

**TOWN OF OKEENE, OKLAHOMA
OKEENE, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2011**

TOWN OF OKEENE, OKLAHOMA
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TOWN OF OKEENE, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Wayne Carter, Mayor

Mary Dungan

Ron Hauser

Robert Jones

Thomas Outhier, Jr.

TOWN MANAGER

John Ramey

TOWN TREASURER AND TOWN CLERK

Roberta Brickman

Derrel S. White, CPA

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Woodward, OK 73802
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Trustees
Town of Okeene, OK

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Okeene, OK, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Okeene, OK's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Okeene, OK, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of the Town of Okeene, OK'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.

The management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 37 through 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Okeene, OK's basic financial statements. The introductory section, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Derrel S. White, CPA

Derrel S. White, CPA

Woodward, OK

November 7, 2011

Our discussion and analysis of the Town of Okeene's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$4,987,691 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$4,563,900.
- Total liabilities of the Town increased by \$95,515 to \$2,151,579 during the fiscal year. This is attributable to payments on long term debt during the fiscal year offset by debt issued in the current year for the purchase of a police vehicle.
- Total net assets are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$3,401,571 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Unrestricted net assets of \$1,586,120 represent the portion available to maintain the Town's continuing obligations to citizens and creditors compared to \$1,441,028, last year.
- The Town's governmental funds reported total ending fund balance of \$469,093 this year. This compared to the prior year ending fund balance of \$442,759, showing an increase of \$26,334 during the current year. Ending fund balance is unreserved.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$105,958 or 25% of total General Fund expenditures excluding transfers and 25% of total General Fund revenues excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and

charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services provided by the Town. Fiduciary activities such as the Okeene Municipal Charitable Trust are not included in the government-wide statements since these assets are not available to fund Town programs.

The Town's financial reporting entity includes the funds of the Town (primary government) and organization for which the Town is accountable (component units). The Okeene Municipal Hospital and Schallmo Authority is a separate legal entity which operates independently and provides services directly to the citizens though the Town remains accountable for their actions. As such, the Okeene Municipal Hospital is reported separately from the primary government through included in the Town's overall reporting entity. More comprehensive information about the Town's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the Okeene Municipal Charitable Trust are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Town's programs. Fiduciary fund statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net assets at fiscal year end were \$4,987,691. This is a \$423,791 increase over last year's net assets of \$4,563,900. The following table provides a summary of the Town's net assets at June 30:

	Governmental Activities		Business-Type Activities		Totals		\$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Current assets	\$ 555,310	\$ 501,887	\$ 1,223,563	\$ 1,218,979	\$ 1,778,873	\$ 1,720,866	\$ 58,007	3%
Non-current assets	-	-	81,416	88,201	81,416	88,201	(6,785)	-8%
Capital assets, net	1,830,247	1,699,748	3,448,734	3,438,759	5,278,981	5,138,507	140,474	3%
Total assets	\$ 2,385,557	\$ 2,201,635	\$ 4,753,713	\$ 4,745,939	\$ 7,139,270	\$ 6,947,574	\$ 191,696	3%
Current liabilities	\$ 101,643	\$ 71,273	\$ 278,818	\$ 407,150	\$ 380,461	\$ 478,423	\$ (97,962)	-20%
Non-current liabilities	33,634	27,114	1,737,484	1,878,137	1,771,118	1,905,251	(134,133)	-7%
Total liabilities	135,277	98,387	2,016,302	2,285,287	2,151,579	2,383,674	(232,095)	-10%
Net assets								
Invested in capital assets, net of related debt	1,830,247	1,699,748	1,571,324	1,421,954	3,401,571	3,121,702	279,869	9%
Unrestricted	420,033	403,500	1,166,087	1,038,698	1,586,120	1,442,198	143,922	10%
Total net assets	\$ 2,250,280	\$ 2,103,248	\$ 2,737,411	\$ 2,460,652	\$ 4,987,691	\$ 4,563,900	\$ 423,791	9%

The Town reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$147,032 or 7% for governmental activities and \$276,759 or 11% for business-type activities. The Town's overall financial position improved 9% during fiscal year 2011.

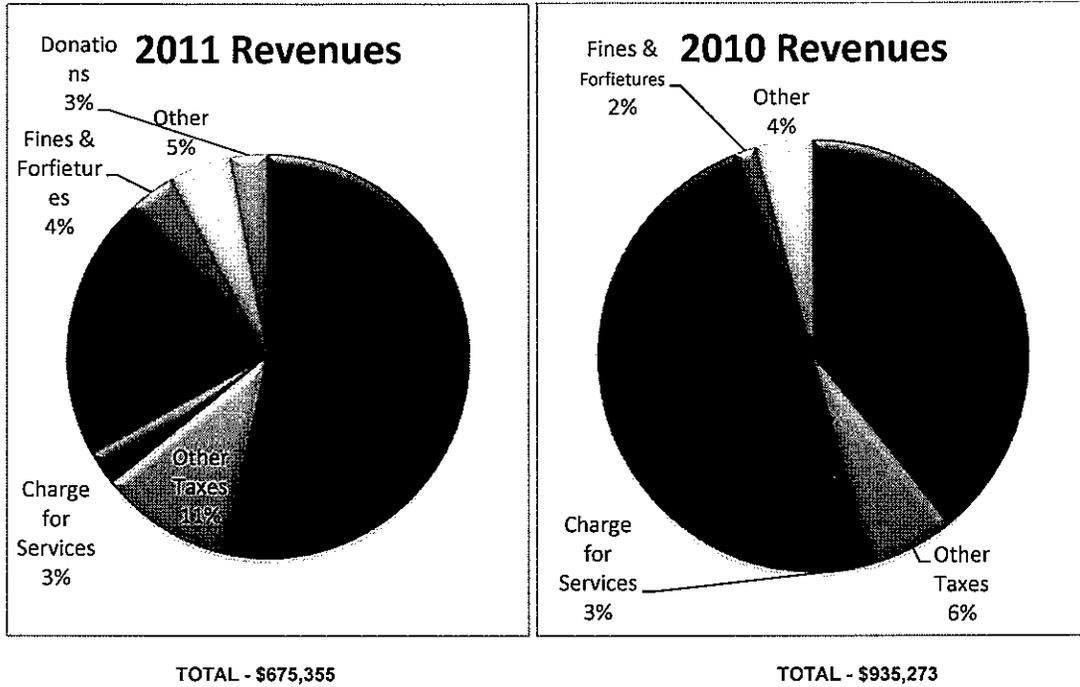
	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Revenues								
Program revenues	\$ 230,655	\$ 496,795	\$ 2,474,083	\$ 2,335,645	\$ 2,704,738	\$ 2,832,440	\$ (127,702)	-5%
Taxes and other general revenues	445,843	439,648	8,904	9,252	454,747	448,900	5,847	1%
Total revenues	676,498	936,443	2,482,987	2,344,897	3,159,485	3,281,340	(121,855)	-4%
Expenses								
General government	219,331	218,708	-	-	219,331	218,708	623	0%
Public safety and judiciary	237,977	208,483	-	-	237,977	208,483	29,494	14%
Transportation	92,366	84,713	-	-	92,366	84,713	7,653	9%
Cultural, parks, and recreation	134,465	163,796	-	-	134,465	163,796	(29,331)	-18%
Electric	-	-	1,397,017	1,296,805	1,397,017	1,296,805	100,212	8%
Water	-	-	142,033	192,242	142,033	192,242	(50,209)	-26%
Sewer	-	-	151,311	318,641	151,311	318,641	(167,330)	-53%
Sanitation	-	-	90,094	90,808	90,094	90,808	(714)	-1%
Customer service	-	-	185,846	206,989	185,846	206,989	(21,143)	-10%
Total expenses	684,139	675,700	1,966,301	2,105,485	2,650,440	2,781,185	(130,745)	-5%
Excess (deficiency) before transfers	(7,641)	260,743	516,686	239,412	509,045	500,155	8,890	2%
Transfers	239,927	211,100	(239,927)	(211,100)	-	-	-	0%
Transfers to component units	(85,254)	(84,513)	-	-	(85,254)	(84,513)	(741)	1%
Increase (decrease) in net assets	\$ 147,032	\$ 387,330	\$ 276,759	\$ 28,312	\$ 423,791	\$ 415,642	\$ 8,149	2%

Revenues remained consistent with a 4% change over prior year. This decrease is attributable to a increase in utility service program revenues offset by a decrease in program revenues related to grants and donations. Taxes have continued to increase; however, the growth was at lower percentages than noted in recent years, reflecting a slower economy. However, these revenues have met budgeted projections for fiscal year 2011. Other general revenues saw a slight decrease in the current year.

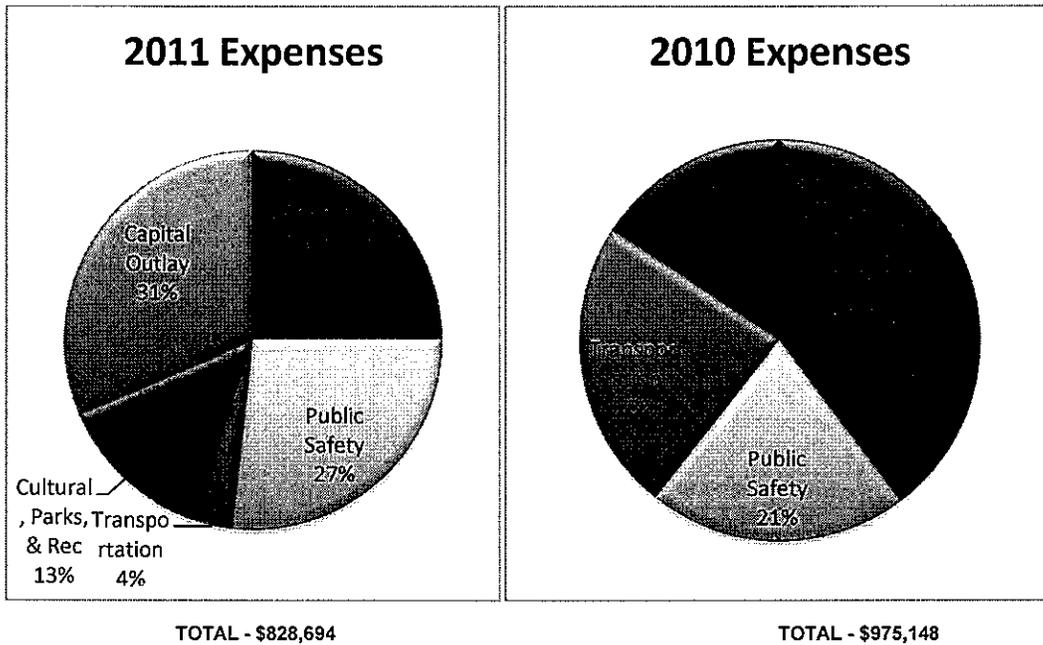
Operating expenses decreased 5% in fiscal year 2011, which is considered consistent. The sewer and water departments noted the most significant decrease in costs attributable to savings on water rights litigation, which occurred during FY10. The Town had no such litigation during fiscal year 2011.

Business-type activities realized continuing benefit from cost of service and rate programs for utility services. New utility rates were passed by the Trustees in July 2011, along with the new budget year, generating an increase in revenue of approximately \$46,010.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2011.



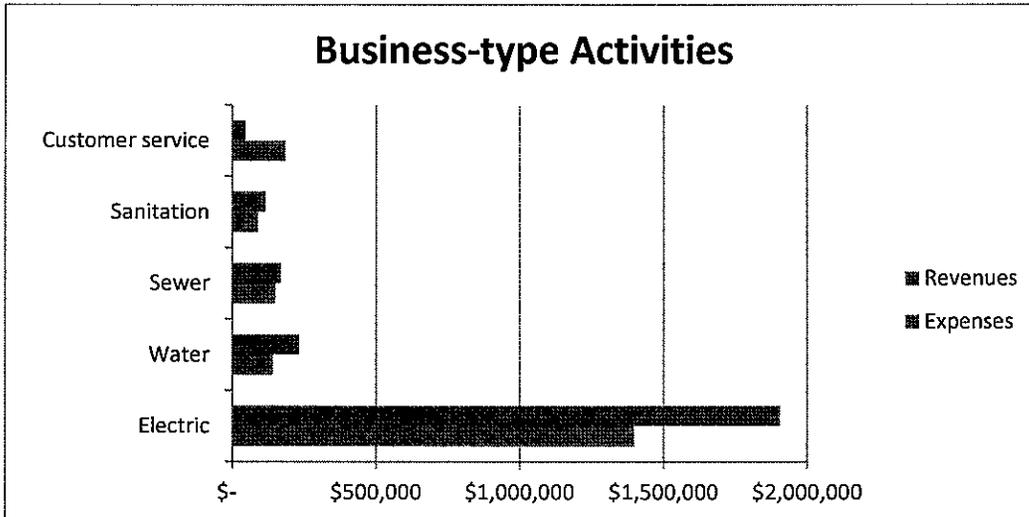
Sales tax provided for 53% of the Town's governmental revenues in fiscal year 2011 as compared to 39% in 2010. Grant income noted a significant decrease in 2011 due to funds received for sidewalk construction and planting trees in the prior fiscal year. Other revenue sources noted no significant change.



This graph shows the total governmental activities cost of \$828,694 for 2011. Of this amount, capital outlay, with \$259,983, was the largest operating service cost, at 31% of total cost of services in 2011. These costs, as well as all governmental activities expense, were primarily funded by taxes and utility revenues transferred from the Okeene Public Works Authority. It should be noted that governmental

expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer, water, and electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

Charges for services for business-type activities increase \$138,438, generally as a result of increases in the utility rates and usages. Costs were controlled as part of the Town's efforts to utilize existing structures and limiting improvements.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2011 was \$533,896. Two budget amendments were approved during the fiscal year increasing the budget by \$34,000, for a final amended budget of \$567,896, prior to transfers. This was a decrease of \$98,654 over the previous year budget attributable to a decrease in capital projects. The General Fund budget complied with financial policies approved by the Town.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the Town had \$3,401,571 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ -	\$ -	\$ 267,250	\$ 267,250	\$ 267,250	\$ 267,250
Construction in process	-	73,400	81,319	-	81,319.00	73,400
Buildings	39,104	41,711	-	-	39,104	41,711
Other improvements	1,526,307	1,334,884	-	-	1,526,307	1,334,884
Machinery & equipment	264,836	249,753	90,228	41,164	355,064	290,917
Utility property & improvements	-	-	3,009,937	3,130,345	3,009,937	3,130,345
Totals	\$ 1,830,247	\$ 1,699,748	\$ 3,448,734	\$ 3,438,759	\$ 5,278,981	\$ 5,138,507

- In Governmental Activities, the most significant additions included a new Police cruiser, SCBAs and equipment for the Fire department, over \$40,000 in street patching and repairs, and a diving board for the swimming pool, as well as lighting and beacon at the Airport.
- In Business-type Activities, capital additions included sewer lift improvements, continued work on the sewer lagoon project and well fields.

Long-Term Debt

At year-end, the Town had \$1,771,118 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue bonds	\$ -	\$ -	\$ 1,645,000	\$ 1,755,000	\$ 1,645,000	\$ 1,755,000
Notes payable	49,060	39,259	232,410	261,805	281,470	301,064
subtotal	49,060	39,259	1,877,410	2,016,805	1,926,470	2,056,064
less current portion	(15,426)	(12,145)	(139,926)	(138,668)	(155,352)	(150,813)
Totals	\$ 33,634	\$ 27,114	\$ 1,737,484	\$ 1,878,137	\$ 1,771,118	\$ 1,905,251

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

The economic outlook of the Town of Okeene is based, in a small way, of that of the Oklahoma City market area. During 2010, the state of Oklahoma felt the impact of the weak national economic conditions. Oklahoma lost 80,000 jobs during the recession, which resulted in unemployment rates high under Oklahoma standards, but still well below the national rates. On a good note, the State's oil and gas activity recovered from lows seen in 2009, but residential and commercial construction stalled.

In the first part of 2011, Oklahoma began to see recovery. However, governmental budgets for most governmental entities are very tight and continue to struggle with generating sales tax dollars to fund government operations. Rural areas are relatively insulated from the market conditions seen in the Oklahoma City market. Stable commodity prices and the return to oil and gas activity have helped many communities. The Town of Okeene (the "Town") saw benefit from these operations during fiscal year 2011 with a notable increase in use tax.

The Town has noting noted steady decrease in sales tax revenues since fiscal year ending June 30, 2009. Sales tax decreased 2% in fiscal year 2010 and an additional 2% in fiscal year 2011. Utility revenues increased 7% over the prior fiscal year. This increase is a function of an increase in rates enacted by the Council coupled with an increase in usage. In light of the declining economic conditions, the Town took a two-prong approach in addressing the fiscal year 2012 budget with the goal of striving to continue to provide the best possible service with limited resources available.

The projected budget for fiscal year 2012 projects sales and use tax at 90% of current collections and utility revenues are expected to remain consistent with prior year.

Projected expenses for the Town in fiscal year 2012 reflect a 5% increase in total expenses for the General Fund, which includes \$65,000 in capital projects including fire department equipment and repairs to the swimming pool. The Cemetery fund has budgeted \$12,000 for a tri-fold mower attachment. Paving for Town streets is budgeted in the amount of \$60,000 in the street fund. The Okeene Public Works Authority (the "Authority") operating expenses are budgeted at levels consistent with FY11. There are no major capital projects budgeted for the Authority for fiscal year 2012.

The source for the economic data is the Oklahoma State University Center for Applied Economic Research.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at PO Box 800, Okeene, Oklahoma, 73763 or phone at (580) 822-3035.

Town of Okeene, Oklahoma
Statement of Net Assets
June 30, 2011

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 43,853	\$ 614,849	\$ 658,702	\$ 2,351,037
Investments, including time deposits	-	213,239	213,239	-
Accounts receivable, net	41,428	237,116	278,544	943,367
Due from other funds	88,791	15,267	104,058	-
Inventory				153,922
Prepaid expenses				38,832
Total current assets	174,072	1,080,471	1,254,543	3,487,158
Restricted assets:				
Cash and cash equivalents	307,833	143,092	450,925	311,370
Investments, including time deposits	73,405	-	73,405	699,004
Total restricted assets	381,238	143,092	524,330	1,010,374
Noncurrent Assets:				
Unamortized bond issue costs	-	81,416	81,416	326,815
Land and construction in progress	-	348,569	348,569	-
Other capital assets (net of accumulated depreciation)	1,830,247	3,100,165	4,930,412	6,541,694
Total noncurrent assets	1,830,247	3,530,150	5,360,397	6,868,509
Total assets	\$ 2,385,557	\$ 4,753,713	\$ 7,139,270	\$ 11,366,041
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 5,183	\$ 20,906	\$ 26,089	\$ 117,742
Accrued expenses payable	-	3,649	3,649	243,883
Deferred revenue	2,006	-	2,006	-
Due to other funds	79,028	25,000	104,028	-
Notes payable, current	15,426	29,926	45,352	98,089
Bonds payable, current	-	110,000	110,000	-
Estimated amounts due to third-party payers	-	-	-	1,387,093
Total current liabilities	101,643	189,481	291,124	1,846,807
Liabilities payable from restricted assets:				
Accrued interest payable				259,000
Customer deposits payable	-	89,337	89,337	-
Total liabilities payable from restricted assets	-	89,337	89,337	259,000
Noncurrent liabilities:				
Notes payable, non-current	33,634	202,484	236,118	7,070,503
Bonds payable, non-current	-	1,535,000	1,535,000	-
Total noncurrent liabilities	33,634	1,737,484	1,771,118	7,070,503
Total liabilities	135,277	2,016,302	2,151,579	9,176,310
NET ASSETS				
Invested in capital assets, net of related debt	1,830,247	1,571,324	3,401,571	398,921
Restricted	-	-	-	52,370
Unrestricted	420,033	1,166,087	1,586,120	1,738,440
Total net assets	\$ 2,250,280	\$ 2,737,411	\$ 4,987,691	\$ 2,189,731

Town of Okeene, Oklahoma
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 176,077	\$ 6,671	\$ 5,576	\$ -	\$ (163,830)
Library	43,254	431	392	14,046	(28,385)
Total general government	219,331	7,102	5,968	14,046	(192,215)
Public safety and judiciary:					
Police	175,035	25,868	11,622	-	(137,545)
Fire	62,942	-	4,598	-	(58,344)
Total public safety and judiciary	237,977	25,868	16,220	-	(195,889)
Transportation:					
Street	21,508	-	11,033	-	(10,475)
Airport	70,858	15,982	-	107,965	53,089
Total transportation	92,366	15,982	11,033	107,965	42,614
Cultural, parks and recreation:					
Park	19,215	-	-	-	(19,215)
Golf Course	57,744	12,558	-	-	(45,186)
Cemetery	8,995	1,600	-	-	(7,395)
Community building	6,577	-	-	-	(6,577)
Swimming Pool	41,934	4,313	8,000	-	(29,621)
Total cultural, parks and recreation	134,465	18,471	8,000	-	(107,994)
Total governmental activities	684,139	67,423	41,221	122,011	(453,484)
Business-type activities:					
Utility services:					
Electric	1,397,017	1,906,783	-	-	509,766
Water	142,033	234,013	-	-	91,980
Sewer	151,311	169,558	-	-	18,247
Sanitation	90,094	116,952	-	-	26,858
Customer service	185,846	26,777	20,000	-	(139,069)
Total business-type activities	1,966,301	2,454,083	20,000	-	507,782
Total primary government	\$ 2,650,440	\$ 2,521,506	\$ 61,221	\$ 122,011	\$ 54,298
Component unit					
Hospital:					
Patient services	6,064,416	5,744,134	42,849	-	(277,433)
Total component unit	\$ 6,064,416	\$ 5,744,134	\$ 42,849	\$ -	\$ (277,433)

Town of Okeene, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2011

Changes in Net Assets:	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (453,484)	\$ 507,782	\$ 54,298	\$ (277,433)
General revenues:				
Taxes:				
Sales taxes	361,550	-	361,550	-
Use taxes	32,887	-	32,887	-
Franchise taxes	20,432	-	20,432	-
Alcoholic beverage tax	13,586	-	13,586	-
Cigarette tax	5,253	-	5,253	-
Investment income	8,506	8,904	17,410	23,826
Miscellaneous	3,629	-	3,629	-
Transfers - Other governments, net	(85,254)	-	(85,254)	85,254
Transfers - Internal activity, net	239,927	(239,927)	-	-
Total general revenues and transfers	<u>600,516</u>	<u>(231,023)</u>	<u>369,493</u>	<u>109,080</u>
Change in net assets	147,032	276,759	423,791	(168,353)
Net assets-beginning	2,103,248	2,460,652	4,563,900	2,358,084
Net assets-ending	<u>\$ 2,250,280</u>	<u>\$ 2,737,411</u>	<u>\$ 4,987,691</u>	<u>\$ 2,189,731</u>

Town of Okeene, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
ASSETS							
Cash	\$ 43,853	\$ 26,421	\$ 12,503	\$ 134,668	\$ 65,091	\$ 69,150	\$ 351,686
Investments, including time deposits	-	-	-	73,405	-	-	73,405
Due from other funds	79,867	-	-	-	8,924	-	88,791
Due from other governments	-	-	-	-	-	-	-
Taxes receivable	41,428	-	-	-	-	-	41,428
Grant receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 165,148</u>	<u>\$ 26,421</u>	<u>\$ 12,503</u>	<u>\$ 208,073</u>	<u>\$ 74,015</u>	<u>\$ 69,150</u>	<u>\$ 555,310</u>
LIABILITIES							
Accounts payable	\$ 5,183	-	-	-	-	-	\$ 5,183
Deferred revenue	-	-	-	-	2,006	-	2,006
Due to other funds	18,241	-	-	-	30,389	30,398	79,028
Total liabilities	<u>23,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,395</u>	<u>30,398</u>	<u>86,217</u>
FUND BALANCES							
Unreserved, reported in:							
General fund	141,724	-	-	-	-	-	141,724
Special revenue funds	-	26,421	12,503	208,073	41,620	38,752	327,369
Total fund balances	<u>141,724</u>	<u>26,421</u>	<u>12,503</u>	<u>208,073</u>	<u>41,620</u>	<u>38,752</u>	<u>469,093</u>
Total liabilities and fund balances	<u>\$ 165,148</u>	<u>\$ 26,421</u>	<u>\$ 12,503</u>	<u>\$ 208,073</u>	<u>\$ 74,015</u>	<u>\$ 69,150</u>	<u>\$ 555,310</u>
Total fund balance- total governmental funds							\$ 469,093
Amounts reported for governmental activities in the Statement of Net assets are different because:							
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.							
				\$ 2,498,835			
				(668,588)			1,830,247
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							
							<u>(49,060)</u>
Net assets of governmental activities							
							<u>\$ 2,250,280</u>

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2011

	General Fund	Street & Alley Fund	Industrial Park Fund	Library Fund	Airport Fund	Cemetery Fund	Total Governmental Funds
REVENUES							
Sales tax	\$ 361,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361,550
Use tax	32,887	-	-	-	-	-	32,887
Beverage tax	13,586	-	-	-	-	-	13,586
Franchise taxes	20,432	-	-	-	-	-	20,432
Cigarette tax	5,253	-	-	-	-	-	5,253
Licenses and permits	653	-	-	-	-	-	653
Fines and forfeitures	25,868	-	-	-	-	-	25,868
Investment income	86	-	597	5,946	128	1,749	8,506
Charges for services	16,871	-	-	431	-	1,600	18,902
Rental income	6,018	-	-	-	15,982	-	22,000
Intergovernmental	9,974	11,033	-	14,046	107,985	-	143,018
Donations	19,822	-	-	392	-	-	20,214
Proceeds from debt issuance	25,000	-	-	-	-	-	25,000
Miscellaneous	2,486	-	-	-	-	-	2,486
Total revenues	540,486	11,033	597	20,815	124,075	3,349	700,355
EXPENDITURES							
General government:							
General government	168,082	-	-	-	-	-	168,082
Library	-	-	-	38,302	-	-	38,302
Total general government	168,082	-	-	38,302	-	-	206,384
Public safety and judiciary:							
Police	170,664	-	-	-	-	-	170,664
Fire	51,792	-	-	-	-	-	51,792
Total public safety and judiciary	222,456	-	-	-	-	-	222,456
Transportation:							
Street	-	21,508	-	-	-	-	21,508
Airport	-	-	-	-	7,710	-	7,710
Total transportation	-	21,508	-	-	7,710	-	29,218
Cultural, parks and recreation:							
Park	16,397	-	211	-	-	-	16,608
Golf Course	56,297	-	-	-	-	-	56,297
Cemetery	-	-	-	-	5,878	-	5,878
Community Building	6,058	-	-	-	-	-	6,058
Swimming Pool	25,812	-	-	-	-	-	25,812
Total cultural, parks and recreation	104,564	-	211	-	5,878	-	110,653
Capital outlay	74,624	39,690	-	8,878	131,816	6,975	259,983
Total expenditures	569,726	61,198	211	45,180	139,526	12,853	828,694
Excess (deficiency) of revenues over expenditures	(29,240)	(50,165)	386	(24,365)	(15,451)	(9,504)	(128,339)
OTHER FINANCING SOURCES (USES)							
Transfer in from other governments	-	-	-	-	-	-	-
Transfers out to other governments	(85,254)	-	-	-	-	-	(85,254)
Transfers in	168,363	59,388	-	30,600	-	-	258,349
Transfers out	(18,103)	-	(319)	-	-	-	(18,422)
Total other financing sources and uses	65,006	59,388	(319)	30,600	-	-	154,673
Net change in fund balances	35,766	9,221	67	6,235	(15,451)	(9,504)	26,334
Fund balances - beginning	105,958	17,200	12,436	201,838	57,071	48,256	442,759
Fund balances - ending	\$ 141,724	\$ 26,421	\$ 12,503	\$ 208,073	\$ 41,620	\$ 38,752	\$ 469,093

Town of Okeene, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2011

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	26,334
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital asset purchases capitalized		259,983
Depreciation expense		(130,627)
<p>The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Debt principal		16,342
Long-term debt issued		<u>(25,000)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>147,032</u></u>

Town of Okeene, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities		Component Unit
	Public Works Authority	Total Enterprise Funds	Municipal Hospital and Schallmo Authority
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 614,849	\$ 614,849	\$ 2,351,037
Investments	213,239	213,239	-
Due from other funds	15,267	15,267	-
Accounts receivable (net)	237,116	237,116	943,367
Supplies	-	-	153,922
Prepaid expenses and other current assets	-	-	38,832
Total current assets	<u>1,080,471</u>	<u>1,080,471</u>	<u>3,487,158</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	143,092	143,092	311,370
Investments	-	-	699,004
Total restricted assets	<u>143,092</u>	<u>143,092</u>	<u>1,010,374</u>
Noncurrent assets:			
Unamortized bond issue costs	81,416	81,416	326,815
Capital assets (net)	3,448,734	3,448,734	6,541,694
Total noncurrent assets	<u>3,530,150</u>	<u>3,530,150</u>	<u>6,868,509</u>
Total assets	<u>\$ 4,753,713</u>	<u>\$ 4,753,713</u>	<u>\$ 11,366,041</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 20,906	\$ 20,906	\$ 117,742
Accrued payables	3,649	3,649	243,883
Due to other funds	25,000	25,000	-
Notes payable, current	29,926	29,926	98,089
Bonds payable, current	110,000	110,000	-
Estimated amounts due to third-party payers	-	-	1,387,093
Total current liabilities	<u>189,481</u>	<u>189,481</u>	<u>1,846,807</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	-	259,000
Customer deposits payable	89,337	89,337	-
Total liabilities payable from restricted assets	<u>89,337</u>	<u>89,337</u>	<u>259,000</u>
Noncurrent liabilities:			
Notes payable, non-current	202,484	202,484	7,070,503
Bonds payable, noncurrent	1,535,000	1,535,000	-
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	1,535,000	1,535,000	-
Total noncurrent liabilities	<u>1,737,484</u>	<u>1,737,484</u>	<u>7,070,503</u>
Total liabilities	<u>2,016,302</u>	<u>2,016,302</u>	<u>9,176,310</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,571,324	1,571,324	398,921
Restricted	-	-	52,370
Unrestricted	1,166,087	1,166,087	1,738,440
Total net assets	<u>\$ 2,737,411</u>	<u>\$ 2,737,411</u>	<u>\$ 2,189,731</u>

See accompanying notes to financial statements.

Town of Okeene, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	<u>Business-type Activities</u>		<u>Component Unit</u>
	<u>Public Works Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital and Schallmo Authority</u>
<u>Operating revenues:</u>			
Charges for services:			
Electric charges	\$ 1,906,783	\$ 1,906,783	\$ -
Water charges	234,013	234,013	-
Sewer charges	169,558	169,558	-
Sanitation charges	116,952	116,952	-
Penalties	22,553	22,553	-
Net patient and service charges	-	-	5,689,912
Total charges for services	<u>2,449,859</u>	<u>2,449,859</u>	<u>5,689,912</u>
Miscellaneous	24,224	24,224	54,222
Total operating revenues	<u>2,474,083</u>	<u>2,474,083</u>	<u>5,744,134</u>
<u>Operating expenses:</u>			
Cost of goods sold	1,267,795	1,267,795	-
Personal services	188,930	188,930	2,992,990
Materials and supplies	191,112	191,112	1,626,172
Other services and charges	132,202	132,202	473,581
Depreciation and amortization	109,544	109,544	437,408
Total operating expenses	<u>1,889,583</u>	<u>1,889,583</u>	<u>5,530,151</u>
Net operating income	\$ 584,500	\$ 584,500	213,983
<u>Nonoperating revenue (expense):</u>			
Investment income	8,904	8,904	23,826
Interest expense	(76,718)	(76,718)	(534,265)
Noncapital contributions	-	-	42,849
Capital grants and contributions	-	-	-
Total nonoperating revenue (expense)	<u>(67,814)</u>	<u>(67,814)</u>	<u>(467,590)</u>
Net Income before contributions and transfers	516,686	516,686	(253,607)
Transfers from other funds	-	-	85,254
Transfers to other funds, net	<u>(239,927)</u>	<u>(239,927)</u>	<u>-</u>
Change in net assets	276,759	276,759	(168,353)
Net assets-beginning of year	2,460,652	2,460,652	2,358,084
Net assets-end of year	<u>\$ 2,737,411</u>	<u>\$ 2,737,411</u>	<u>\$ 2,189,731</u>

Town of Okeene, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities		Component Unit
	Public Works Authority	Total Enterprise Funds	Municipal Hospital and Schallmo Authority
Cash flows from operating activities:			
Receipts from customers/patients	\$ 2,431,407	\$ 2,431,407	\$ 7,138,661
Payments to suppliers	(1,720,693)	(1,720,693)	(2,051,494)
Payments to employees	(188,930)	(188,930)	(2,959,085)
Other operating revenues	24,224	24,224	54,222
Net cash provided (used) by operating activities	546,008	546,008	2,182,304
Cash flows from non-capital financing activities:			
Noncapital contributions	-	-	42,849
Transfers from other funds	50,000	50,000	85,254
Transfers to other funds	(239,927)	(239,927)	-
Net cash provided (used) by non-capital financing activities	(189,927)	(189,927)	128,103
Cash flows from capital and related financing activities:			
Purchase of capital assets	(112,733)	(112,733)	(32,150)
Principal paid on capital debt	(140,653)	(140,653)	(108,417)
Interest paid on capital debt	(78,782)	(78,782)	(526,420)
Net cash provided (used) by capital and related financing activities	(332,168)	(332,168)	(666,987)
Cash flows from investing activities:			
Proceeds from sale of investments	-	-	10,789
Investment income	8,904	8,904	9,033
Net cash provided (used) by investing activities	8,904	8,904	19,822
Net increase (decrease) in cash and cash equivalents	32,817	32,817	1,663,242
Cash and cash equivalents, July 1, 2010	725,124	725,124	999,165
Cash & cash equivalents, June 30, 2011	\$ 757,941	\$ 757,941	\$ 2,662,407
Cash, including time deposits	\$ 614,849	\$ 614,849	\$ 2,351,037
Restricted cash, including time deposits	143,092	143,092	311,370
Total cash and cash equivalents, end of year	\$ 757,941	\$ 757,941	\$ 2,662,407
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 584,500	\$ 584,500	\$ 213,983
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	109,544	109,544	437,408
Non-operating revenue (expense)			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(14,983)	(14,983)	(148,344)
(Increase) decrease in supplies	-	-	46,087
(Increase) decrease in due from other funds	(3,469)	(3,469)	-
Increase (decrease) in accounts payable	8,099	8,099	36,077
Increase (decrease) in accrued expenses	(141,849)	(141,849)	1,597,093
Increase (decrease) in deposits subject to refund	4,166	4,166	-
Total adjustments	(38,492)	(38,492)	1,968,321.00
Net cash provided (used) by operating activities	\$ 546,008	\$ 546,008	\$ 2,182,304

Town of Okeene, Oklahoma
Statement of Net Assets
Fiduciary Fund
June 30, 2011

	<u>Charitable Trust Fund</u>
ASSETS	
Cash, including time deposits	\$ 201,466
Notes receivable, net	<u>7,000</u>
Total assets	<u><u>208,466</u></u>
LIABILITIES	
Due to other governments	<u>\$ 30</u>
Total liabilities	<u>30</u>
NET ASSETS	
Net assets, held in trust	<u>208,436</u>
Total net assets	<u>208,436</u>
Total liabilities and net assets	<u><u>\$ 208,466</u></u>

Town of Okeene, Oklahoma
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
June 30, 2011

	Charitable Trust Fund
<u>REVENUES</u>	
Investment income	\$ 3,795
Total revenues	3,795
<u>EXPENDITURES</u>	
Charitable trust	12,702
Total charitable trust	12,702
Net change in net assets	(8,907)
Net assets - beginning	217,343
Net assets - ending	\$ 208,436

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Town of Okeene, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, sewer, and electric), culture, recreation, public improvements, municipal cemetery, and general administrative services.

The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Okeene. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Okeene.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Okeene Public Works Authority (the "Authority") – was created under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides electric, water, sewer, and trash services to the citizens of Okeene. Accounts of the Authority are recorded in business-type activities.

Okeene Industrial Trust Authority (ITA) – was established to promote industrial development within the Town. The trustees of the ITA are the same that govern the Town. ITA is inactive in the current year, and therefore; not included in the report for the period ended.

Discretely Presented Component Unit:

Okeene Municipal Hospital and Schallmo Authority (MHSA) – MHSA has a separate board of trustees who are appointed by the trustees of the Town. The Authority provides hospital, medical and residential care of the citizens of the Town. MHSA issues separately audited financial statements that can be obtained at Town Hall. For purposes of this report, MHSA is reported as a discretely presented component unit. Audited financial statements for MHSA are available at the business location.

Fiduciary Component Unit

Okeene Municipal Charitable Trust (MCT) – its trustees are the same trustees that govern the Town. MCT provides supporting for the library and other educational and recreational facilities of the Town. MCT is reported as a Fiduciary Fund in the financial statements.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities, which consists of the Okeene Municipal Charitable Trust. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Date of Management's Review

Subsequent events were evaluated through September 30, 2011, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Industrial Park	Accounts for the operations, includes grants, of the Town's Industrial Park
Library Fund	Accounts for the investments and operations of the Town's Library
Airport	Accounts for the operations of the Airport
Cemetery	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.

Major Proprietary Funds

FUND	BRIEF DESCRIPTION
<u>Okeene Public Works Authority</u>	Accounts for the activities of the Authority in providing electric, water, sewer, and solid waste services to the public.
<u>Okeene Industrial Trust Authority</u>	Accounts for the industrial development within the town of Okeene, which was inactive during the year

Fiduciary Fund

FUND	BRIEF DESCRIPTION
<u>Okeene Charitable Trust Fund</u>	Accounts for the activities of the trust in providing support for the library and other education and recreational facilities of the Town.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Clerk submits an annual budget to the Board of Trustees in accordance with the Town Charter and the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Clerk and must be approved by the board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

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. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

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. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 25-50 years |
| • Other improvements | 2-50 years |
| • Machinery, furniture & equipment | 5-20 years |
| • Infrastructure | 25-50 years |

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 the government-wide statements.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Equity Classifications

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Assets

Both proprietary fund financial statements and government-wide financial statements report net assets. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

The amount restricted 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.

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

F. Revenues, Expenditures and Expenses

Sales Tax

The Town levied a 4.25% 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 sales tax received is recorded as sales tax revenue within the general fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the Town and its component unit 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:

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town reported no deficit fund net assets or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2011, the Town did not materially overspend in any department-level category.

C. Revenue Restrictions

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

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax Cemetery Revenue (12.5%)	Street and Alley Purposes Cemetery Capital Improvements

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Governmental Activities				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 73,405	\$ 73,405	N/A	71
Total investments	73,405	73,405		
Total governmental investments	\$ 73,405	\$ 73,405		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ -
Investments, restricted	73,405
Total governmental investments	\$ 73,405

Business-type Activities

INVESTMENTS:

Certificates of deposit	\$ 213,239	\$ 213,239	N/A	111
Total investments	213,239	213,239		
Total business-type investments	\$ 213,239	\$ 213,239		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 213,239
Investments, restricted	-
Total governmental investments	\$ 213,239

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using either duration or weighted average days to maturity depending on the respective policy.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Restricted assets consist of the following:

	Cash and cash equivalents	Investments	Total
Governmental Activities:			
Cemetery	\$ 69,150	\$ -	\$ 69,150
Airport	65,091	-	65,091
Library	134,668	73,405	208,073
Industrial Park	12,503	-	12,503
Streets & alley fund	26,421	-	26,421
	<u>\$ 307,833</u>	<u>\$ 73,405</u>	<u>\$ 381,238</u>
Business-type Activities:			
Bond proceeds	\$ 10,005	\$ -	\$ 10,005
Debt service	14,830	-	14,830
Meter deposits	118,257	-	118,257
	<u>\$ 143,092</u>	<u>\$ -</u>	<u>\$ 143,092</u>

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2011 follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Construction in process	\$ 74,000	\$ -	\$ 74,000	\$ -
Buildings & structures	52,138	-	-	52,138
Machinery, furniture, & equipment	397,817	79,889	-	477,706
Improvements other than land	1,714,897	254,094	-	1,968,991
Total	2,238,852	333,983	74,000	2,498,835
Less accumulated depreciation	539,104	130,627	1,143	668,588
Fixed assets, net	<u>\$ 1,699,748</u>	<u>\$ 203,356</u>	<u>\$ (72,857)</u>	<u>\$ 1,830,247</u>

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2011 follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Okeene Public Works Authority				
Land	\$ 267,250	\$ -	\$ -	\$ 267,250
Machinery, furniture, & equipment	174,813	5,538	6,250	174,101
Electric system	1,429,988	3,200	-	1,433,188
Sewer system	1,328,722	14,686	-	1,343,408
Water system	787,214	8,929	-	796,143
Construction in process	-	81,319	-	81,319
	<u>3,987,987</u>	<u>113,672</u>	<u>6,250</u>	<u>4,095,409</u>
Total	3,987,987	113,672	6,250	4,095,409
Less accumulated depreciation	<u>549,228</u>	<u>102,760</u>	<u>5,313</u>	<u>646,675</u>
Fixed assets, net	<u>\$ 3,438,759</u>	<u>\$ 10,912</u>	<u>\$ (937)</u>	<u>\$ 3,448,734</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 11,804
Public safety & judiciary	29,085
Transportation	67,409
Cultural, parks & recreation	22,329
Total governmental activities depreciation expense	<u>\$ 130,627</u>

Depreciation expense charges to business-type activities:

Electric	\$ 39,490
Water	23,426
Customer service	1,713
Sewer	38,131
Total business-type activities depreciation expense	<u>\$ 102,760</u>

C. NOTES RECEIVABLE

The Okeene Municipal Charitable Trust (MCT) entered into an agreement with the Okeene Emergency Medical Service (EMS) in which the EMS agreed to pay MCT \$250 annually for the rental of office space, office equipment, parking space, and electricity. The EMS assumed the debt service of the ambulance and the Myron Andrews Estate Funds previously expended for ambulance service and agreed to reimburse the Town a total of \$37,000 with \$31,000 due May 15, 2005 and the remaining balance of \$6,000 due May 15, 2006. Based upon an amended agreement between the parties, monthly payments were suspended during FY06. The note carries a balance as of June 30, 2011 of \$14,000. The note receivable was issued at 0% interest. The Town has recorded an allowance for doubtful collection of \$7,000 in the current year.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

D. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2011:

NOTE PAYABLE

Governmental Activities:

Note payable to First National Bank in the original amount of \$21,800 for the purchase of a 2008 police vehicle. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 1.2% at June 30, 2011. Loan matures April 2013 and is secured by the police vehicle.	7,731
Note payable to First National Bank, original amount of \$31,500 for the purchase of a 2009 brush pumper for the fire department. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 1.2% at June 30, 2011. Loan matures May 2014.	19,051
Note payable to First National Bank, original amount of \$25,000 for the purchase of a 2010 police vehicle. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 1.2% at June 30, 2011. The loan is secured by the police vehicle.	22,278
	\$ 49,060

Business-Type Activities:

Loan payable dated 1/24/2002 to the Oklahoma Water Resources Board in the amount of \$343,400 at an interest rate of 2.55%, along with an administrative fee of 0.5%, maturing March 2022. Proceeds were used for water system improvements.	214,110
Note payable to First National Bank in the original amount of \$61,000 for the purchase of a digger truck in the electric department. Note is paid monthly at an interest rate of 2% over the prime rate applied to the Town's certificate of deposit, which was 4% at June 30, 2010. Loan matures January 2013.	18,300
OPWA Utility System Revenue Notes, Series 2007 for \$1,990,000 were issued December 18, 2007, maturing December 1, 2022 with an average interest rate (coupon) of 4.052%. Underwriting fees and issuance costs were approximately \$105,000. The bonds refunded prior debt owed by OPWA. Payments are made monthly to a debt service fund. Funds were used for the wastewater project and water transmission lines.	1,645,000
	\$ 1,877,410

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

<u>Type of Debt</u>	<u>Balance at July 1, 2010</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
John Deere note payable	\$ 1,635	\$ -	\$ 1,635	\$ -	\$ -
Police Vehicle - First National Bank	12,434	-	4,703	7,731	4,342
Fire Brush Pumper - FNB	25,190	-	6,139	19,051	6,312
Police Vehicle #2 - FNB	-	25,000	2,722	22,278	4,772
Total governmental activities	<u>\$ 39,259</u>	<u>\$ 25,000</u>	<u>\$ 15,199</u>	<u>\$ 49,060</u>	<u>\$ 15,426</u>
Business-type activities:					
<i>Notes Payable</i>					
OWRB #2 note payable	\$ 230,232	\$ -	\$ 16,122	\$ 214,110	\$ 16,607
Digger truck - First National Bank	31,573	-	13,273	18,300	13,319
Total notes payable	261,805	-	29,395	232,410	29,926
<i>Bonds Payable</i>					
2007 Series Revenue Bonds	1,755,000	-	110,000	1,645,000	110,000
Total business-type activities	<u>\$ 2,016,805</u>	<u>\$ -</u>	<u>\$ 139,395</u>	<u>\$ 1,877,410</u>	<u>\$ 139,926</u>
Total primary government debt	<u>\$ 2,056,064</u>	<u>\$ 25,000</u>	<u>\$ 154,594</u>	<u>\$ 1,926,470</u>	<u>\$ 155,352</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2012	\$ 45,352	\$ 7,453	\$ 110,000	\$ 65,541
2013	38,144	5,608	120,000	60,092
2014	29,391	4,662	120,000	56,120
2015	24,121	4,084	130,000	51,157
2016	18,780	3,620	135,000	45,889
2017-2021	103,097	10,412	765,000	152,022
2022-2023	22,585	440	265,000	10,836
Totals	<u>\$ 281,470</u>	<u>\$ 36,279</u>	<u>\$ 1,645,000</u>	<u>\$ 441,657</u>

E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2011 were as follows:

Receivable from/Payable to	Due From	Due To
GENERAL FUND:		
Okeene Airport Fund	\$ 24,469	\$ 8,924
Cemetery Fund	30,398	-
Okeene Public Works Authority	25,000	9,317
OKEENE AIRPORT FUND:		
General Fund	8,924	24,469
Okeene Public Works Authority	-	5,920
CEMETARY FUND:		
General Fund	-	30,398
ENTERPRISE FUND: Public Works		
General Fund	9,317	25,000
Okeene Airport Fund	5,920	-
Municipal Charitable Trust (fiduciary fund)	30	-
FIDUCIARY FUND: Municipal Charitable Trust		
Okeene Public Works Authority	-	30
Grand Total	\$ 104,058	\$ 104,058

Operating Transfers	Transfers In	Transfers Out
GENERAL FUND:		
Industrial Park	\$ 319	\$ -
Street & Alley	-	18,103
Okeene Public Works Authority	149,622	-
LIBRARY FUND:		
Okeene Public Works Authority	30,600	-
INDUSTRIAL PARK		
General Fund	-	319
STREET & ALLEY FUND:		
General Fund	18,103	-
Okeene Public Works Authority	41,283	-
ENTERPRISE FUND: Public Works		
General Fund	-	149,622
Street & Alley	-	41,283
Library Fund	-	30,600
Grand Total	\$ 239,927	\$ 239,927

(4) RETIREMENT PLANS

The Town participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the Town's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the Town and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

	<u>As of January 1, 2011</u>
Retired participants and beneficiaries	4
Vested active participants	4
Nonvested active participants	3
Total	<u>11</u>

The following is a summary of eligibility, contribution methods and benefits provisions:

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the Town or Authority, except police, firefighter, and other employees who are covered under another approved system.
b. Contributions Requirement	By Town Ordinance
- Authorization	Yes
- Actuarially Determined	10.13% of covered payroll
- Employer Rate	3.6% of covered payroll
- Employee Rate	
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 7 years of service. - Early Retirement after age 55 with 7 years or more of service. - Disability retirement upon disability with 7 years of service. - Termination before retirement age return of employee contributions with interest - Termination after vesting accrued benefit at normal retirement age
e. Benefit Determination Base	Final average compensation – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service. Accrued benefit is 3% of final average compensation multiplied by the number of year of credited service
f. Benefit Determination Methods:	
- Normal Retirement	Accrued benefit payable immediately.
- Early Retirement	Accrued benefit payable starting at normal retirement age or accrued benefit reduced 5% per year for commencement prior to normal retirement age
- Disability Retirement	Accrued benefit payable upon disablement without reduction for early payment
- Death Benefit	50% of accrued benefit is payable to spouse until death or remarriage, non-married participants 50% of the accrued benefit is payable for 5 years
- Prior to 7 Years Service	Return of employee contributions with accrued interest.

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

g. Form of Benefit Payments

Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Other retirement benefits are available under actuarially equivalent optional forms

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/10	560,963	637,319	76,356	88.0%	253,221	30.2%

- a. Date of last Actuarial Valuation March 2011
- b. Significant Actuarial Assumptions Used:
 - 1. Rate of Return on Investments 7.5%
 - 2. Projected Salary Increase 4.0% - 7.42%
 - 3. Retirement Age Normal and Early Rates
 - 4. Mortality Table UP 1994 mortality (projected)
 - 5. Asset Value Actuarial cost method
- c. Actuarial cost method Entry age normal cost method
- d. Amortization method Level % of payroll
- e. Fiscal Year 2011 Contributions Made

Total Contributions-	11.87% of covered payroll	\$34,801
Employee Contributions-	3.6% of covered payroll	\$9,901
Employer Contributions-	8.27% of covered payroll	\$24,900

B. Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description

The Town participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions. The Town of Okeene is supported by a voluntary force of firefighters.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	Oklahoma Firefighter's Pension and Retirement System	Oklahoma Police Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	0% of covered payroll	8% of covered payroll
Town's contribution rate	\$60 per year, per firefighter	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	NA	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited

TOWN OF OKEENE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

		service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years
<i>Annual Required Contributions</i>		
Provision for:		
Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes
Valuation Date	7/1/07	7/1/07
Actuarial cost method	Individual entry age normal	Individual entry age
Amortization method/period	Level dollar 30 years, open	Level dollar 30 years, open
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% - 19.0%	4.0% - 10.0%
Post retirement benefit increases	2.0%	2.0%
Inflation	3.0%	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

C. MHSA Pension Plan

Refer to the Okeene Municipal Hospital and Schallmo Authority d/b/a Okeene Municipal Hospital audit report for June 30, 2011 for discussion of the MHSA pension plan.

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual 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.

B. Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. 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. Any liability for 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.

C. Water Rights Contract

In August 2010, the Town settled litigation with North Blaine Water Corporation (NBWC) regarding water rights. A payment of \$165,867.46 was made to NBWC in accordance with the settlement agreement. The parties agreed to the termination of contractual obligations effective March 19, 2011. The Town retained 44% ownership of their water flowage rights.

Town of Okeene, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 331,015	\$ 30,000	\$ 361,015	\$ 362,069	\$ 1,054
Use tax	17,122	13,000	30,122	31,735	1,613
Beverage tax	11,621	-	11,621	13,453	1,832
Franchise taxes	21,185	-	21,185	20,738	(447)
Fines and forfeitures	12,000	24,000	36,000	25,868	(10,132)
Investment income	500	(450)	50	86	36
Charges for services	24,350	3,000	27,350	23,542	(3,808)
Intergovernmental	4,442	5,576	10,018	9,974	(44)
Miscellaneous	2,500	1,000	3,500	28,727	25,227
Total revenues before carryover	424,735	76,126	500,861	516,192	15,331
Budgeted carryover (1)	-	-	-	-	-
Total revenues and budgeted carryover	424,735	76,126	500,861	516,192	15,331
EXPENDITURES					
Current:					
General government:					
General government					
Personal services	97,000	12,000	109,000	107,711	1,289
Materials & supplies	350	-	350	382	(32)
Other services & charges	75,000	(9,000)	66,000	59,989	6,011
Capital outlay	-	-	-	-	-
Total general government	172,350	3,000	175,350	168,082	7,268
Public safety and judiciary:					
Police					
Personal services	115,000	(12,000)	103,000	103,238	(238)
Other services & charges	50,000	(2,000)	48,000	48,548	(548)
Capital outlay	3,700	16,000	19,700	6,908	12,792
Debt service	9,476	-	9,476	8,271	1,205
Fire					
Personal services	17,500	-	17,500	15,408	2,092
Materials & supplies	-	500	500	694	(194)
Other services & charges	32,500	2,500	35,000	28,779	6,221
Capital outlay	35,000	-	35,000	38,033	(3,033)
Interest expense	-	-	-	-	-
Debt service	6,920	-	6,920	6,981	(61)
Total public safety and judiciary	270,096	5,000	275,096	256,860	18,236
Cultural, parks and recreation:					
Park					
Personal services	6,750	1,500	8,250	7,116	1,134
Other services & charges	4,500	8,000	12,500	9,281	3,219
Capital outlay	-	-	-	2,660	(2,660)
Golf Course					
Personal services	20,500	-	20,500	19,109	1,391
Materials & supplies	1,000	1,000	2,000	3,430	(1,430)
Other services & charges	21,000	17,000	38,000	32,109	5,891
Capital outlay	-	-	-	-	-
Debt service	1,650	-	1,650	1,649	1
Community Building					
Personal services	5,000	-	5,000	2,502	2,498
Other services & charges	2,300	-	2,300	3,555	(1,255)
Swimming Pool					
Personal services	17,250	(1,500)	15,750	16,055	(305)
Materials & supplies	1,000	-	1,000	1,536	(536)
Other services & charges	5,000	-	5,000	8,220	(3,220)
Capital outlay	5,000	-	5,000	-	5,000
Industrial Park and Economic Development					
Other services & charges	500	-	500	211	289
Total cultural, parks and recreation	91,450	26,000	117,450	107,433	10,017

Town of Okeene, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Total expenditures	533,896	34,000	567,896	532,375	35,521
Revenue over (under) expenditures	(109,161)	42,126	(67,035)	(16,183)	50,852
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	120,695	(5,500)	115,195	154,673	39,478
Net other financing sources (uses)	120,695	(5,500)	115,195	154,673	39,478
Revenues and other financing sources over (under) expenditures and other uses	11,534	36,626	48,160	138,490	90,330
Fund balance at beginning of year (Non-GAAP budgetary basis)				-	-
Less budgeted carryover (1)				-	-
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 138,490	\$ 90,330
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				620	
Expenditure and transfer accruals				2,614	
Fund balance at end of year (GAAP basis)				\$ 141,724	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

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

To the Honorable Mayor and the Board of Trustees
Town of Okeene, OK

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Okeene, OK, as of and for the year ended June 30, 2011, which collectively comprise the Town of Okeene, OK's basic financial statements and have issued our report thereon dated November 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Okeene, OK's internal control over financial reporting as a basis for designing our auditing procedures 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 of Okeene, OK's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Okeene, OK's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Okeene, OK's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Okeene, OK's financial statements that is more than inconsequential will not be prevented or detected by the Town of Okeene, OK's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Okeene, OK's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Okeene, OK'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*.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Derrel S. White, CPA

Derrel S. White, CPA

Woodward, OK

November 7, 2011