

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

TOWN OF POCOLA, OKLAHOMA

TABLE OF CONTENTS

<u>Statement</u>	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS:	5-13
1. Statements of Net Position, Modified Cash Basis	14
2. Statements of Activities - Modified Cash Basis	15-16
3. Balance Sheet -- Modified Cash Basis -- Governmental Funds	17
4. Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis -- Governmental Funds	18
5. Statements of Net Position- Modified Cash Basis - Proprietary Fund	19
6. Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Fund	20
7. Statement of Cash Flows -- Modified Cash Basis -- Proprietary Fund	21
Notes to Financial Statements	22-42
SUPPLEMENTARY INFORMATION:	
9. Budgetary Comparison Schedule -- Modified Cash Basis -- General Fund	43-44
10. Budgetary Comparison Schedule -- Modified Cash Basis -- Special Revenue Fund	45-46
11. Notes to Budgetary Comparison Schedule -- General Fund	47

TOWN OF POCOLA, OKLAHOMA

TABLE OF CONTENTS

<u>Statement</u>	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION:	
12. Combining Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds	48
13. Combining Statement of Revenue, Expenses, and Changes in Fund Balance – Modified Cash Basis – Nonmajor Governmental Funds	49
14. Budgetary Comparison Schedule – Modified Cash Basis – Nonmajor Governmental Funds	50
INTERNAL CONTROL STRUCTURE:	
15. 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	51-53
16. Internal Control Findings	54

TOWN OF POCOLA, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Mayor	Don Didier
Vice Mayor	Jewel Clark
Member	Phil Smith
Member	Cindy Wilson
Member	Gaylon Freeman

Town Clerk & Treasurer

John Limbocker

Town Attorney

Ronald H. Lawson

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Pocola, 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 Pocola, 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

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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 Pocola, 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 as a whole that collectively comprise the Town of Pocola's basic financial statements. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis, the budgetary comparison schedules, the introductory section, and the other supplementary information section listed in the accompanying table of contents have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the Town of Pocola's internal control over financial reporting and on our tests of

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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 Pocola'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

December 11, 2015



Town of Pocola

P.O. BOX 397 (918) 436-2388
Pocola, Oklahoma 74902

MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of the Town of Pocola'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 14.

FINANCIAL HIGHLIGHTS

- The Town's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$134,999 for the year, resulting in an increase in total net position of 1.04 percent over the previous year.
- Grant receipts for the General Fund totaled \$7,618 with the funds expended for EMS operations, and police travel. Grant receipts fire totaled \$4,484 with the funds expended for fire operations. See Note 3.A. in the notes to the financial statements.

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 14-16*) 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 17*) 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 electric, water, sewer and sanitation services.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 2 (Unaudited)

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.

Supplementary Information: This Management's Discussion and Analysis and (*starting on page 43*) Governmental Funds Budgetary Comparison Schedules 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").

Other Supplementary Information: This part of the annual report includes financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

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.

**TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 3 (Unaudited)**

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Pocola 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 other legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Pocola
- Pocola Municipal Authority

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 through 16. 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, swimming pool, airport, civil defense, community center, industrial building and library. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 4 (Unaudited)

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 electric, 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 17 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'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 reconciliation at the bottom of the each fund financial statement. The Town considers the General Fund and the Street Utility Sales Tax 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.

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 5 (Unaudited)

Fiduciary funds— Normally are used to account for assets that are held in a trustee or fiduciary capacity such as utility deposits, pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position—Modified Cash Basis

TOWN OF POCOLA'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	747,998	664,223	223,922	198,792	971,920	863,015
Capital Assets	<u>1,262,282</u>	<u>1,316,367</u>	<u>1,464,235</u>	<u>1,487,507</u>	<u>2,726,517</u>	<u>2,803,874</u>
Total Assets	<u>2,010,280</u>	<u>1,980,590</u>	<u>1,688,157</u>	<u>1,686,299</u>	<u>3,698,437</u>	<u>3,666,889</u>
Long term liabilities	12,260	35,584	445,507	533,829	457,767	569,413
Other liabilities	<u>10,753</u>	<u>4,687</u>	<u>31,736</u>	<u>29,607</u>	<u>42,489</u>	<u>34,294</u>
Total Liabilities	<u>23,013</u>	<u>40,271</u>	<u>477,243</u>	<u>563,436</u>	<u>500,256</u>	<u>603,707</u>
Net Position:						
Net investment in capital assets, net of related debt	1,250,022	1,280,783	1,018,728	953,678	2,268,750	2,234,461
Restricted	524,839	406,167	30,129	25,473	554,968	431,640
Unrestricted	<u>212,406</u>	<u>253,369</u>	<u>162,057</u>	<u>143,712</u>	<u>374,463</u>	<u>397,081</u>
Total Net Position	<u>1,987,267</u>	<u>1,940,319</u>	<u>1,210,914</u>	<u>1,122,863</u>	<u>3,198,181</u>	<u>3,063,182</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from \$3,063,182 to \$3,198,181 between fiscal years 2014 and 2015. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities increased \$46,948 and business-type activities increased by \$88,051.

Net position of the Town's governmental activities increased to \$1,987,267. However, \$1,774,861 of those 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 only \$212,406 at the end of this year. The net position of the Town's business-type activities increased to \$1,210,914. However, \$1,048,857 of that net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, sewer, and so on). Consequently, unrestricted net position was \$162,057 at the end of this year.

**TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 6 (Unaudited)**

TOWN OF POCOLA'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	345,883	404,099	366,259	355,146	712,142	759,245
Operating grants and contributions	12,102	14,548			12,102	14,548
Capital grants and contributions					-	-
General revenues:						
Sales tax	633,320	665,469			633,320	665,469
Use tax	38,697	49,500			38,697	49,500
Franchise tax	200,289	206,890			200,289	206,890
Cigarette tax	7,637	7,846			7,637	7,846
Intergovt. Revenue	71,755	32,616			71,755	32,616
Investment earnings	1,401	1,325	376	370	1,777	1,695
Gain (loss) on sale of assets	(121)	-	(1,717)		(1,838)	-
Miscellaneous	52,738	53,014	835	356	53,573	53,370
Total revenues	<u>1,363,701</u>	<u>1,435,307</u>	<u>365,753</u>	<u>355,872</u>	<u>1,729,454</u>	<u>1,791,179</u>
Expenses:						
General government and administration	197,825	209,473			197,825	209,473
Public safety	835,335	762,359			835,335	762,359
Transportation	229,206	270,499			229,206	270,499
Cultural and recreational	9,892	7,920			9,892	7,920
Interest on long term debt					-	-
Sewer			322,197	346,500	322,197	346,500
Total expenses	<u>1,272,258</u>	<u>1,250,251</u>	<u>322,197</u>	<u>346,500</u>	<u>1,594,455</u>	<u>1,596,751</u>
Increases in net position before transfers	91,443	185,056	43,556	9,372	134,999	194,428
Capital contributions			-	57,000	-	57,000
Transfers	(44,495)	(72,255)	44,495	72,255	-	-
Net position - July 1	<u>1,940,319</u>	<u>1,827,518</u>	<u>1,122,863</u>	<u>984,236</u>	<u>3,063,182</u>	<u>2,811,754</u>
Net position - June 30	<u>1,987,267</u>	<u>1,940,319</u>	<u>1,210,914</u>	<u>1,122,863</u>	<u>3,198,181</u>	<u>3,063,182</u>

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 7 (Unaudited)

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.

For the year ended June 30, 2015, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$1,272,260. Of these total expenses, taxpayers and other general revenues funded \$961,221, while those directly benefiting from the program funded \$345,883, from charges for services and \$12,102 from grants and other contributions.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions of \$44,062, the sewer activities need to be examined more closely. The sewer department is burdened with combined debt interest expense of \$16,188 and depreciation expense of approximately \$74,612. However, miscellaneous revenues of \$835 and annual operating transfers in of \$44,495 eliminate the operating deficit.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

- The General Fund reported revenues, and net transfers of \$1,069,324 and expenditures of \$1,110,287 resulting in a decrease in fund balance of \$40,963. The general fund revenues decreased over the prior year by \$118,023. The general fund expenditures decreased over the prior year by \$21,875.
- The Street and Alley Fund reported revenues of \$269,585 and expenditures of \$219,306 resulting in an increase in fund balance of \$50,279. The street revenues decreased over the prior year by \$24,726. The street expenditures decreased over the prior year by \$71,515.

**TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 8 (Unaudited)**

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the General Fund budget. For the year ended June 30, 2015, General Fund expenditures were \$210,918 under final appropriations, while actual resources available for appropriation were \$90,976 under the final budgeted amount. The budget comparison schedules on pages 43 thru 46 and 50 reflect accounts for the initial budgeted expenditures, final budgeted expenditures and comparison to actual.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2015, the Town had \$1,262,282 invested in capital assets, net of depreciation, including police street, and fire equipment, and buildings. This represents a net decrease of \$54,085, or 4.11 percent, under last year. The Public Works Authority had \$1,464,234 invested in capital assets, net of depreciation including the sewer systems and buildings. This represents a net decrease of \$23,272 or 1.56 percent, under last year.

This year's more significant capital assets additions include:

General Fund - General Government Building - City Hall New Roof	31,500
General Fund - Police Vehicles - 2010 Ford Pickup	7,500
General Fund - Police Vehicles - 2011 Tahoe	10,000
General Fund - Park Capital Improvements - Basketball Court	13,750
Street Fund - Street Capital Improvements - Traffic Light	20,226
Fire Fund - Fire Equipment - Fire Station Improvements	9,400
Fire Fund - Fire Equipment - Wildland Bunker Gear	11,540
Fire Fund - Fire Equipment - Mobil Racks	6,326
Municipal Improvement Authority- Equipment - Pumps	31,197
Municipal Improvement Authority- Vehicles - 2015 Chevy Tahoe	30,611

**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>
Construction in process	0	0	0	0	0	0
Land	90,428	90,428	167,331	167,331	257,759	257,759
Buildings	324,711	296,395	86,602	89,465	411,313	385,860
Vehicles, machinery and equipment	537,931	660,029	104,271	76,637	642,202	736,666
Infrastructure	309,213	269,515	0	0	309,213	269,515
Utility property & improvements	0	0	1,106,031	1,154,074	1,106,031	1,154,074
Total	<u>1,262,282</u>	<u>1,316,367</u>	<u>1,464,235</u>	<u>1,487,507</u>	<u>2,726,517</u>	<u>2,803,874</u>

TOWN OF POCOLA
MANAGEMENT DISCUSSION AND ANALYSIS
PAGE 9 (Unaudited)

Long-Term Debt—Modified Cash Basis

At June 30, 2015, the Town had \$457,767 in long term debt arising from modified cash basis transactions compared to \$569,413 at June 30, 2014. At June 30, 2015, \$12,260 of the debt is related to governmental activities and \$445,507 is related to business-type activities. (See table below). The overall decrease in debt is 19.61 percent of the prior year balance. See the notes to financial statements (Note 2.D.) for future debt service and debt service requirements.

Primary Government Long-Term Debt -- Modified Cash Basis

	<u>2014</u>	<u>2015</u>
Governmental debt:		
Lease purchase Ford Motor Credit	\$ 35,584	\$ 12,260
	<u>35,584</u>	<u>12,260</u>
Business-type debt:		
Central National Bank Note	49,406	31,540
Welch State Bank Note	66,861	46,973
1991 OWRB Note	97,150	85,000
2001 OWRB Note	320,412	281,994
Total business-type debt	<u>533,829</u>	<u>445,507</u>
Total all debt	<u>\$ 569,413</u>	<u>\$ 457,767</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.

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 204 S. Pocola Blvd., Pocola, Oklahoma or telephone at (918) 436-2388.

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

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, and cash equivalents	\$745,652	\$189,812	\$935,464
Due from other funds	2,346	3,981	6,327
Total curent assets	<u>747,998</u>	<u>193,793</u>	<u>941,791</u>
Noncurrent Assets:			
Restricted investments		30,129	30,129
Capital assets:			
Land	90,428	167,331	257,759
Other capital assets, net of accumulated	<u>1,171,854</u>	<u>1,296,904</u>	<u>2,468,758</u>
Total noncurent assets	<u>1,262,282</u>	<u>1,494,364</u>	<u>2,756,646</u>
Total assets	<u>2,010,280</u>	<u>1,688,157</u>	<u>3,698,437</u>
LIABILITIES			
Current Liabilities:			
Payroll taxes payable	1,856	519	2,375
Due to other funds	6,327		6,327
Due to other governments	2,570		2,570
Due within one year	<u>12,260</u>	<u>85,484</u>	<u>97,744</u>
Total curent liabilities	23,013	86,003	109,016
Noncurrent Liabilities:			
Long term liabilities			
Refundable deposits		31,217	31,217
Capital lease payable			0
Notes payable		<u>360,023</u>	<u>360,023</u>
Total noncurrent liabilities	<u>0</u>	<u>391,240</u>	<u>391,240</u>
Total Liabilities	<u>23,013</u>	<u>477,243</u>	<u>500,256</u>
NET POSITION			
Net investment in capital assets	1,250,022	1,018,728	2,268,750
Restricted for:			
Street and Alley	182,218		182,218
Fire Department	305,347		305,347
911	37,274		37,274
Debt service		30,129	30,129
Unrestricted	212,406	162,057	374,463
Total Net Position	<u>\$1,987,267</u>	<u>\$1,210,914</u>	<u>\$3,198,181</u>

See accompanying notes to the basic financial statements.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities				
General Government:				
Clerk	\$0			0
General Government	197,825	\$26,260		(171,565)
Total general government	<u>197,825</u>	<u>26,260</u>	<u>0</u>	<u>(171,565)</u>
Public Safety:				
Police	569,824	319,623	118	(250,083)
EMS	52,067		7,500	(44,567)
Flood Plain	0			0
Fire	195,596		4,484	(191,112)
911	17,848			(17,848)
Total Public safety	<u>835,335</u>	<u>319,623</u>	<u>12,102</u>	<u>(503,610)</u>
Transportation:				
Streets	229,206			(229,206)
Total transportation	<u>229,206</u>	<u>0</u>	<u>0</u>	<u>(229,206)</u>
Cultural, parks and recreation:				
Parks	9,892			(9,892)
Total cultural, parks and recreation	<u>9,892</u>	<u>0</u>	<u>0</u>	<u>(9,892)</u>
Total governmental activities	<u>1,272,258</u>	<u>345,883</u>	<u>12,102</u>	<u>(914,273)</u>
Business-Type Activities:				
Sewer	322,197	366,259		44,062
Total business-type activities	<u>322,197</u>	<u>366,259</u>	<u>0</u>	<u>44,062</u>
Total	<u>\$1,594,455</u>	<u>\$712,142</u>	<u>\$12,102</u>	<u>(\$870,211)</u>

See accompanying notes to the basic financial statements.

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

Changes in Net Position

	Governmental (\$914,273)	Business-Type \$44,062	Total (\$870,211)
General revenues:			
Taxes:			
Sales Tax	633,320		633,320
Use Tax	38,697		38,697
Franchise and public service taxes	200,289		200,289
Cigarette Tax	7,637		7,637
Intergovernmental revenue not restricted to specific programs	71,755		71,755
Interest income	1,401	376	1,777
Gain (loss) on sale of assets	(121)	(1,717)	(1,838)
Miscellaneous	52,738	835	53,573
Transfers internal activity	(44,495)	44,495	0
Total general revenues and transfers	<u>961,221</u>	<u>43,989</u>	<u>1,005,210</u>
Change in net position	46,948	88,051	134,999
Net position-beginning	1,940,319	1,122,863	3,063,182
Net position- ending	<u>\$1,987,267</u>	<u>\$1,210,914</u>	<u>\$3,198,181</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General Fund</u>	<u>Street And Alley</u>	<u>Municipal Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash, and cash equivalents	\$222,871	\$182,477	\$305,376	\$34,928	\$745,652
Due from other funds				2,346	2,346
Total assets	<u>222,871</u>	<u>182,477</u>	<u>305,376</u>	<u>37,274</u>	<u>\$747,998</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	1,568	259	29		1,856
Due to other funds	6,327				6,327
Due to other governments	2,570				2,570
Total Liabilities	<u>10,465</u>	<u>259</u>	<u>29</u>	<u>0</u>	<u>10,753</u>
Fund Balances:					
Restricted for:					
Street and Alley		182,218			182,218
Fire Department			305,347		305,347
911				37,274	37,274
Assigned	48,257				48,257
Unassigned	164,149				164,149
Total Fund Balances	<u>212,406</u>	<u>182,218</u>	<u>305,347</u>	<u>37,274</u>	<u>737,245</u>
Total Liabilities and Fund Balances	<u>\$222,871</u>	<u>\$182,477</u>	<u>\$305,376</u>	<u>\$37,274</u>	

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 \$3,030,960, net of accumulated depreciation of \$1,768,678 are not financial resources and, therefore, are not reported in funds	1,262,282
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(12,260)</u>
Net position of governmental activities	<u>\$1,987,267</u>

See accompanying notes to the financial statements.

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

	<u>General Fund</u>	<u>Street And Alley</u>	<u>Municipal Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	662,817	211,107		6,019	879,943
Intergovernmental	41,253	38,120	4,484		83,857
Charges for services	1,378				1,378
Fines and forfeitures	319,623				319,623
Licenses and permits	24,882				24,882
Interest income	507	326	493	75	1,401
Miscellaneous	18,864	20,032	13,842		52,738
Total Revenues	<u>1,069,324</u>	<u>269,585</u>	<u>18,819</u>	<u>6,094</u>	<u>1,363,822</u>
Expenditures:					
Current:					
General Government:					
Clerk					0
General Government	188,491				188,491
Public Safety:					
Police	527,394				527,394
EMS	47,479				47,479
Fire			91,097		91,097
911				7,974	7,974
Flood Plain					0
Street and Public Works:					
Streets		196,330			196,330
Culture and Recreation:					
Parks	5,495				5,495
Capital Outlay	81,875	22,976	46,970		151,821
Debt Service	25,637				25,637
Total Expenditures	<u>876,371</u>	<u>219,306</u>	<u>138,067</u>	<u>7,974</u>	<u>1,241,718</u>
Excess (deficiency) of revenues over expenditures	192,953	50,279	(119,248)	(1,880)	122,104
Other Financing Sources (Uses):					
Capital lease proceeds					0
Transfers in			211,107		211,107
Transfers out	(233,916)		(21,686)		(255,602)
Total Other Financing Sources (Uses)	<u>(233,916)</u>	<u>0</u>	<u>189,421</u>	<u>0</u>	<u>(44,495)</u>
Net change in fund balances	(40,963)	50,279	70,173	(1,880)	77,609
Fund balances - beginning	253,369	131,939	235,074	39,154	659,536
Fund balances - ending	<u>212,406</u>	<u>182,218</u>	<u>305,247</u>	<u>37,274</u>	<u>737,145</u>
Reconciliation to the Statement of Activities:					
Net change in fund balances -total governmental funds					\$77,609
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					151,821
Depreciation expense					(205,685)
Debt service principal payments are not considered expenditures in the governmental activities report					23,324
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)					(121)
					<u>(30,661)</u>
					<u>\$46,948</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
June 30, 2015

	<u>Pocola Municipal Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$189,812
Due from other funds	3,981
Total current assets	<u>193,793</u>
Noncurrent Assets:	
Restricted investments	30,129
Capital Assets	
Land	167,331
Other capital assets, net of accumulated depreciation	1,296,904
Total noncurrent assets	<u>1,494,364</u>
Total Assets	<u><u>1,688,157</u></u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	519
Long Term Liabilities - current portion	85,484
Total current liabilities	<u>86,003</u>
Noncurrent Liabilities:	
Refundable deposits	31,217
Long Term Liabilities - long term portion	360,023
Total noncurrent liabilities	<u>391,240</u>
Total Liabilities	<u><u>477,243</u></u>
NET POSITION	
Net investment in capital assets	1,018,728
Restricted for debt service	30,129
Unrestricted	162,057
Total net position	<u><u>1,210,914</u></u>

See accompanying notes to the basic financial statements.

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

	<u>Pocola Municipal Authority</u>
Operating Revenues:	
Charges for services:	
Sewer charges	364,009
Sewer tap charges	2,250
Miscellaneous	835
Total Operating Revenues	<u>367,094</u>
Operating Expenses:	
Sewer operations	231,397
Depreciation	74,612
Total Operating Expenses	<u>306,009</u>
Net Operating Income (Loss)	61,085
Non-Operating Revenue (Expense):	
Investment income	376
Gain (Loss on Sale of Assets)	(1,717)
Interest expense and fiscal agent fees	(16,188)
Total Non-Operating Revenue (Expense)	<u>(17,529)</u>
Net Income (Loss) Before Operating Transfers	43,556
Transfers In	44,495
Changes in net position	<u>88,051</u>
Total Net Position-Beginning	1,122,863
Total Net Position-Ending	<u>\$1,210,914</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Pocola Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$367,094
Payments to suppliers	(143,033)
Payments to employees	(88,364)
Net Cash Provided by Operating Activities	<u>135,697</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	(3,676)
Increase in payroll liabilities	104
Increase in due to depositors	2,025
Transfers from other funds	44,495
Net Cash Provided (Used) by Noncapital Financing Activities	<u>42,948</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Sales of capital assets	10,000
Purchases of capital assets	(63,057)
Principal paid on capital debit	(88,322)
Interest and fiscal agent fees paid on capital debit	(16,188)
Net Cash Used in Capital and Related Financing Activities	<u>(157,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	376
Net Cash Provided by Investing Activities	<u>376</u>
Net Increase in Cash and Cash Equivalents	21,454
Balance- beginning of the year	198,487
Balance- end of the year	<u>\$219,941</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$61,085
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	74,612
Net cash provided by operating activities	<u>\$135,697</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, 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.

Also, for the fiscal year ended June 30, 2015, the town implemented the new financial reporting requirements of GASB statement 34. As a result, an entirely new financial presentation format has been implemented as described in Note 1.B following.

1.A. FINANCIAL REPORTING ENTITY

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

Primary Government:	Town of Pocola
Component Units:	Pocola Municipal Authority

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

BLENDING 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:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Pocola Municipal Authority	<i>Created February 8, 1972 to finance, develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, garbage, trash disposal, recreation and industrial facilities, or other forms or types of public and municipal services within or without the corporate boundaries of the Town of Pocola.</i>	<i>PMA Enterprise Fund</i>

The component units do not issue separately audited component unit financial statements.

TOWN OF POCOLA, 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 two fiduciary funds that account for municipal court bonds and utility customer deposits. 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 POCOLA, 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. Current major special revenue funds are reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Street & Alley Fund	Accounts for the receipt of local tax revenues and certain state shared taxes used to maintain the Town of Pocola's streets and alleys.
Fire Fund	Accounts for the receipt of local tax revenues and fire runs used to provide fire protection services.

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 blended component unit enterprise fund that is reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Pocola Municipal Authority	Accounts for the activities of the public trust in providing wastewater and garbage services to the public.

Fiduciary Fund Types

Agency Funds

Agency Funds account for assets held by the Town in a custodial capacity. The reporting entity includes two agency funds. The Municipal Court Fund used to account for court bonds and fees due to other governments and the Meter Deposit Fund used to account for customer utility deposits. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

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

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.

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 each major fund and the aggregate remaining fund information 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. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements 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.

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. The threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Land	N/A
Buildings	40 years
Equipment	5-20 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.
- 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.

TOWN OF POCOLA, OKLAHOMA

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

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, animal control licenses.
Transportation	Streets 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. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

TOWN OF POCOLA, 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—Those related to goods and services type transactions are classified as “due to and from other funds”. Short term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.
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 Municipal 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 POCOLA, 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 POCOLA, 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.

Primary Government

Custody Credit Risk Category

<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u>	<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	200,000	200,000	-	-	-	
Uninsured deposits						
Collateralized	769,722	-	-	769,722	-	
Uncollateralized	-	-	-	-	-	
Total Deposits	969,722	200,000	769,722	769,722	-	933,424
Petty cash						1,020
						<u>934,444</u>
 <u>Reconciliation to Government-Wide Statements of Net Position:</u>						
						964,573
Less: Investments in mutual funds recorded as						
Cash and cash equivalents						(30,129)
						<u>934,444</u>

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

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the year ended June 30, 2015, the Town's investments consisted solely of open-ended, money-market mutual funds in a financial institution's trust department relating to debt trust accounts. At June 30, 2015, the carrying value and fair value of the money-market mutual fund investments totaled \$30,129. For purposes of the Statement of Net Position and the Statement of Cash Flows, the money-market mutual fund investments are classified as cash and cash equivalents. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis, while the money-market mutual funds are not classified as to custodial credit risk since they are not evidenced by specific investment securities.

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for cash and cash equivalents held in trustee accounts as required by the Series 1991 Utility System Revenue Bond Indenture and the Series 1991 Small Community Clean Water SRF Promissory Note in the amount of \$30,129.

TOWN OF POCOLA, OKLAHOMA

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

2.C. CAPITAL ASSETS

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

	<i>Balance at July 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2015</i>
Governmental activities:				
Capital assets not being depreciated:				
Construction In Process	0	0	0	0
Land	90,428	0	0	90,428
Total capital assets not being depreciated	<u>90,428</u>	<u>0</u>	<u>0</u>	<u>90,428</u>
Other capital assets:				
Buildings	449,888	40,900	0	490,788
Vehicles, machinery and equipment	1,991,694	60,517	(33,759)	2,018,452
Infrastructure	380,888	50,404	0	431,292
Total other capital assets at historical cost	<u>2,822,470</u>	<u>151,821</u>	<u>(33,759)</u>	<u>2,940,532</u>
Less accumulated depreciation for:				
Buildings	153,493	12,584	0	166,077
Vehicles, machinery and equipment	1,331,665	182,395	(33,539)	1,480,522
Infrastructure	111,373	10,706	0	122,079
Total accumulated depreciation	<u>1,596,531</u>	<u>205,685</u>	<u>(33,539)</u>	<u>1,768,678</u>
Other capital assets, net	<u>1,225,939</u>	<u>(53,864)</u>	<u>(220)</u>	<u>1,171,854</u>
Governmental activities capital assets, net	<u>1,316,367</u>	<u>(53,864)</u>	<u>(220)</u>	<u>1,262,282</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction In Process	0	0	0	0
Land	167,331	0	0	167,331
Total capital assets not being depreciated	<u>167,331</u>	<u>0</u>	<u>0</u>	<u>167,331</u>
Other capital assets:				
Buildings	114,559	0	0	114,559
Vehicles, machinery and equipment	221,417	63,057	(18,500)	265,974
Utility property & improvements	2,133,220	0	0	2,133,220
Total other capital assets at historical cost	<u>2,469,196</u>	<u>63,057</u>	<u>(18,500)</u>	<u>2,513,753</u>
Less accumulated depreciation for:				
Buildings	25,094	2,863	0	27,957
Vehicles, machinery and equipment	144,780	23,706	(6,783)	161,703
Utility property & improvements	979,146	48,043	0	1,027,189
Total accumulated depreciation	<u>1,149,020</u>	<u>74,612</u>	<u>(6,783)</u>	<u>1,216,849</u>
Other capital assets, net	<u>1,320,176</u>	<u>(11,555)</u>	<u>(11,717)</u>	<u>1,296,904</u>
Business-type activities capital assets, net	<u>1,487,507</u>	<u>(11,555)</u>	<u>(11,717)</u>	<u>1,464,235</u>

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

Primary Government	
Government Activities:	
General Government	9,333
Police	40,116
EMS	4,588
Park	4,397
911	9,875
Street	32,877
Fire	104,499
Total depreciation expense for governmental activities	<u>205,685</u>
Business-Type Activities:	
Sewer	74,612
Total depreciation expense for business-type activities	<u>74,612</u>

TOWN OF POCOLA, 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:

Lease purchase obligations due Ford Motor Credit:

6.5% interest with 3 annual payments of principal and interest of \$13,057 due June 19, 2016, by 2014 Ford Interceptor. Scheduled debt service payments to Police Fund.	<u>12,260</u>
Total Leases Payable Outstanding	<u>12,260</u>
Current portion	\$ 12,260
Non-current portion	<u>0</u>
Total Leases Payable	\$ <u>12,260</u>

BUSINESS-TYPE ACTIVITIES

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

NOTES PAYABLE:

Promissory Note to the Central National Bank in the amount of \$95,000 with a variable interest rate of 6.0% (Chase prime + 1.0%). 180 monthly payments of principal and interest of \$867 due July 25, 2020, by building.	31,540
Promissory Note to the Welch State Bank in the amount of \$100,200 with an interest rate of 3.149%. 60 monthly payments of principal and interest of \$1,807 due September 19, 2017, by 2011 international fire pumper.	46,973

TOWN OF POCOLA, OKLAHOMA

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

Series 1991 Promissory Note to the Oklahoma Water Resources Board in the amount of \$270,000 with an initial interest rate of 4.892%. The payment schedule is set semiannually at a rate set by the water resources board. The current rate for the fiscal year 05-06 ranged from 3.00% to 4.18% through June 30, 2015. 85,000

Promissory Note to the Oklahoma Water Resources Board in the amount of \$ 760,000 with an initial interest rate of 3.178%. The payment schedule is set semiannually at a rate set by the water resources board. The proposed note is for the purpose of providing \$760,000 in loan funds for the sewer facility. Semiannual Payments will begin on March 2001 in the amount \$19,000. 281,994

Total Note Payable Outstanding 445,507

Current portion	\$ 85,484
Non-current portion	<u>360,023</u>
Total Notes Payable	<u>\$ 445,507</u>

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	35,584	-	23,324	12,260	12,260
Business-Type Activities:					
Refundable deposits	29,192	8,825	6,800	31,217	-
Capital Debt Obligations	-	-	-	-	-
Notes Payable	<u>533,829</u>	<u>-</u>	<u>88,322</u>	<u>445,507</u>	<u>85,484</u>
Total Business-Type Activities:	<u>598,605</u>	<u>8,825</u>	<u>118,446</u>	<u>488,984</u>	<u>97,744</u>

TOWN OF POCOLA, 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 as of June 30, 2015, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes & Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2016	12,260.14	796.88	85,484.27	15,805.68
2017	0.00	0.00	89,568.45	12,379.55
2018	0.00	0.00	77,471.38	8,931.86
2019	0.00	0.00	71,465.04	5,837.33
2019	0.00	0.00	51,514.71	3,389.58
2021	0.00	0.00	70,003.63	1,858.88
Total	<u>12,260.14</u>	<u>796.88</u>	<u>445,507.48</u>	<u>48,202.88</u>

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The OWRB Series 1991 Promissory Note agreement contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service and a debt reserve fund of 10% of the note balance. The OWRB Promissory Note agreement contains provision for the Town to maintain pledged revenue, of at least 125% of the annual debt service As of June 30, 2015, debt service coverage percentage is 261% which meets both of the promissory notes requirement; also the reserve balance is \$22,584 and does meet the requirement noted above.

2.E. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCE

Balances due from and due to consist of \$2,346 due to 911 fund from General Fund and \$3,981 due to Proprietary fund the Pocola Municipal Authority from General fund.

TOWN OF POCOLA, OKLAHOMA

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

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2015, were as follows:

MAJOR FUNDS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Municipal Fire		211,107
Pocola Municipal Authority		22,809
Total General	0	233,916
MUNICIPAL FIRE:		
General Fund	211,107	
Pocola Municipal Authority		21,686
Total Fire	211,107	21,686
ENTERPRISE FUNDS:		
Pocola Municipal Authority:		
General Fund	22,809	
Municipal Fire	21,686	
Total Enterprise Funds	44,495	0
GRAND TOTALS	\$255,602	\$255,602

NOTE 3. OTHER NOTES

3.A. GRANTS AND CONTRACTS

Oklahoma Emergency Management - The Town was awarded and received a \$7,500 grant from the Oklahoma Emergency Management Agency for operations. These funds were expended and received in the 2014-15 fiscal year.

Oklahoma Emergency Management - The Town was awarded and received a \$118 grant from the Oklahoma Emergency Management Agency for police travel. These funds were expended and received in the 2014-15 fiscal year.

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

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

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, 2011 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 Pocola Fire Department had a beginning balance of \$56,240.35, the department has been appropriated \$29,494.24 for its benefit and has expended \$43,906.75 leaving a balance of \$41,827.84 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

The Town participates in the Employee Pension Plan as follows:

Name of Plan/System	Type of Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Multiple Employer – Defined Benefit Plan

FIREFIGHTER’S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Pocola, 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

Obtaining separately issued financial statements	<p style="text-align: center;">Oklahoma Firefighter’s Pension and Retirement System</p> <p>Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414</p>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Contributions and Trend Information - Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2013	1,260	100%
2014	1,200	100%
2015	1,380	100%

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

Trend information showing progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Defined Contribution Plan – Oklahoma Municipal Retirement Fund

The Town provides a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account.

The Employer hereby elects the following Plan designs:

Pick-up Option: Each employee shall be required to contribute to the Plan 3% of his or her Compensation. These contributions shall be picked up and assumed by the Employer and paid to the Fund in lieu of contributions by the Participant. No Participant shall have the option of receiving the contributed amounts directly as Compensation.

Variable Funding Option: The Employer intends to make a contribution to the Plan for the benefit of the Participants for each Valuation Period. The contribution may be varied from year to year by the Employer. The Employer contribution together with Amounts Forfeited, if any, shall be allocated in the proportion which the Compensation of each such Participant for such Valuation Period bears to the Compensation paid to all such Participants for such Valuation Period.

Vesting: For purposes of vesting, the Employer hereby elects 100% upon employment.

For the year ended June 30, 2015, the following amounts related to the defined contribution plan:

Town total payroll	\$ 591,998
Payroll for covered employees	519,632
Employer (Town) contributions made	15,589

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 POCOLA, 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 with Principal Life	None

1. The Town participates in the Oklahoma Municipal Assurance Group Plans (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 \$14,314 at June 30, 2015, can be summarized as follows:

	<u>Town</u>	<u>Special Revenue</u>	<u>PMA</u>	<u>Total</u>
Vacation	<u>8,160</u>	<u>2,046</u>	<u>4,108</u>	<u>14,314</u>

TOWN OF POCOLA, 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 POCOLA, 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	253,369	253,369	253,369	-
Revenues:				
Taxes				
Sales tax	398,000	398,000	422,213	24,213
Use tax	51,000	51,000	38,697	(12,303)
Franchise tax	198,500	198,500	194,270	(4,230)
Cigarette tax	7,700	7,700	7,637	(63)
Total Taxes	<u>655,200</u>	<u>655,200</u>	<u>662,817</u>	<u>7,617</u>
Intergovernmental:				
Alcoholic beverage tax	32,200	32,200	33,635	1,435
Other Grants	10,000	10,000	7,618	(2,382)
Total Intergovernmental	<u>42,200</u>	<u>42,200</u>	<u>41,253</u>	<u>(947)</u>
Charges for services	<u>1,000</u>	<u>1,300</u>	<u>1,378</u>	<u>78</u>
Fines and forfeitures				
Court Fines	<u>350,000</u>	<u>350,000</u>	<u>319,623</u>	<u>(30,377)</u>
Total Fines and Forfeitures	<u>350,000</u>	<u>350,000</u>	<u>319,623</u>	<u>(30,377)</u>
Licenses and Permits	<u>13,200</u>	<u>22,200</u>	<u>24,882</u>	<u>2,682</u>
Interest Income	<u>400</u>	<u>400</u>	<u>507</u>	<u>107</u>
Miscellaneous:				
Donations	10,000	10,000	5,377	(4,623)
Misc. Revenue	34,000	34,000	13,237	(20,763)
Reimbursements	0	0	250	250
Total Miscellaneous	<u>44,000</u>	<u>44,000</u>	<u>18,864</u>	<u>(25,136)</u>
Other Financing Sources:				
Capital lease proceeds	45,000	45,000	0	(45,000)
Transfers from other funds	0	0	0	0
Total Other Financing Sources	<u>45,000</u>	<u>45,000</u>	<u>0</u>	<u>(45,000)</u>
Amounts available for appropriation	<u>1,404,369</u>	<u>1,413,669</u>	<u>1,322,693</u>	<u>(90,976)</u>

**TOWN OF POCOLA, 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):				
General Government:				
Personal services	105,014	116,634	112,744	3,890
Materials and supplies	9,350	10,280	5,556	4,724
Other services and charges	101,700	106,950	70,191	36,759
Capital outlay	0	40,975	40,975	0
Total General Government	<u>216,064</u>	<u>274,839</u>	<u>229,466</u>	<u>45,373</u>
Police:				
Personal services	455,257	460,758	421,388	39,370
Materials and supplies	56,850	56,850	37,650	19,200
Other services and charges	76,600	92,800	68,356	24,444
Capital outlay	45,000	45,000	18,350	26,650
Debt service	38,460	38,460	25,637	12,823
Total Police	<u>672,167</u>	<u>693,868</u>	<u>571,381</u>	<u>122,487</u>
EMS:				
Personal services	9,517	9,516	9,091	425
Materials and supplies	9,800	17,200	17,239	(39)
Other services and charges	26,700	39,700	21,149	18,551
Capital outlay	0	0	3,519	(3,519)
Total EMS	<u>46,017</u>	<u>66,416</u>	<u>50,998</u>	<u>15,418</u>
Park:				
Materials and supplies	1,500	1,500	601	899
Other services and charges	6,500	6,500	4,894	1,606
Capital outlay	6,000	6,000	19,031	(13,031)
Total Park	<u>14,000</u>	<u>14,000</u>	<u>24,526</u>	<u>(10,526)</u>
Other Financing Uses:				
Transfers to other funds	272,082	272,082	233,916	38,166
Total Other Financing Sources	<u>272,082</u>	<u>272,082</u>	<u>233,916</u>	<u>38,166</u>
Total Charges to Appropriations	<u>1,220,330</u>	<u>1,321,205</u>	<u>1,110,287</u>	<u>210,918</u>
Ending Budgetary Fund Balance	<u>184,039</u>	<u>92,464</u>	<u>212,406</u>	<u>119,942</u>

**TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - STREET AND ALLEY
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	131,939	131,939	131,939	-
Revenues:				
Taxes	199,000	199,000	211,107	12,107
Intergovernmental	37,500	39,500	38,120	(1,380)
Charges for services	500	500	0	(500)
Interest income	250	300	326	26
Miscellaneous	1,000	27,000	20,032	(6,968)
Transfers in	0	0	0	0
Amounts available for appropriation	<u>370,189</u>	<u>398,239</u>	<u>401,524</u>	<u>3,285</u>
Charges to Appropriations (Outflows):				
Street and Alley				
Personal services	119,612	126,662	116,073	10,589
Materials and supplies	136,900	143,800	56,914	86,886
Other services and charges	43,500	39,300	23,343	15,957
Capital outlay	5,000	29,000	22,976	6,024
Total Street and Alley	<u>305,012</u>	<u>338,762</u>	<u>219,306</u>	<u>119,456</u>
Total Charges to Appropriations	305,012	338,762	219,306	119,456
Ending Budgetary Fund Balance	<u><u>65,177</u></u>	<u><u>59,477</u></u>	<u><u>182,218</u></u>	<u><u>122,741</u></u>

**TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - MUNICIPAL FIRE
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	235,074	235,074	235,074	-
Revenues:				
Intergovernmental	4,500	4,500	4,484	(16)
Charges for services	20,000	20,000	0	(20,000)
Interest income	500	500	593	93
Miscellaneous	500	13,500	13,842	342
Transfers in	199,000	199,000	211,107	12,107
Amounts available for appropriation	<u>459,574</u>	<u>472,574</u>	<u>465,100</u>	<u>(7,474)</u>
Charges to Appropriations (Outflows):				
Municipal Fire				
Personal services	23,339	23,589	19,265	4,324
Materials and supplies	8,500	12,500	12,529	(29)
Other services and charges	92,450	102,150	59,303	42,847
Capital outlay	15,000	48,400	46,970	1,430
Debt service	0	0	0	0
Transfers out	21,686	21,686	21,686	0
Total Municipal Fire	<u>160,975</u>	<u>208,325</u>	<u>159,753</u>	<u>48,572</u>
Total Charges to Appropriations	160,975	208,325	159,753	48,572
Ending Budgetary Fund Balance	<u><u>298,599</u></u>	<u><u>264,249</u></u>	<u><u>305,347</u></u>	<u><u>41,098</u></u>

TOWN OF POCOLA, 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.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules presented for purposes of additional analysis.

TOWN OF POCOLA, OKLAHOMA
COMBINING BALANCE SHEET-MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	SPECIAL REVENUE FUNDS	Total Nonmajor Governmental Funds
	Emergency 911	
ASSETS		
Cash and cash equivalents	34,928	34,928
Due from other funds	2,346	2,346
Total Assets	37,274	37,274
LIABILITIES		
Due to other funds	0	0
Total Liabilities	0	0
FUND BALANCES		
Unreserved, reported in nonmajor special revenue funds	37,274	37,274
Total Fund Balances	37,274	37,274
Total Liabilities and Fund Balances	37,274	37,274

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

	SPECIAL REVENUE FUNDS	Total Nonmajor Governmental Funds
	Emergency 911	Funds
Revenues:		
Franchise tax	6,019	6,019
Investment income	75	75
Total Revenues	6,094	6,094
Expenditures:		
Current:		
Emergency 911	7,974	7,974
Total Expenditures	7,974	7,974
Excess (deficiency) of revenues over expenditures	(1,880)	(1,880)
Other Financing Sources (Uses):		
Transfers in	0	0
Transfers out	0	0
Total Other Financing Sources (Uses):	0	0
Net Change in fund balances	(1,880)	(1,880)
Fund Balances-Beginning	39,154	39,154
Fund Balances-Ending	37,274	37,274

TOWN OF POCOLA, OKLAHOMA

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	EMERGENCY 911			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final			
Beginning Budgetary Fund Balance	39,154	39,154	39,154	0
Resources (Inflows):				
Franchise tax	7,500	7,500	6,019	(1,481)
Investment Income	75	75	75	0
Transfers in	0	0	0	0
Amounts available for appropriation	<u>46,729</u>	<u>46,729</u>	<u>45,248</u>	<u>(1,481)</u>
Emergency 911:				
Materials and supplies	700	700	0	700
Other services and charges	8,600	8,900	7,974	926
Transfers out	0	0	0	0
Total Emergency 911	<u>9,300</u>	<u>9,600</u>	<u>7,974</u>	<u>1,626</u>
Total Charges to Appropriations	9,300	9,600	7,974	1,626
Ending Budgetary Fund Balance	<u>37,429</u>	<u>37,129</u>	<u>37,274</u>	<u>145</u>

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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 Pocola, 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 Pocola, 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 Pocola, Oklahoma's basic financial statements, and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pocola'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 Pocola's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Pocola'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

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 15-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pocola'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.

Town of Pocola's Response to Findings

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

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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

December 11, 2015

TOWN OF POCOLA, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2015

INTERNAL CONTROL FINDINGS:

Item 15-01 - Segregation of Duties

Criteria - The segregation of duties is important to have adequate control over financial assets.

Condition - The Town has the same employees performing work normally segregated between two or more employees, including receiving funds and posting those funds to the Town's books. This is a repeat condition from the prior years.

Cause - The Town's small size limits the amount of staffing needed to properly segregate the clerk and treasurer functions.

Effect - The lack of segregation of duties could increase the risk that misstatements material to the financial statements could occur and not be detected within a timely manner.

Recommendation - The lack of segregation of duties is a common deficiency in Town's the size of Pocola. The governing body should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Response - The Board continues to be actively involved in the operations of the Town.