

TOWN OF PANAMA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

TOWN OF PANAMA, OKLAHOMA

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TOWN OF PANAMA, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Lloyd Hale	Mayor
Tim Crase	Vice Mayor
Wiley Williamson	Member
Larry Didway	Member
Harlen Hale	Member

Town Clerk & Treasurer

Landis Stankewitz

Town Attorney

Ronald H. Lawson

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Panama, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in

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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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Panama, Oklahoma, as of June 30, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information, including the accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Panama, Oklahoma.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

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opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of the Town of Panama'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 compliance with *Government Auditing Standards* in considering Town of Panama's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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. Our opinion is not modified with respect to this matter.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

April 25, 2016

TOWN OF PANAMA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Our discussion and analysis of the Town of Panama's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The Town's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$2,571 for the year, resulting in an increase in total net position of .002 percent over the previous year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

Report Components This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (*on pages 14 and 15*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

Fund Financial Statements: The fund financial statements (*starting on page 16*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water, sewer and sanitation services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

TOWN OF PANAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 2 (Unaudited)

Supplementary Information: This Management's Discussion and Analysis and the Governmental Funds Budgetary Comparison Schedules (*starting on page 41*) represent financial information to provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Panama Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Panama
- Panama Public Works Authority

TOWN OF PANAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 3 (Unaudited)

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the Town as a whole begins on page 9. The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities. Most of the Town's basic services are reported here, including the police, fire, general administration, streets, parks, cemetery, and senior citizens. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

Business-type activities. The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

The Fund Financial Statements

Our analysis of the Town's major funds begins on page 11. The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The

TOWN OF PANAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 4 (Unaudited)

Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

Governmental funds—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The Town considers the General Fund and the Capital Improvement Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

Proprietary funds—When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund—the Public Works Authority Utilities Fund.

The Town currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

TOWN OF PANAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 5 (Unaudited)

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position – Modified Cash Basis

TOWN OF PANAMA'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	235,112	249,163	349,345	263,153	584,457	512,316
Capital Assets	247,221	213,908	2,118,659	1,868,765	2,365,880	2,082,673
Total Assets	<u>482,333</u>	<u>463,071</u>	<u>2,468,004</u>	<u>2,131,918</u>	<u>2,950,337</u>	<u>2,594,989</u>
Long term liabilities	47,556	14,923	1,577,635	1,256,875	1,625,191	1,271,798
Other liabilities	2,319	2,935	1,247	1,247	3,566	4,182
Total Liabilities	<u>49,875</u>	<u>17,858</u>	<u>1,578,882</u>	<u>1,258,122</u>	<u>1,628,757</u>	<u>1,275,980</u>
Net Position:						
Net investment in capital assets, net of related debt	199,665	198,985	585,631	654,853	785,296	853,838
Restricted	157,597	192,998	274,765	207,547	432,362	400,545
Unrestricted	75,196	53,230	28,726	11,396	103,922	64,626
Total Net Position	<u>432,458</u>	<u>445,213</u>	<u>889,122</u>	<u>873,796</u>	<u>1,321,580</u>	<u>1,319,009</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from approximately \$1,319,009 to \$1,321,580 between fiscal years 2014 and 2015. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$12,755 and business-type activities increased by \$15,326.

Net position of the Town's governmental activities decreased 2.86 percent to \$432,458. However, \$357,262 of the net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position was \$75,196 at the end of this year. The net position of the Town's business-type activities increased to \$889,122. However, \$860,396 of the net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, electric, water, sewer, and so on). Consequently, unrestricted net position was \$28,726 at the end of this year.

**TOWN OF PANAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 6 (Unaudited)**

TOWN OF PANAMA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	140,187	120,515	494,713	490,432	634,900	610,947
Operating grants and contributions	4,484	4,474	-	-	4,484	4,474
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales tax	178,061	170,526	-	-	178,061	170,526
Use tax	10,288	6,821	-	-	10,288	6,821
Franchise tax	38,396	40,337	-	-	38,396	40,337
Cigarette tax	2,045	2,109	-	-	2,045	2,109
Intergovt. Revenue	23,992	24,683	-	-	23,992	24,683
Investment earnings	542	578	695	543	1,237	1,121
Gain (loss) on sale of assets	-	1,063	-	2,450	-	3,513
Miscellaneous	8,515	26,314	874	2,362	9,389	28,676
Total revenues	<u>406,510</u>	<u>397,420</u>	<u>496,282</u>	<u>495,787</u>	<u>902,792</u>	<u>893,207</u>
Expenses:						
General government and administration	74,131	66,769	-	-	74,131	66,769
Public safety	273,812	267,974	-	-	273,812	267,974
Transportation	71,322	80,063	-	-	71,322	80,063
Interest on long term debt	-	-	-	-	-	-
Water	-	-	201,019	159,174	201,019	159,174
Sewer	-	-	200,857	177,302	200,857	177,302
Sanitation	-	-	79,081	79,100	79,081	79,100
Total expenses	<u>419,265</u>	<u>414,806</u>	<u>480,956</u>	<u>415,576</u>	<u>900,221</u>	<u>830,382</u>
Increases in net position before transfers	(12,755)	(17,386)	15,326	80,211	2,571	62,825
Transfers	-	-	-	-	-	-
Net position - July 1	445,213	462,599	873,796	793,585	1,319,009	1,256,184
Net position - June 30	<u>432,458</u>	<u>445,213</u>	<u>889,122</u>	<u>873,796</u>	<u>1,321,580</u>	<u>1,319,009</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

TOWN OF PANAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 7 (Unaudited)

For the year ended June 30, 2015, total expenses for governmental activities (*on page 15*), resulting from modified cash basis transactions, amounted to \$419,265. Of these total expenses, taxpayers and other general revenues funded \$261,839, while those directly benefiting from the program funded \$140,187 from charges for services and \$4,484 was funded by grants.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions (*on page 15*). While the sewer service activities reported net expenses of \$(49,669), the water reported net expenses of \$63,513 and sanitation was close to breakeven with a net revenue of \$(87). The sanitation service is operated under private contract and the narrow net revenue is typical. In arriving at the business type activity expenses the administration expenses of \$52,733 are allocated based on each activities expenses to the total.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues of \$373,951 and expenditures of \$351,985 resulting in an increase in fund balance of \$21,966.
- General fund revenues increased over the prior year by \$114,462. The general fund expenditures were \$75,209 more than the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the prior year budget.

For the year ended June 30, 2015, General Fund expenditures were \$12,769 over final appropriations, while actual resources available for appropriation were \$47,362 over the final budgeted amount.

TON OF PANAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
PAGE 8 (Unaudited)
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Modified Cash Basis

At June 30, 2015, the Town had \$247,221 invested in capital assets, net of depreciation, including police and fire equipment and buildings. This represents a net increase of \$33,313, or 15.57 percent, over last year. The Public Works Authority had \$2,118,659 invested in capital assets, net of depreciation including the water and sewer lines. This represents a net increase of \$249,895 or 13.37 percent, over last year.

This year's more significant capital assets additions include:

General Fund - Two Police Cruisers	\$ 45,552
Fire Fund - Concrete Driveway	10,339
Fire Fund - Back Garage Door	1,920
Public Works Authority Water - 2014 Water Project	317,708

Capital Assets at Year-end
Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	5,180	180	20,000	232,180	25,180	232,360
Const. In Progress	0	0	549,888	0	549,888	0
Buildings	108,401	112,777	2,582	2,707	110,983	115,484
Furniture & Fixtures	884	0	0	0	884	0
Machinery & Equipment	47,095	46,474	10,910	16,820	58,005	63,294
Vehicles	45,558	11,398	0	0	45,558	11,398
Capital Improvements	40,103	43,079	1,535,279	1,597,057	1,575,382	1,640,136
Total	<u>247,221</u>	<u>213,908</u>	<u>2,118,659</u>	<u>1,848,764</u>	<u>2,365,880</u>	<u>2,062,672</u>

TOWN OF PANAMA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 PAGE 9 (Unaudited)

Long-Term Debt – Modified Cash Basis

At June 30, 2015, the Town had \$1,625,191 in long term debt arising from modified cash basis transactions compared to \$1,271,798 at June 30, 2015. At June 30, 2015, most all of the debt is related to business-type activities. (See table below). This represents an increase of 27.78 percent.

Primary Government Long-Term Debt -- Modified Cash Basis

	<u>2014</u>	<u>2015</u>
Governmental debt:		
Lease purchase Kansas State Bank	2,652	-
Lease purchase Arvest Equipment Finance	12,271	8,496
Lease purchase Arvest Equipment Finance	-	39,060
Total governmental debt	<u>\$ 14,923</u>	<u>\$ 47,556</u>
Business-type debt:		
Refundable utility deposits	42,963	44,607
Note payable RUS	-	543,841
Note payable RUS	899,296	-
Note payable RUS	102,332	-
Note payable OWRB	-	989,187
Note payable CRG	138,870	-
Note payable CRG	73,414	-
Total business-type debt	<u>\$ 1,256,875</u>	<u>\$ 1,577,635</u>
Total all debt	<u>\$ 1,271,798</u>	<u>\$ 1,625,191</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending June 30, 2015, the Town's budget is fairly consistent with this year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at 100 North Kentucky, Panama, Oklahoma or telephone at (918) 963-4116.

TOWN OF PANAMA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash, and cash equivalents	\$202,315	\$30,666	\$232,981
Investments	26,406		26,406
Due from other funds	6,391	900	7,291
Total current assets	<u>235,112</u>	<u>31,566</u>	<u>266,678</u>
Noncurrent Assets:			
Restricted Cash, and cash equivalents		278,052	278,052
Restricted Investments		39,727	39,727
Capital assets (Note 2.C.):			
Land	5,180	20,000	25,180
Other capital assets, net of accumulated depreciation	242,041	2,098,659	2,340,700
Total noncurrent assets	<u>247,221</u>	<u>2,436,438</u>	<u>2,683,659</u>
Total assets	<u>482,333</u>	<u>2,468,004</u>	<u>2,950,337</u>
LIABILITIES			
Current Liabilities:			
Payroll taxes payable			0
Due to other funds	2,319	1,247	3,566
Due within one year	12,808	159,992	172,800
Total current liabilities	<u>15,127</u>	<u>161,239</u>	<u>176,366</u>
Noncurrent Liabilities:			
Refundable deposits		44,607	44,607
Long term liabilities (Note 2.D.)			
Notes payable	34,748	1,373,036	1,407,784
Total noncurrent liabilities	<u>34,748</u>	<u>1,417,643</u>	<u>1,452,391</u>
Total Liabilities	<u>49,875</u>	<u>1,578,882</u>	<u>1,628,757</u>
NET ASSETS			
Net Investment in Capital Assets	199,665	585,631	785,296
Restricted for:			
Street and Alley	20,514		20,514
Fire Department	137,083		137,083
Debt service		167,117	167,117
Other purposes		107,648	107,648
Unrestricted	75,196	28,726	103,922
Total Net Assets	<u>\$432,458</u>	<u>\$889,122</u>	<u>\$1,321,580</u>

See accompanying notes to the basic financial statements.

TOWN OF PANAMA, OKLAHOMA

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities							
Clerk	\$5,576	\$245			(5,331)		(5,331)
General Government	\$68,555				(68,555)		(68,555)
Total general government	74,131	245	0	0	(73,886)	0	(73,886)
Public Safety:							
Police	231,768	139,942			(91,826)		(91,826)
Fire	42,044		4,484		(37,560)		(37,560)
Total Public safety	273,812	139,942	4,484	0	(129,386)	0	(129,386)
Transportation:							
Streets	71,322				(71,322)		(71,322)
Total transportation	71,322	0	0	0	(71,322)	0	(71,322)
Total governmental activities	419,265	140,187	4,484	0	(274,594)	0	(274,594)
Business-type activities:							
Water	201,019	264,532				63,513	63,513
Sewer	200,857	151,188				(49,669)	(49,669)
Sanitation	79,081	78,994				(87)	(87)
Total business-type activities	480,956	494,713	0	0	0	13,757	13,757
Total primary government	\$900,221	\$634,900	\$4,484	\$0	(\$274,594)	13,757	(260,837)

	Governmental	Business-Type	Total
	(\$274,594)	\$13,757	(\$260,837)
General revenues:			
Taxes:			
Sales Tax	178,061		178,061
Use Tax	10,288		10,288
Franchise and public service taxes	38,396		38,396
Cigarette Tax	2,045		2,045
Intergovernmental revenue not restricted to specific programs	23,992		23,992
Interest income	542	695	1,237
Gain (loss) on sale of assets	0	0	0
Miscellaneous	8,515	874	9,389
Transfers internal activity			0
Total general revenues and transfers	261,839	1,569	263,408
Charge in net position	(12,755)	15,326	2,571
Net position-beginning	445,213	873,796	1,319,009
Net position- ending	\$432,458	\$889,122	\$1,321,580

See accompanying notes to the basic financial statements.

TOWN OF PANAMA, OKLAHOMA
BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Steet and Alley	Fire Department	Total Governmental Funds
ASSETS				
Cash, and cash equivalents	\$68,805	\$22,614	\$110,896	\$202,315
Investments			26,406	26,406
Due from other funds	6,391			6,391
Total assets	75,196	22,614	137,302	\$235,112
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll liabilities				0
Due to other funds		2,099	220	2,319
Total Liabilities	0	2,099	220	2,319
Fund Balances:				
Restricted for:				
Street and Alley		20,514		20,514
Fire Department			137,083	137,083
Assigned	8,199			8,199
Unassigned	66,997			66,997
Total Fund Balances	75,196	20,514	137,083	232,793
Total Liabilities and Fund Balances	\$75,196	\$22,613	\$137,303	

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$ 909,616, net of accumulated depreciation of \$ 662,395 are not financial resources and, therefore, are not reported in funds	247,221
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Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds	(47,556)
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Net position of governmental activities	\$432,458
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See accompanying notes to the financial statements.

TOWN OF PANAMA, OKLAHOMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Street and Alley	Fire Department	Total Governmental Funds
Revenues:				
Taxes	169,436	59,354		228,790
Intergovernmental	11,717	12,275	4,484	28,476
Charges for services				0
Fines and forfeitures	139,942			139,942
Licenses and permits	245			245
Interest income	117	43	382	542
Miscellaneous	6,942	1,250	323	8,515
Total Revenues	<u>328,399</u>	<u>72,922</u>	<u>5,189</u>	<u>406,510</u>
Expenditures:				
Current:				
General Government:				
Clerk	5,576			5,576
General Government	63,649			63,649
Public Safety:				
Police	218,730			218,730
Fire			33,260	33,260
Street and Public Works:				
Streets		64,917		64,917
Capital Outlay	54,024	0	11,032	65,056
Debt Service	10,006	4,303		14,309
Total Expenditures	<u>351,985</u>	<u>69,220</u>	<u>44,292</u>	<u>465,497</u>
Excess (deficiency) of revenues over expenditures	(23,586)	3,702	(39,103)	(58,987)
Other Financing Sources (Uses):				
Capital lease proceeds	45,552			45,552
Transfers in				0
Transfers out				0
Total Other Financing Sources (Uses)	<u>45,552</u>	<u>0</u>	<u>0</u>	<u>45,552</u>
Net change in fund balances	21,966	3,702	(39,103)	(13,435)
Fund balances - beginning	53,230	16,812	176,186	246,228
Fund balances - ending	<u>75,196</u>	<u>20,514</u>	<u>137,083</u>	<u>232,793</u>
Reconciliation to the Statement of Activities:				
Net change in fund balances -total governmental funds				(\$13,435)
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital asset purchases capitalized				65,056
Depreciation expense				(31,743)
Debt service payments are not considered expenditures in the governmental activities report				12,919
Lease proceeds are not considered revenues in the governmental activities report				(45,552)
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)				0
				<u>680</u>
				<u>(\$12,755)</u>

See accompanying notes to the basic financial statements.

TOWN OF PANAMA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND

June 30, 2015

	Panama Public Works Enterprise Fund
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$30,666
Due from other funds	900
Total current assets	31,566
Noncurrent Assets:	
Restricted cash and cash equivalents	278,052
Restricted investments	39,727
Land	20,000
Other capital assets, net of accumulated depreciation	2,098,659
Total noncurrent assets	2,436,438
Total Assets	2,468,004
LIABILITIES	
Current Liabilities:	
Due to other funds	1,247
Notes payable - current portion	159,992
Total current liabilities	161,239
Noncurrent Liabilities:	
Refundable deposits	44,607
Notes payable - long-term portion	1,373,036
Total noncurrent liabilities	1,417,643
Total Liabilities	1,578,882
NET POSITION	
Net investment in capital assets	585,631
Restricted for debt service	167,117
Restricted for other purposes	107,648
Unrestricted	28,726
Total net position	889,122

See accompanying notes to combined financial statements.

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

	Panama Public Works Enterprise <u>Fund</u>
Operating Revenues:	
Charges for services:	
Water	\$256,370
Sewer	146,995
Sanitation	76,804
Water & Sewer Taps	850
Penalties	13,694
Miscellaneous	874
Total Operating Revenues	495,587
Operating Expenses:	
Administration operations	123,293
Water operations	129,496
Sewer operations	30,798
Depreciation	67,813
Total Operating Expenses	351,400
Net Operating Income (Loss)	144,187
Non-Operating Revenue (Expense):	
Investment income	695
Interest expense and fiscal agent fees	(61,056)
Debt Issuance Cost	(68,500)
Total Non-Operating Revenue (Expense)	(128,861)
Net Income (Loss) Before Operating Transfers	15,326
Transfers In	0
Transfers Out	0
Changes in net position	15,326
Total Net Position-Beginning	873,796
Total Net Position-Ending	\$889,122

See accompanying notes to combined financial statements.

TOWN OF PANAMA, OKLAHOMA

**STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Panama Public Works Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$495,587
Payments to suppliers	(222,979)
Payments to employees	(60,608)
Receipts of customer utility deposits	26,476
Refunds of customer utility deposits	(24,832)
Net Cash Provided by Operating Activities	<u>213,644</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	0
Transfers from other funds	0
Net Cash Provided (Used) by Operating Activities	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(317,708)
Principal paid on capital debt	(1,246,724)
Interest and fiscal agent fees paid on capital debt	(61,056)
Debt issuance cost on capital debt	(68,500)
Net Cash Used in Capital and Related Financing Activities	<u>(1,693,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	695
Note Proceeds	1,565,841
Net Cash Provided by Investing Activities	<u>1,566,536</u>
Net Increase in Cash and Cash Equivalents	86,192
Balance- beginning of the year	262,253
Balance- end of the year	<u><u>\$348,445</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$144,187
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	67,813
Change in assets and liabilities:	
Refundable deposits	1,644
Net cash provided by operating activities	<u><u>\$213,644</u></u>

TOWN OF PANAMA, OKLAHOMA

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash, and cash equivalents	<u>\$3,725</u>
Total assets	<u><u>\$3,725</u></u>
LIABILITIES	
Due to other funds	<u>\$3,725</u>
Total liabilities	<u><u>\$3,725</u></u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

1.A. FINANCIAL REPORTING ENTITY

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

Primary Government:	Town of Panama
Blended Component Unit:	Panama Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

BLENDDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

Component Unit	Brief Description/Inclusion Criteria	Fund Included In
Panama Public Works Authority	<i>Created February 8, 1972 to finance, develop, and operate the water, wastewater, and sanitation activities of the Town. Current Town Council serves as entire governing Body (Trustees). Debt issued by Authority Requires two-thirds approval of the Town Council</i>	<i>PWA Enterprise Fund</i>

The component unit does not issue separately audited component unit financial statements.

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

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties of goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

TOWN OF PANAMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds:

<i>Fund</i>	<i>Brief Description</i>
Street and Alley Fund	Accounts for gasoline excise and commercial vehicle taxes and 33% of the 3 cent sales tax collected legally restricted for street and alley improvements.
Fire Fund	Accounts for fire runs for benefit of the fire department.

Capital Project Funds

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<i>Fund</i>	<i>Brief Description</i>
Panama Public Works Authority	Accounts for the activities of the public trust in providing water and wastewater services to the public.

1.C. MEASUREMENT FOCUS ON 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.

TOWN OF PANAMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 funds 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 noncurrent, financial, or nonfinancial) 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, business-like, and component unit 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, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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.

TOWN OF PANAMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

1.D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

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

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

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

TOWN OF PANAMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

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

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

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

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - 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 borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the 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.

TOWN OF PANAMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

- c. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

It is the Town’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

1. E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town’s taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Licenses and permits.
Public Safety	Fine revenue and Fire run revenue; operating and capital grants include Cops School Grant and KEDDO
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated.

TOWN OF PANAMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans—Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances—Resource flows between the primary government (the Town and Public Works Improvement Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

TOWN OF PANAMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

1.G. FUND EQUITY

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

1.H. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

TOWN OF PANAMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

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

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2015. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

<i>Custody Credit Risk Category</i>					
<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u>			
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	404,146	404,146	-	-	
Uninsured deposits					
Collateralized	175,894	-	175,894	-	
Uncollateralized	-	-	-	-	
Total Deposits	580,040	404,146	175,894	-	Total Carrying Value
Petty Cash					<u>441</u>
					<u>562,119</u>
<u>Reconciliation to Government-Wide Statements of Net Position:</u>					
	Cash and cash equivalents				259,387
	Restricted cash and cash equivalents				317,779
	Agency fund cash, including time deposit (not included in government wide statement)				3,725
Less:	Investments in mutual funds recorded as Cash and cash equivalents				(18,772)
					<u>562,119</u>

TOWN OF PANAMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$43,014; and the amounts held to comply with the water and sewer project debt service requirements are \$167,117 and amounts held for system asset replacement are \$107,648.

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	Balance 07/01/14	Additions	Deductions	Balance 06/30/15
Governmental activities:				
Capital assets not being depreciated:				
Land	180	5,000	0	5,180
Construction in Process	0	0	0	0
Total capital assets not being depreciated	<u>180</u>	<u>5,000</u>	<u>0</u>	<u>5,180</u>
Other capital assets:				
Buildings	195,035	0	0	195,035
Furniture and fixtures	1,540	964	0	2,504
Machinery and equipment	287,640	13,540	(108,209)	192,971
Vehicles	400,295	45,552	0	445,847
Capital improvements	68,078	0	0	68,078
Total other capital assets at historical cost	<u>952,588</u>	<u>60,056</u>	<u>(108,209)</u>	<u>904,435</u>
Less accumulated depreciation for:				
Buildings	82,258	4,376	0	86,634
Furniture and fixtures	1,540	80	0	1,620
Machinery and equipment	241,166	12,919	(108,209)	145,876
Vehicles	388,897	11,392	0	400,289
Capital improvements	24,999	2,976	0	27,975
Total accumulated depreciation	<u>738,860</u>	<u>31,743</u>	<u>(108,209)</u>	<u>662,394</u>
Other capital assets, net	<u>213,728</u>	<u>28,313</u>	<u>0</u>	<u>242,041</u>
Governmental activities capital assets, net	<u>213,908</u>	<u>33,313</u>	<u>0</u>	<u>247,221</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	20,000	0	0	20,000
Construction-in-progress	232,180	317,708	0	549,888
Total capital assets not being depreciated	<u>252,180</u>	<u>317,708</u>	<u>0</u>	<u>569,888</u>
Other capital assets:				
Buildings	5,000	0	0	5,000
Furniture and fixtures	727	0	0	727
Machinery and equipment	122,290	0	0	122,290
Vehicles	0	0	0	0
Capital improvements	2,442,002	0	0	2,442,002
Total other capital assets at historical cost	<u>2,570,019</u>	<u>0</u>	<u>0</u>	<u>2,570,019</u>
Less accumulated depreciation for:				
Buildings	2,293	125	0	2,418
Furniture and fixtures	727	0	0	727
Machinery and equipment	105,470	5,910	0	111,380
Vehicles	0	0	0	0
Capital improvements	844,945	61,778	0	906,723
Total accumulated depreciation	<u>953,435</u>	<u>67,813</u>	<u>0</u>	<u>1,021,248</u>
Other capital assets, net	<u>1,616,584</u>	<u>(67,813)</u>	<u>0</u>	<u>1,548,771</u>
Business-type activities capital assets, net	<u>1,868,764</u>	<u>249,895</u>	<u>0</u>	<u>2,118,659</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government Activities:	
General Government	4,906
Police	12,176
Street & Alley	5,877
Fire	8,784
Total depreciation expense for governmental activities	<u>31,743</u>
Business-Type Activities:	
Administration	86
Water	3,956
Sewer	63,771
Total depreciation expense for business-type activities	<u>67,813</u>

TOWN OF PANAMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2.D. LONG-TERM DEBT

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

GOVERNMENTAL ACTIVITIES

Lease Purchase Obligations:

As of June 30, 2015, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

2.38% interest with 20 quarterly payments of principal and interest of \$2,423, secured by 2 2013 Dodge Chargers. Scheduled debt service Payments in the Police Fund.	39,060
5% interest with 60 monthly payments of principal and interest of \$359, secured by 2006 GMC3500. Scheduled debt service payments in the Street Fund.	<u>8,496</u>
Total Lease Purchases Outstanding	\$ <u>47,556</u>
Current portion	\$ 12,808
Non-current portion	<u>34,748</u>
Total Leases Payable	\$ <u>47,556</u>

BUSINESS-TYPE ACTIVITIES

Notes Payable:

Note due to Rural Utilities Service Department of Agriculture in the amount of \$3,103,000. Currently the note is being funded beginning May 7, 2015. The note is for the purpose of providing a portion of the cost of acquiring and constructing of Panama Public Works Authority water improvements. The original principal amount of \$3,103,000 will have a fixed interest rate of 2.5% with 480 monthly payments of principal and interest of \$10,240 due May 2055.

\$ 543,841

The note is collateralized by a mortgage on the Panama Public Works Authority's water system and a first lien on and pledge of the revenues produced.

TOWN OF PANAMA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Promissory Note to the Oklahoma Water Resources Board in the amount of \$1,022,000 with a 1.87% interest and a .5% administration fee. Interest, principal and administration payments are due semiannually in the amount of \$36,494 beginning July 21, 2014. The note proceeds are for sewer system improvements.

989,187

Total Notes Payable Outstanding \$1,533,028

Current portion	\$ 159,992
Non-current portion	<u>1,373,036</u>
Total Notes Payable	<u>\$ 1,533,028</u>

The advance of \$543,841 from Rural Utilities Service Department of Agriculture is a partial funding of the total projected note of \$3,103,000. The balance will be advanced as necessary to complete the water project in process. The Town began making regular scheduled debt payments of \$10,240 in July 2015.

Refundable Deposits:

Refundable deposits reported as a liability within the Statement of Net Position are composed of the following:

Utility Deposits –Refundable	<u>\$ 44,607</u>
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CHANGES IN LONG-TERM DEBT

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

Type of Debt	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	14,923	45,552	12,919	47,556	12,808
Business-Type Activities:					
Refundable Deposits	42,963	26,476	24,832	44,607	
Leases Payable	0			0	
Notes Payable	<u>1,213,912</u>	<u>1,565,841</u>	<u>1,246,725</u>	<u>1,533,028</u>	<u>159,992</u>
Total Business-Type Activities:	<u>1,271,798</u>	<u>1,637,869</u>	<u>1,284,476</u>	<u>1,625,191</u>	<u>172,800</u>

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

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2015, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2016	12,808.32	1,185.80	159,992.19	30,909.46
2017	13,223.59	770.53	164,046.51	27,120.69
2018	9,627.37	422.70	168,138.46	23,287.35
2019	9,492.68	198.84	172,332.51	19,358.14
2020	2,404.04	18.84	139,027.18	15,440.26
2021-2025			292,723.03	56,987.47
2026-2030			329,872.63	27,669.34
2031-2032			106,895.83	2,040.40
Total	<u>47,556.00</u>	<u>2,596.71</u>	<u>1,533,028.34</u>	<u>202,813.11</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The Public Works Authority's Rural Development Promissory Notes are collateralized by the revenue of the Panama Public Works Authority Water System. The agreement contains provisions which require the Town to maintain pledged revenue, of at least 100% of the annual debt service and a debt reserve fund addition of 10% of the monthly debt payment until a reserve balance of 10% of the note balance is obtained. As of June 30, 2015 the Authority's debt service coverage percentage is 92% which does not meet the promissory note requirement and the reserve balance is \$122,800, which covers the entire 10% balance required.

The Public Works Authority's Oklahoma Water Resources Board Notes are collateralized by the revenue of the Panama Public Works Authority Sewer System. The agreement contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service. As of June 30, 2015 the Authority's debt service coverage percentage is 136% which meets the promissory note requirement.

2.E. INTERFUND TRANSFERS AND BALANCES

INTERFUND BALANCES

At June 30, 2015, the Street and Alley Special Revenue Fund owed the General Fund \$1,199 and the Public Works Authority \$900, the Fire Fund owed the General Fund \$220, the Trust and Agency Fund owed the General Fund \$3,725, and the Public Works Authority owed the General Fund \$1,247.

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

INTERFUND TRANSFERS

There were no transfers between funds of the primary government for the year ended June 30, 2015.

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Rural Fire Defense Grant - The Town received a grant of \$4,484 from the Oklahoma Department of Agriculture Forestry Services for fire calls.

3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2013 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2014 thru June 30, 2015 the Town of Panama Fire Department had a beginning balance of \$23,125.41, the department has been appropriated \$29,494.24 for its benefit and has expended \$21,818.32 leaving a balance of \$30,801.33 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Panama, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

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

	Oklahoma Firefighter's Pension and <u>Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits 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.
Eligibility and benefits 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 with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

TOWN OF PANAMA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Contributions and Trend Information

Contributions required by State Statute and made for each of the past three fiscal years are:

2013	\$ 1,980
2014	\$ 1,140
2015	\$ 1,140

These contributions represent 100% of the required contribution in each fiscal year.

Defined Contribution Plan

The Town provides pension benefits for all of its full-time employees through a defined contribution plan. The employer has adopted a “5304 Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)” Plan for the benefit of eligible employees. The Plan is administered by plan custodian Edward Jones, Inc.

The simple plan is available to employees who are expected to receive at least \$5,000 in compensation for the calendar year. In a simple IRA plan, benefits depend solely on amounts contributed to the plan. The District elects to contribute to each eligible employee a matching contribution equal to the employee’s salary reduction contributions up to a limit of 3% of the employee’s compensation for the year. The maximum contribution amount an employee may defer is limited to the lesser of 100% of earned income up to the contribution limit for each calendar year of \$11,500.

The Town’s total payroll in the fiscal year ending June 2015 was \$261,392. The Town’s contributions were calculated using the base salary amount of \$123,507. Both the Town and the covered employees made the required contribution of 3%.

The employer required contributions from the current year wages amounted to \$3,705. The covered employees required contributions amounted to \$3,705 and additional voluntary contributions above the required 3% totaled \$3,012 for total plan employee/employer contributions of \$10,423.

Related-Party Investments

As of June 30, 2015, the System held no related-party investments of the Town or of its component units.

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

3.D. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
c. Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group and	(1)
d. Health and life	Participates in the Oklahoma State Education Employee Group Insurance Board	None

The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Life and Health Benefit Plan (risk entity pools).

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2015, the Town had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$3,219 at June 30, 2015, can be summarized as follows:

	<u>Town</u>	<u>Street & Alley</u>	<u>PWA</u>	<u>Total</u>
Vacation	\$ 976	\$ 860	\$ 1,383	\$ 3,219

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

CONTINGENCIES

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 of reimbursement that 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.

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

3.F. SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2015.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and disclosures that provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

TOWN OF PANAMA, OKLAHOMA

**BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	53,230	53,230	53,230	-
Revenues:				
Taxes				
Sales tax	121,120	121,120	118,707	(2,413)
Use tax	10,000	10,000	10,288	288
Franchise tax	40,000	40,000	38,396	(1,604)
Cigarette tax	2,500	2,500	2,045	(455)
Total Taxes	<u>173,620</u>	<u>173,620</u>	<u>169,436</u>	<u>(4,184)</u>
Intergovernmental:				
Alcoholic beverage tax	10,000	10,000	11,717	1,717
Total Intergovernmental	<u>10,000</u>	<u>10,000</u>	<u>11,717</u>	<u>1,717</u>
Fines and forfeitures				
Court Fines	125,000	125,000	139,942	14,942
Total Fines and Forfeitures	<u>125,000</u>	<u>125,000</u>	<u>139,942</u>	<u>14,942</u>
Licenses and Permits	500	500	245	(255)
Interest Income	200	200	117	(83)
Miscellaneous:				
Misc. revenue	4,500	4,500	6,942	2,442
Total Miscellaneous	<u>4,500</u>	<u>4,500</u>	<u>6,942</u>	<u>2,442</u>
Other Financing Sources:				
Transfers from other funds	0	0	0	0
Capital lease proceeds	0	0	45,552	45,552
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>45,552</u>	<u>45,552</u>
Amounts available for appropriation	<u>367,050</u>	<u>367,050</u>	<u>427,181</u>	<u>60,131</u>

TOWN OF PANAMA, OKLAHOMA

**BUDETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
Clerk:				
Personal services	5,730	5,731	5,311	420
Other services and charges	550	550	265	285
Total Clerk	<u>6,280</u>	<u>6,281</u>	<u>5,576</u>	<u>705</u>
General Government:				
Personal services	52,987	50,645	45,786	4,859
Materials and supplies	6,500	6,500	3,809	2,691
Other services and charges	13,800	17,542	14,054	3,488
Capital outlay	2,000	2,000	765	1,235
Total General Government	<u>75,287</u>	<u>76,687</u>	<u>64,414</u>	<u>12,273</u>
Police:				
Personal services	153,883	150,884	139,098	11,786
Materials and supplies	25,000	25,664	22,463	3,201
Other services and charges	58,200	59,700	57,169	2,531
Capital outlay	5,000	8,420	53,259	(44,839)
Debt service	3,000	11,580	10,006	1,574
Total Police	<u>245,083</u>	<u>256,248</u>	<u>281,995</u>	<u>(25,747)</u>
Other Financing Uses:				
Transfers to other funds	0	0	0	0
Total Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total Charges to Appropriations	 326,650	 339,216	 351,985	 (12,769)
 Ending Budgetary Fund Balance	 <u>40,400</u>	 <u>27,834</u>	 <u>75,196</u>	 <u>47,362</u>

TOWN OF PANAMA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS BUDGETED - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	STREET			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final			
Beginning Budgetary Fund Balance	16,812	16,812	16,812	0
Resources (Inflows):				
Taxes	60,560	60,560	59,354	(1,206)
Intergovernmental	13,500	13,500	12,275	(1,225)
Investment income	100	100	43	(57)
Miscellaneous	2,000	2,000	1,250	(750)
Amounts available for appropriation	<u>92,972</u>	<u>92,972</u>	<u>89,734</u>	<u>(3,238)</u>
Charges to appropriations (Outflows):				
Street:				
Personal services	30,921	30,921	29,533	1,388
Materials and supplies	19,500	17,000	9,157	7,843
Other services and charges	24,800	27,300	26,227	1,073
Capital outlay	0	0	0	0
Debt service	4,500	4,500	4,303	197
Total Street	<u>79,721</u>	<u>79,721</u>	<u>69,220</u>	<u>10,501</u>
Other Financing Uses:				
Capital lease proceeds	0	0	0	0
Transfers from other funds	0	0	0	0
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	79,721	79,721	69,220	10,501
Ending Budgetary Fund Balance	<u>13,251</u>	<u>13,251</u>	<u>20,514</u>	<u>7,263</u>
	FIRE			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	176,186	176,186	176,186	0
Resources (Inflows):				
Intergovernmental	0	4,484	4,484	0
Charges for services	0	0	0	0
Investment income	300	300	382	82
Miscellaneous	2,000	2,000	323	(1,677)
Amounts available for appropriation	<u>178,486</u>	<u>182,970</u>	<u>181,375</u>	<u>(1,595)</u>
Fire:				
Personal services	35,105	35,105	16,315	18,790
Materials and supplies	5,500	5,500	4,734	766
Other services and charges	18,800	18,800	12,211	6,589
Capital outlay	27,700	70,149	11,032	59,117
Total Fire	<u>87,105</u>	<u>129,554</u>	<u>44,292</u>	<u>85,262</u>
Other Financing Uses:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	87,105	129,554	44,292	85,262
Ending Budgetary Fund Balance	<u>91,381</u>	<u>53,416</u>	<u>137,083</u>	<u>83,667</u>

TOWN OF PANAMA, OKLAHOMA

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2015

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
 - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
 - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
 - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

TOWN OF PANAMA, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<u>USDA Rural Development:</u>			
Loan:			
Water and Waste Disposal Systems for Rural Communities	10.760	543,841	543,841
Total		<u>\$ 543,841</u>	<u>\$ 543,841</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Town of Spiro, Oklahoma (the "Town").

The Town's reporting entity is defined in Note 1 to the Town's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is present using the modified cash basis of accounting, which is described in Note 1 to the Town's basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards are reported in the Town's basic financial statements as follows:

	<u>Federal Sources</u>
ENTERPRISE FUNDS:	
Loan proceeds	543,841
Total Enterprise Funds	<u>\$ 543,841</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the above schedule agree with the amounts reported in the related federal financial reports.

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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 Board of Trustees
Town of Panama, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Panama, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Panama, Oklahoma's basic financial statements, and have issued our report thereon dated April 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Panama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Panama's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Panama'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the

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entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Town of Panama's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC
April 25, 2016

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Town of Panama, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Town of Panama, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Panama, Oklahoma's major federal programs for the year ended June 30, 2015. The Town of Panama, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Panama, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in accordance with Oklahoma Statutes. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Panama, Oklahoma's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Town of Panama, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Panama, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Panama, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Panama, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Panama, Oklahoma's internal control over compliance.

A deficiency in internal control over compliance 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 to detect and correct, noncompliance with a type of compliance requirement of a federal program a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable

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possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.
Kershaw, CPA & Associates, PC

April 25, 2016

TOWN OF PANAMA, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issue: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? yes no

Significant deficiencies identified
 that are not considered to be material
 weaknesses?
 reported yes none

Noncompliance material to financial
 statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:
 Material weaknesses identified? yes no

Significant deficiencies identified
 that are not considered to be
 material weaknesses?
 reported yes none

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 section 510(a) of Circular A-133? yes no

Identification of major programs:
 #10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between
 type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL FINDINGS:

None

COMPLIANCE FINDINGS:

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None