u>5,200</u>	<u>800</u>
Park				
Personal services	\$25,000	\$25,000	\$13,034	11,966
Maintenance & Operation	50,000	50,000	19,877	30,123
Capital outlay	130,000	130,000	110,916	19,084
Total Park	<u>205,000</u>	<u>205,000</u>	<u>143,827</u>	<u>61,173</u>
Police				
Personal services	\$210,000	\$210,000	\$193,905	16,095
Maintenance & Operation	75,000	75,000	54,108	20,892
Capital outlay	40,000	40,000	36,790	3,210
Total Police	<u>325,000</u>	<u>325,000</u>	<u>284,803</u>	<u>40,197</u>
Street				
Personal services	\$0	\$0	\$0	-
Maintenance & Operation	50,000	50,000	35,678	14,322
Capital outlay	384,396	384,396	129,618	254,778
Total Street	<u>434,396</u>	<u>434,396</u>	<u>165,296</u>	<u>269,100</u>

(Continued)

TOWN OF OKARCHÉ, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the fiscal year ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Treasurer				
Personal services	\$15,000	\$15,000	\$10,334	4,666
Maintenance & Operation	1,000	1,000	139	861
Capital outlay	-	-	-	-
Total Treasurer	<u>16,000</u>	<u>16,000</u>	<u>10,473</u>	<u>5,527</u>
City Attorney				
Personal services	35,000	35,000	16,108	18,892
Total Municipal Court	<u>35,000</u>	<u>35,000</u>	<u>16,108</u>	<u>18,892</u>
OTHER FINANCING USES:				
Transfers to other funds	900,000	900,000	900,000	-
Total Other Financing Uses	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>-</u>
Total Charges to Appropriations	<u>2,280,396</u>	<u>2,280,396</u>	<u>1,798,799</u>	<u>481,597</u>
Ending Budgetary Fund Balance	<u>0</u>	<u>\$0</u>	<u>\$981,173</u>	<u>981,173</u>

**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***

Honorable Mayor and Members of Town Board
Town of Okarche, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Okarche, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 7, 2014. Our report included an emphasis-of-a-matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 misstatements on a timely basis. *A material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: Item 13-01.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 charges with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Okarche, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Storn & Hauer, P.C.

October 7, 2014

Town of Okarcho
Schedule of Findings and Responses
For the Year Ended June 30, 2013

REPORTABLE CONDITION OF INTERNAL CONTROL

13-01 Segregation of Duties

Criteria: Segregation of duties over custody, bookkeeping, and reconciliation is important to have adequate control over financial assets.

Condition: Due to its limited population and resources, the Town essentially uses one person to perform certain duties that are incompatible with the objectives of effective internal control.

Cause: The Town's limited population and resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk that errors and fraud related to the cash receipts and disbursement activities could occur and not be detected within a timely basis increases.

Recommendation: Efficient segregation of duties in a small town environment is often difficult; however, we feel that the governing body and Town management should be aware of the risk associated with this lack of duty of segregation and attempt to exercise as much oversight control in these areas as possible and feasible.

Management Response: The Town is currently researching and implementing procedures for the better segregation of duties.