

TOWN OF PADEN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Council  
Town of Paden, Oklahoma

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Paden, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Paden's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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 statement that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Paden as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the modified cash basis of accounting described in Note A.

Basis of Accounting

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

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Town of Paden, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated June 13, 2016, on my consideration of Town of Paden's internal control over financial reporting and my 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 my audit.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
June 13, 2016

TOWN OF PADEN, OKLAHOMA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
JUNE 30, 2015

	Primary Government		
	Governmental	Business	Total
	Activities	Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 275,307	\$ 105,637	\$ 380,944
Investments	265,548	109,138	374,686
Total current assets	540,855	214,775	755,630
Non-current assets:			
Capital assets			
Land	65,999	65,000	130,999
Other capital assets net of accumulated depreciation	556,349	1,493,021	2,049,370
Total non-current assets	622,348	1,558,021	2,180,369
Total assets	1,163,203	1,772,796	2,935,999
<b>LIABILITIES</b>			
Current liabilities:			
Utility deposits	-	13,370	13,370
Total current liabilities	-	13,370	13,370
Total liabilities	-	13,370	13,370
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	622,348	1,558,021	2,180,369
Restricted	28,579	-	28,579
Unrestricted	512,276	201,405	713,681
Total net position	\$1,163,203	\$1,759,426	\$ 2,922,629

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

Function/Programs	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$108,017	\$ 32,023	\$ 5,849	\$ -	\$ (70,145)
Street & Alley	27,484	-	3,559	50,000	26,075
Public Safety	25,777	11,735	4,484	-	(9,558)
Park	3,204	-	-	-	(3,204)
Cemetery	8,308	96	-	-	(8,212)
Total governmental activities	<u>172,790</u>	<u>43,854</u>	<u>13,892</u>	<u>50,000</u>	<u>(65,044)</u>
Business-type activities					
Utilities Authority	<u>99,570</u>	<u>69,323</u>	<u>-</u>	<u>222,191</u>	<u>191,944</u>
Total business-type activities	<u>99,570</u>	<u>69,323</u>	<u>-</u>	<u>222,191</u>	<u>191,944</u>
Total primary government	<u>\$272,360</u>	<u>\$113,177</u>	<u>\$ 13,892</u>	<u>\$ 272,191</u>	<u>\$ 126,900</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	\$ (65,044)	\$ 191,944	\$ 126,900
General revenues			
Taxes			
Sales tax	123,545	-	123,545
Franchise	14,421	-	14,421
Cigarette Tax	1,453	-	1,453
Gas Tax	868	-	868
Other	4,339	664	5,003
Rent	3,350	-	3,350
Sale of Assets	7,367	-	7,367
Donations	8,762	-	8,762
Interest	5,721	1,870	7,591
Transfers	(17,600)	17,600	-
Total general revenue	<u>152,226</u>	<u>20,134</u>	<u>172,360</u>
Change in net position	87,182	212,078	299,260
Net position - beginning	<u>1,076,021</u>	<u>1,547,348</u>	<u>2,623,369</u>
Net position - ending	<u>\$1,163,203</u>	<u>\$1,759,426</u>	<u>\$ 2,922,629</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General Funds</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 215,136	\$ 60,171	\$ 275,307
Investments	<u>203,035</u>	<u>62,513</u>	<u>265,548</u>
<b>TOTAL ASSETS</b>	<u>\$ 418,171</u>	<u>\$ 122,684</u>	<u>\$ 540,855</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>FUND BALANCES</b>			
Restricted	-	28,579	28,579
Unrestricted	<u>418,171</u>	<u>94,105</u>	<u>512,276</u>
<b>TOTAL FUND BALANCES</b>	<u>418,171</u>	<u>122,684</u>	<u>540,855</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 418,171</u>	<u>\$ 122,684</u>	<u>\$ 540,855</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

Total fund balance \$ 540,855

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

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

Land	65,999	
Capital assets	1,117,555	
Accumulated depreciation	<u>(561,206)</u>	<u>622,348</u>
 Total net position		 <u><u>\$1,163,203</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Funds	Other Governmental Fund	Total Governmental Funds
<b>Revenue</b>			
Sales tax	\$ 123,545	\$ -	\$ 123,545
Franchise tax	3,520	10,901	14,421
Other tax	7,302	4,427	11,729
Garbage	32,003	-	32,003
Rent	3,350	-	3,350
Miscellaneous income	1,489	2,870	4,359
Intergovernmental	-	54,484	54,484
Donations	60	8,702	8,762
Fire revenue	-	11,735	11,735
Lot sales	-	96	96
Sale of assets	-	9,005	9,005
Interest	4,533	1,188	5,721
<b>Total revenue</b>	<u>175,802</u>	<u>103,408</u>	<u>279,210</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	94,119	-	94,119
Cemetery	-	7,868	7,868
Street & Alley	-	118,345	118,345
Public Safety	-	42,669	42,669
<b>Total expenditures</b>	<u>94,119</u>	<u>168,882</u>	<u>262,998</u>
<b>Excess (deficiency) of revenue Over expenditures before Other financing sources/(uses)</b>	<u>81,683</u>	<u>(65,474)</u>	<u>16,212</u>
<b>Other financing sources/(uses)</b>			
Transfers in	-	66,190	66,190
Transfers out	(83,790)	-	(83,790)
<b>Total Transfers</b>	<u>(83,790)</u>	<u>66,190</u>	<u>(17,600)</u>
<b>Net change in fund balances</b>	(2,104)	716	(1,388)
<b>Fund balances, beginning</b>	<u>420,275</u>	<u>121,968</u>	<u>542,243</u>
<b>Fund balances, ending</b>	<u>\$ 418,171</u>	<u>\$ 122,684</u>	<u>\$ 540,855</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances - total governmental funds \$ (1,388)

Amounts reported for governmental activities in the statement of activities are different because: Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net position and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(40,789)	
Acquisition of capital assets	130,997	
Sale of capital assets	<u>(1,638)</u>	<u>88,570</u>

Change in net position \$ 87,182

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2015

	<u>Utilities Authority</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 105,637
Investments	<u>109,138</u>
Total current assets	<u>214,775</u>
Non-current assets	
Capital assets:	
Land	65,000
Capital assets, net of accumulated depreciation	<u>1,493,021</u>
Total non-current assets	<u>1,558,021</u>
Total assets	<u>1,772,796</u>
<b>LIABILITIES</b>	
Current liabilities:	
Utility deposits	<u>13,370</u>
Total liabilities	<u>13,370</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	1,558,021
Unrestricted	<u>201,405</u>
Net position of business-type activities	<u><u>\$ 1,759,426</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
MODIFIED CASH BASIS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Utilities Authority</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 38,758
Sewer charges	30,565
Other	<u>664</u>
Total operating revenues	<u>69,987</u>
<u>OPERATING EXPENSES</u>	
Salaries and taxes	24,547
Professional services	1,760
Insurance and bonds	3,272
Supplies and materials	8,303
Utilities	4,150
Other	8,533
Depreciation	<u>49,005</u>
Total operating expenses	<u>99,570</u>
Operating income (loss)	<u>(29,583)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
CDBG grant income	222,191
Investment income	<u>1,870</u>
Total non-operating revenue (expenses)	<u>224,061</u>
Income (loss) before contributions and transfers	194,478
Transfer from other funds	<u>17,600</u>
Total transfers to/from other funds	<u>17,600</u>
Change in net assets of business type activities	212,078
Total net position, beginning	<u>1,547,348</u>
Total net position, ending	<u>\$1,759,426</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Utilities Authority</u>
Cash flows from operating activities	
Cash received from customers	\$ 70,537
Cash payments to employees	(24,547)
Cash payments to suppliers for goods and services	<u>(26,018)</u>
Net cash provided (used) by operating activities	<u>19,972</u>
 Cash flows from non-capital financing activities	
Transfers	<u>17,600</u>
Net cash provided by non-capital financing activities	<u>17,600</u>
 Cash flows from capital and related financing activities	
Received from CDBG grant	222,191
Purchase of capital assets	<u>(286,313)</u>
Net cash provided by capital and related financing activities	<u>(64,122)</u>
 Cash flows from investing activities	
Interest revenue	1,870
Transferred to investments	<u>(1,774)</u>
Net cash provided by investing activities	<u>96</u>
 Net increase/(decrease) in cash and cash equivalents	(26,454)
 Cash and cash equivalents, beginning	<u>132,091</u>
 Cash and cash equivalents, ending	<u>\$ 105,637</u>
 Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ (29,583)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	49,005
Changes in assets and liabilities:	
Increase in utility deposits	<u>550</u>
Net cash provided by operating activities	<u>\$ 19,972</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PADEN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Paden, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, utilities, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria the Paden Utilities Authority (the Authority) is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of the Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

The Paden Utilities Authority was created October 29, 2003 under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes. During fiscal year end June 30, 2015, the Town did not operate the under the trust.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but 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.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program 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 which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF PADEN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

*Fund Financial Statements*

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting

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

**Measurement Focus**

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

In the financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF PADEN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Paden Utilities Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with 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 allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

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

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. 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 paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF PADEN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2015 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

TOWN OF PADEN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Improvements, other than buildings	20-50
Furniture , machinery, and equipment	5-10
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

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

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2015, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$755,630 at June 30, 2015. The bank balance of the deposits at June 30, 2015 was approximately \$755,684.

TOWN OF PADEN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2015.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2015, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 48 months or less.

Note C - INTERFUND RECEIVABLES AND PAYABLES

The Town did not report any interfund receivables or payables at June 30, 2015

Note D - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure &amp; Furniture, Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities</b>					
Balance, June 30, 2014	\$ 306,426	\$ 261,381	\$ 440,587	\$1,008,394	\$ 65,999
Increases	-	101,920	29,077	130,997	-
Decreases	-	-	(21,836)	(21,836)	-
Balance, June 30, 2015	<u>306,426</u>	<u>363,301</u>	<u>447,828</u>	<u>1,117,555</u>	<u>65,999</u>
<b>Accumulated Depreciation</b>					
Balance, June 30, 2014	114,318	102,200	324,097	540,615	
Increase	7,519	12,361	20,909	40,789	
Decreases	-	-	(20,198)	(20,198)	
Balance, June 30, 2015	<u>121,837</u>	<u>114,561</u>	<u>324,808</u>	<u>561,206</u>	
Governmental activities Capital Assets, Net	<u>\$ 184,589</u>	<u>\$ 248,740</u>	<u>\$ 123,020</u>	<u>\$ 556,349</u>	<u>\$ 65,999</u>
<b>Business-type activities</b>					
Balance, June 30, 2014	\$ -	\$2,052,353	\$ 50,722	\$2,103,075	\$ 65,000
Increases	-	286,313	-	286,313	-
Decreases	-	-	-	-	-
Balance, June 30, 2015	<u>-</u>	<u>2,338,666</u>	<u>50,722</u>	<u>2,389,388</u>	<u>65,000</u>
<b>Accumulated Depreciation</b>					
Balance, June 30, 2014	-	796,640	50,722	847,362	
Increase	-	49,005	-	49,005	
Decreases	-	-	-	-	
Balance, June 30, 2015	<u>-</u>	<u>845,645</u>	<u>50,722</u>	<u>896,367</u>	
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$1,493,021</u>	<u>\$ -</u>	<u>\$1,493,021</u>	<u>\$ 65,000</u>
<b>PRIMARY GOVERNMENT</b> Capital Assets, Net	<u>\$ 184,589</u>	<u>\$1,741,761</u>	<u>\$ 123,020</u>	<u>\$2,049,370</u>	<u>\$ 130,999</u>

TOWN OF PADEN, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 13,901	Utilities Authority	\$ 49,005
Cemetery	440		
Street	11,059		
Park	3,204		
Fire	12,185		

Note E - PENSION OBLIGATIONS

The Town participates in one pension program:

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% 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 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
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years

TOWN OF PADEN, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 900	100%
2014	780	100%
2013	840	100%

**Note F - COMPENSATED ABSENCES**

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

**Note G - 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; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note H - FEDERAL AND STATE GRANTS**

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**Note I - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 13, 2016, the date on which the financial statements were available to be issued. The Town does not believe there are any events requiring disclosure.

TOWN OF PADEN, OKLAHOMA  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	<u>Street and Alley</u>	<u>Fire</u>	<u>Cemetery General</u>	<u>Cemetery Perpetual Care</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,698	\$ 30,471	\$ 9,396	\$ 1,606	\$ 60,171
Investments	<u>-</u>	<u>-</u>	<u>46,101</u>	<u>16,412</u>	<u>62,513</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,698</u>	<u>\$ 30,471</u>	<u>\$ 55,497</u>	<u>\$ 18,018</u>	<u>\$ 122,684</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>FUND BALANCES</b>					
Restricted	-	-	27,579	1,000	28,579
Unrestricted	<u>18,698</u>	<u>30,471</u>	<u>27,918</u>	<u>17,018</u>	<u>94,105</u>
<b>TOTAL FUND BALANCES</b>	<u>18,698</u>	<u>30,471</u>	<u>55,497</u>	<u>18,018</u>	<u>122,684</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 18,698</u>	<u>\$ 30,471</u>	<u>\$ 55,497</u>	<u>\$ 18,018</u>	<u>\$ 122,684</u>

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

TOWN OF PADEN, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Street and Alley	Fire	Cemetery General	Cemetery Perpetual Care	Total Nonmajor Funds
<b>REVENUES</b>					
Franchise taxes	\$ 10,901	\$ -	\$ -	\$ -	\$ 10,901
Other taxes	4,427	-	-	-	4,427
Intergovernmental	50,000	4,484	-	-	54,484
Donations	-	5,952	2,750	-	8,702
Fire revenue	-	11,735	-	-	11,735
Lot sales	-	-	83	13	96
Sale of assets	-	9,005	-	-	9,005
Other	2,870	-	-	-	2,870
Interest	22	41	878	247	1,188
<b>TOTAL REVENUES</b>	<u>68,220</u>	<u>31,217</u>	<u>3,711</u>	<u>260</u>	<u>103,408</u>
<b>EXPENDITURES</b>					
Cemetery	-	-	7,868	-	7,868
Street & Alley	118,345	-	-	-	118,345
Public safety	-	42,669	-	-	42,669
<b>TOTAL EXPENDITURES</b>	<u>118,345</u>	<u>42,669</u>	<u>7,868</u>	<u>-</u>	<u>168,882</u>
Excess (deficiency) of revenue over expenditures before other financing sources/ (uses)	(50,125)	(11,452)	(4,157)	260	(65,474)
Other financing sources/ (uses)					
Transfers In	51,920	14,270	-	-	66,190
<b>Total Transfers</b>	<u>51,920</u>	<u>14,270</u>	<u>-</u>	<u>-</u>	<u>66,190</u>
<b>Net change in fund balances</b>	1,795	2,818	(4,157)	260	716
Fund balances, beginning	16,903	27,653	59,654	17,758	121,968
<b>Fund balances, ending</b>	<u>\$ 18,698</u>	<u>\$ 30,471</u>	<u>\$ 55,497</u>	<u>\$ 18,018</u>	<u>\$ 122,684</u>

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

INDEPENDENT AUDITOR'S 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 Town Council  
Town of Paden, Oklahoma  
Paden, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis 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 Paden, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Paden's basic financial statements and have issued my report thereon dated June 13, 2016, which did not include Management's Discussion and Analysis or Budgetary Comparison.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Paden's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Paden's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Paden's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Paden, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
June 13, 2016