

**PUBLISHED BY
KOLKER & KOLKER, INC.
FOR**

TOWN OF COLCORD, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2014

**KERSHAW CPA & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS**

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JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Colcord, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colcord, Oklahoma, as of and for the fiscal year ended June 30, 2014, 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 accounting principles generally accepted in the United States of America; this includes 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 an opinion 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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

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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.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net position, and expenditures/expenses of the Governmental & Business-Type Activities is not readily determinable.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colcord, Oklahoma, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Colcord, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis or Budgetary Comparison Information required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2015, on our consideration of the Town of Colcord, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant

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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 Colcord, Oklahoma's internal control over financial reporting and compliance.

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

January 20, 2015

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2014

Statement 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 68,914	\$ 15,456	\$ 84,370
Deposit with county	250,646	--	250,646
Taxes receivable	32,868	--	32,868
Accounts receivable (net)	<u> --</u>	<u>18,507</u>	<u>18,507</u>
Total current assets	<u>352,428</u>	<u>33,963</u>	<u>386,391</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	53,438	53,438
Due from general operations	--	4,820	4,820
Capital assets (net)	<u>386,439</u>	<u>1,263,790</u>	<u>1,650,229</u>
Total noncurrent assets	<u>386,439</u>	<u>1,322,048</u>	<u>1,708,487</u>
Total assets	<u>738,867</u>	<u>1,356,011</u>	<u>2,094,878</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	6,062	5,756	11,818
Current portion of long-term debt	--	11,649	11,649
Due to restricted assets	<u> --</u>	<u>4,820</u>	<u>4,820</u>
Total current liabilities	<u>6,062</u>	<u>22,225</u>	<u>28,287</u>
Noncurrent liabilities:			
Customer deposits payable from restricted assets	--	34,819	34,819
Long-term debt	<u> --</u>	<u>362,127</u>	<u>362,127</u>
Total noncurrent liabilities	<u> --</u>	<u>396,946</u>	<u>396,946</u>
Total liabilities	<u>6,062</u>	<u>419,171</u>	<u>425,233</u>
NET POSITION			
Invested in capital assets, net of related debt	386,439	890,014	1,276,453
Restricted for specific purposes	296,227	--	296,227
Restricted for debt service	--	23,440	23,440
Unrestricted	<u>50,139</u>	<u>23,386</u>	<u>73,525</u>
Total net position	<u>\$ 732,805</u>	<u>\$ 936,840</u>	<u>\$1,669,645</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities					
General government					
Administrative and Accounting	\$ 65,891	\$ --	\$ 4,005	\$ --	\$ (61,886)
Total general government	<u>65,891</u>	<u>--</u>	<u>4,005</u>	<u>--</u>	<u>(61,886)</u>
Public safety and judiciary					
Police and First Responders	53,158	13,895	--	--	(39,263)
Fire	22,089	9,400	8,316	--	(4,373)
Civil defense	<u>4,170</u>	<u>--</u>	<u>2,005</u>	<u>--</u>	<u>(2,165)</u>
Total public safety and Judiciary	<u>79,417</u>	<u>23,295</u>	<u>10,321</u>	<u>--</u>	<u>(45,801)</u>
Transportation					
Street	<u>24,146</u>	<u>--</u>	<u>9,371</u>	<u>--</u>	<u>(14,775)</u>
Total transportation	<u>24,146</u>	<u>--</u>	<u>9,371</u>	<u>--</u>	<u>(14,775)</u>
Total governmental activities	<u>169,454</u>	<u>23,295</u>	<u>23,697</u>	<u>--</u>	<u>(122,462)</u>
Business-type activities:					
Water, sewer & sanitation	<u>299,453</u>	<u>275,588</u>	<u>--</u>	<u>--</u>	<u>(23,865)</u>
Total business-type activities	<u>299,453</u>	<u>275,588</u>	<u>--</u>	<u>--</u>	<u>(23,865)</u>
Total	<u>\$ 468,907</u>	<u>\$ 298,883</u>	<u>\$ 23,697</u>	<u>\$ --</u>	<u>\$(146,327)</u>

The notes to the financial statements are an integral part of this statement.

CHANGES IN NET POSITION

	Governmental Activities	Business-type Activities	Total
Net (expense) revenue	<u>\$(122,462)</u>	<u>\$(23,865)</u>	<u>\$(146,327)</u>
General Revenues			
Taxes:			
Sales tax	157,487	--	157,487
Use tax	17,207	--	17,207
Alcohol beverage tax	9,208	--	9,208
Gasoline tax	1,322	--	1,322
Motor vehicle tax	6,333	--	6,333
Franchise taxes	13,677	--	13,677
Cigarette tax	1,031	--	1,031
Investment income	421	23	444
Miscellaneous	<u>8,504</u>	<u>--</u>	<u>8,504</u>
Total general revenues	<u>215,190</u>	<u>23</u>	<u>215,213</u>
Change in net position	92,728	(23,842)	68,886
Net position - beginning	<u>640,077</u>	<u>960,682</u>	<u>1,600,759</u>
Net position - ending	<u>\$ 732,805</u>	<u>\$ 936,840</u>	<u>\$1,669,645</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF COLCORD, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Fire Department Fund</u>	<u>Street and Drainage Fund</u>	<u>Emergency Management Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash, including time deposits	\$ 37,690	\$ --	\$ 27,226	\$ 966	\$ 3,032	\$ 68,914
Deposits with county	--	250,646	--	--	--	250,646
Taxes receivable	19,348	11,613	--	1,907	--	32,868
Due from other funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,917</u>	<u>--</u>	<u>1,917</u>
Total assets	<u>57,038</u>	<u>262,259</u>	<u>27,226</u>	<u>4,790</u>	<u>3,032</u>	<u>354,345</u>
LIABILITIES						
Accounts payable and accrued expenses	4,982	--	94	450	536	6,062
Due other funds	<u>1,917</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,917</u>
Total liabilities	<u>6,899</u>	<u>--</u>	<u>94</u>	<u>450</u>	<u>536</u>	<u>7,979</u>
FUND BALANCES						
Assigned	--	262,259	27,132	4,340	2,496	296,227
Unassigned	<u>50,139</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>50,139</u>
Total fund balance	<u>50,139</u>	<u>262,259</u>	<u>27,132</u>	<u>4,340</u>	<u>2,496</u>	<u>346,366</u>
Total liabilities and fund balance	<u>\$ 57,038</u>	<u>\$ 262,259</u>	<u>\$ 27,226</u>	<u>\$ 4,790</u>	<u>\$ 3,032</u>	<u>\$ 354,345</u>
Fund balance per above						346,366
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.						
Capital assets used in governmental activities of \$386,439, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds						<u>386,439</u>
Net position of governmental activities						<u>\$ 732,805</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	County- Wide Fire Department Fund	Fire Department Fund	Street and Drainage Fund	Emergency Management Fund	Total Governmental Funds
REVENUES						
Sales tax	\$ 94,847	\$ 62,640	\$ --	\$ --	\$ --	\$ 157,487
Other taxes	27,446	--	--	7,655	--	35,101
Fines and forfeits	13,895	--	--	--	--	13,895
Franchise taxes	13,677	--	--	--	--	13,677
Interest	--	419	--	2	--	421
Miscellaneous	7,007	--	618	--	879	8,504
Grants and contributions	4,005	--	8,316	9,371	2,005	23,697
Memberships	--	--	9,400	--	--	9,400
	<u>160,877</u>	<u>63,059</u>	<u>18,334</u>	<u>17,028</u>	<u>2,884</u>	<u>262,182</u>
Total revenues						
EXPENDITURES						
Current						
General government						
Administrative & accounting	65,891	--	--	--	--	65,891
Total general government	65,891	--	--	--	--	65,891
Public safety and judiciary:						
Police and						
First Responders	53,158	--	--	--	--	53,158
Fire	--	7,855	14,234	--	--	22,089
Civil Defense	--	--	--	--	4,170	4,170
Total public safety and judiciary	53,158	7,855	14,234	--	4,170	79,417
Transportation						
Street	--	--	--	24,146	--	24,146
Total transportation	--	--	--	24,146	--	24,146
Capital outlay						
Total expenditures	119,049	7,855	14,234	24,146	4,170	169,454
Net change in fund balances	41,828	55,204	4,100	(7,118)	(1,286)	92,728
Fund balances - beginning	8,311	207,055	23,032	11,457	3,782	253,637
Fund balances - ending	<u>\$ 50,139</u>	<u>\$ 262,259</u>	<u>\$ 27,132</u>	<u>\$ 4,339</u>	<u>\$ 2,496</u>	<u>\$ 346,365</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of the change in fund balances - total government funds to the change in net position of governmental activities:	
Net change in fund balances - total governmental funds	92,728
Amounts reported for governmental activities in the statement of activities are different because:	
None	<u> --</u>
Change in net position of governmental activities	<u>\$ 92,728</u>

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
COLCORD PUBLIC WORKS AUTHORITY
JUNE 30, 2014

ASSETS

Current assets

Cash and cash equivalents	\$ 15,456
Accounts receivable	<u>18,507</u>

Total current assets 33,963

Noncurrent assets:

Restricted assets	
Cash and cash equivalents	53,438
Due from general assets	4,820
Capital assets (net)	<u>1,263,790</u>

Total noncurrent assets 1,322,048

Total assets 1,356,011

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	5,756
Current portion of long-term debt	11,649
Due to restricted assets	<u>4,820</u>

Total current liabilities 22,225

Noncurrent liabilities

Customers' meter deposits (payable from restricted assets)	34,819
Long-term debt	<u>362,127</u>

Total noncurrent liabilities 396,946

Total liabilities 419,171

NET POSITION

Investment in capital assets, net of related debt	890,014
Restricted for debt service	23,440
Unrestricted	<u>23,386</u>

Total net position \$ 936,840

The notes to the financial statements are an integral part of this statement.

**TOWN OF COLCORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
COLCORD PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Operating revenues	
Utility charges	\$ 257,845
Miscellaneous services	<u>17,743</u>
Total operating revenues	<u>275,588</u>
Operating expenses	
Legal and professional	9,196
Salaries and benefits	80,885
Operation and maintenance	100,839
Trash service	39,064
Depreciation expense	<u>53,300</u>
Total operating expense	<u>283,284</u>
Net operating income (loss)	<u>(7,696)</u>
Nonoperating revenue (expenses)	
Interest expense	(16,169)
Investment income	<u>23</u>
Total nonoperating revenue (expenses)	<u>(16,146)</u>
Changes in net position	(23,842)
Net position - beginning of year	<u>960,682</u>
Net position - end of year	<u>\$ 936,840</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF COLCORD, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
COLCORD PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:	
Receipts from customers	\$ 274,419
Payments to suppliers	(163,880)
Payments to employees and benefits	(79,099)
Receipts (deficits) over refunds of customer meter deposits	<u>1,435</u>
Net cash provided (used) by operating activities	<u>32,875</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(11,613)
Interest paid	(15,729)
Purchase of capital assets	(47,225)
Grant receipts	<u>48,500</u>
Net cash provided (used) by capital and related financing activities	<u>(26,067)</u>
Cash flows from investing activities	
Interest	<u>23</u>
Net cash provided (used) by investing activities	<u>23</u>
Net increase (decrease) in cash and cash equivalents	6,831
Balances - beginning of the year	<u>62,063</u>
Balances - end of the year	<u>\$ 68,894</u>
Cash, including time deposits	15,456
Restricted cash, including time deposits	<u>53,438</u>
Total cash and cash equivalents, end of year	<u>\$ 68,894</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$(7,696)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows in other categories:	
Depreciation expense	53,300
Increase - utility deposits	1,435
Change in assets and liabilities:	
Receivables	1,169
Accounts payable and accrued expenses	<u>(15,333)</u>
	<u>\$ 32,875</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COLCORD, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Colcord, Oklahoma is incorporated and operates under a statutory town form of government as directed by Title 11 of the Oklahoma Statutes. The duties of the mayor are set forth in Title 11 and the Town is governed by five board members, each representing a ward within the Town. Major operations include police and fire protection, parks and recreation, public works, sanitation and streets and general administrative services.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. 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 for goods or services.

Fund Financial Statements:

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, receipts, disbursements and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions which are FDIC insured.

Governmental Fund Types

The General Fund is the primary operating fund of the Town. It accounts for all financial resources of general government except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures. Special revenue funds consist of the Fire Department, Street and Alley and Emergency Management Funds. Additionally, the Countywide Fire Department Fund, which is administered by Delaware County for the Colcord Fire Department, is included.

Proprietary Fund Types

The PWA Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services such as water, sewer and trash disposal on a continuing basis are financed through user charges paid by the general public. This fund utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary fund fixed assets are valued at estimated historical cost, or if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses, while renewals and betterments are capitalized.

C. Basis of Presentation

The Town of Colcord prepares its financial statements on the accrual basis of accounting. However, for Fund Financial Statements, capital outlay and long-term debt activity, if any, are recorded as expenditures and revenues. These are then reclassified for the Statements of Net Position and Activities.

D. Budget and Budgetary Procedures

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. By law, unencumbered appropriations lapse after September 30 following the end of the fiscal year. Therefore, claims on such appropriations may be paid until that time.

E. Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Accounts Receivable

Management has not established an allowance for uncollectible accounts receivable. Accounts are written off as bad debt expense when it is deemed that they are uncollectible. The allowance for doubtful accounts was considered immaterial for reporting purposes.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, street lights and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold has been set at \$1,000. Donated assets are recorded at estimated fair market values as of the date of the donation.

The costs of normal maintenance or repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

Capital assets are being depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Water Plant and Sewer System	40
Automobiles and Equipment	5
Building	20

H. Equity Classification

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

1. *Invested in Capital Assets, Net of Related Debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
2. *Restricted for Specific Purposes* - Represents funds that can only be utilized for specific purposes such as streets, fire, etc.
3. *Restricted for Debt Service* - Represents funds that can only be used for payment on long term debt.
4. *Unrestricted Net Assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". This net position is available for any purpose of the entity.

I. Revenues, Expenditures and Expenses

Expenditures/Expenses

For purposes of the combined operating statements, expenditures. expenses are classified as follows:

Governmental Fund Types	By Character: Current Capital Outlay (further classified by activity)
Proprietary Fund Types	By Operating and Nonoperating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

J.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain of the significant changes in the statement include the following:

1. The financial statement should include:
 - a. A Management, Discussion and Analysis (MD & A) section providing analysis of the Town's overall financial position and results of operations. However, the Town has chosen not to present the required MD & A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the Town's activities, except for and including the general capital assets or infrastructure (roads, bridges, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Town has elected to implement the general provisions of the statement and report infrastructure acquired after July 1, 2003 as provided by GASB standards.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

L. Interfund Receivables and Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. Short term interfund loans are classified as "due to/from other funds". All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as advances to/from other funds. Any residual balances outstanding between governmental activities and business-type activities have been eliminated in the presentation of the government-wide financial statements.

M. Compensated Absences

At fiscal year end, no determination of the aggregate dollar value of vacation or sick pay had been made. the Town's position is that any accrued benefits are not significant and would not materially affect the financial statements.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state and local laws and contractual regulations. In accordance with government auditing standards, the auditor has issued a report on his consideration of the Town's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audited performed in compliance with government auditing standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal and Contractual Provisions

The annual budget required to be prepared and filed with the State Auditor and Inspector's office has not been prepared.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are not fund balance or retained earnings deficits for the Town for this fiscal year.

NOTE 3. CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the Town and the PWA had deposits of \$137,808 at financial institutions. The Town's cash deposits, including interest bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U. S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- 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 deposits 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 SEC and in which investments consist of the investments mentioned in the previous paragraphs (a. - d.).

NOTE 4. RESTRICTED ASSETS

Payments into a reserve account are required to meet the requirement of USDA Rural Development. The Colcord Public Works Authority is also required to deposit \$76.00 and \$118.00 per month into a Debt Reserve Account until \$23,280 is accumulated for USDA Rural Development. These reserve accounts may be combined and should only be used for operation in the event of an emergency and after approval of the USDA Rural Development.

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

Consumer Meter Deposits	\$29,998
Debt Reserve	<u>23,440</u>
Total Restricted Cash	<u>\$53,438</u>

Additionally, restricted assets has a \$4,820 receivable from general operations as a result of such operations borrowing from customer meter deposits. This is down \$7,963 from the previous year.

NOTE 5. CAPITAL ASSETS

The governmental fund type operations have not kept detailed capital assets records. These assets would include public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Capital assets include furniture, fixtures and equipment. No depreciation expense has been provided on such assets.

The proprietary fund also does not keep detailed capital asset records. The capital assets included in the financial statements do not reflect all capital assets owned by the PWA. For the proprietary fund type capital assets, the sale or disposal of such assets is recorded by removing costs and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Depreciation has been calculated on the sewer system using the straight line method with an estimated useful life of 40 years.

Capital asset activity for the Authority for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2014</u>
Cost				
Land	\$ 95,745	\$ --	\$ --	\$ 95,745
Buildings	9,692	--	--	9,692
Furniture & Equipment	135,673	--	--	135,673
Infrastructure	<u>2,132,011</u>	<u>--</u>	<u>--</u>	<u>2,132,011</u>
Total	<u>\$2,373,121</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$2,373,121</u>
Accumulated Depreciation				
Buildings	\$ 9,692	\$ --	\$ --	\$ 9,692
Furniture & Equipment	135,673	--	--	135,673
Infrastructure	<u>910,666</u>	<u>53,300</u>	<u>--</u>	<u>963,966</u>
Total	<u>\$1,056,031</u>	<u>\$ 53,300</u>	<u>\$ --</u>	<u>\$1,109,331</u>
	<u>\$1,317,090</u>	<u>\$ (53,300)</u>	<u>\$ --</u>	<u>\$1,263,790</u>

NOTE 6 - LONG TERM DEBT

The Colcord Public Works Authority has the authority to incur long term debt as needed for operations, maintenance and expansion.

The Authority has two notes payable to the United States Department of Agriculture Rural Development (USDA) as follows:

<u>Monthly</u> <u>Payment</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Loan</u>
\$1,181.00	4.5%	3/25/1998
759.00	4.5%	6/21/2001

The Colcord Public Works Authority has a note payable to the Oklahoma Department of Commerce, payable in monthly installments of \$312.50. This note is an interest free loan, payable in 240 monthly payments. The first payment was due by March, 2002.

Changes in Long Term Debt

The following is a summary of changes in long term debt for the year ended June 30, 2014:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2014</u>
Notes Payable:				
USDA Rural Development #2	\$208,567	\$ --	(4,886)	203,681
USDA Rural Development #3	144,385	--	(2,665)	141,720
Department of Commerce	<u>32,437</u>	<u> --</u>	<u>(4,062)</u>	<u>28,375</u>
Total long term debt	<u>\$385,389</u>	<u>\$ --</u>	<u>\$(11,613)</u>	<u>\$ 373,776</u>

USDA Rural Development #2

	<u>Principal</u>	<u>Interest</u>
FYE June 30,		
2015	5,111	9,061
2016	5,346	8,826
2017	5,591	8,581
2018	5,848	8,324
2019 - 2023	33,526	37,334
2024 - 2028	41,968	28,892
2029 - 2033	52,536	18,324
2034 - 2037	53,754	5,296

USDA Rural Development #3

	<u>Principal</u>	<u>Interest</u>
FYE June 30,		
2015	2,788	6,320
2016	2,916	6,192
2017	3,050	6,058
2018	3,190	5,918
2019 - 2023	18,286	27,254
2024 - 2028	22,891	22,649
2929 - 2033	28,654	16,886
2034 - 2038	35,869	9,671
2039 - 2042	24,077	1,605

Department of Commerce

	<u>Principal</u>	<u>Interest</u>
FYE June 30,		
2015	3,750	--
2016	3,750	--
2017	3,750	--
2018	3,750	--
2019	3,750	--
2020 - 2022	9,625	--

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted for specific purposes
3. Unrestricted
- 4.

NOTE 8 - EMPLOYEE BENEFITS

The only employee benefit offered by the Town of Colcord is the "Oklahoma Firefighters' Pension and Retirement System" for volunteer firefighters, which is a cost-sharing multi-employer PERS.

1) Plan Description

All volunteer firemen, except those under 18 years of age or an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65, are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the Town or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50 equal to \$5.33 per month times their number of years of service up to a maximum of 30 years.

Pension provisions include deferred allowances whereby a volunteer firefighter may terminate with the Town after accumulating 10 years of service but not before reaching the age of 50. The volunteer firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he or she would have completed 20 years of service, whichever is later.

Pension provisions include death and disability benefits, whereby the disabled volunteer firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

Both the Town's current-year covered payroll and its total current-year payroll for all employees amount to \$.00, as contributions and benefits for volunteer firemen are not based on payroll.

2) Contributions Required and Made

Volunteer firefighters of the Town do not make contributions to the pension plan. The Town makes annual contributions of \$60 to the pension plan for each active volunteer firefighter.

The Town made all required contributions to the plan for the year, and no contributions are required from the firefighters. Total contributions are allocated between the municipality and the state. The contribution amounts for municipalities are set by state statutes. Therefore, the remainder of required contributions must be made by the state.

Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits which will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2014 was as follows:

Total pension benefit obligations (actuarial accrued liability)	\$3,225,500,000
Net position available for pension benefits, at actuarial value	<u>2,001,800,000</u>
Unfunded actuarial benefit obligation	<u>\$1,223,700,000</u>

The measurement of the total pension benefit obligation is based on actuarial valuation as of July 1, 2014. Net position available to pay pension benefits were valued as of the same date.

The Town's 2014 required contribution to the State PERS represents less than .01% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

NOTE 9 - CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various Federal or state 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.

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued for events requiring recording or disclosures in the financial statements for the year ending June 30, 2014.

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

To the Board of Trustees
Town of Colcord, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colcord, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Colcord, Oklahoma's basic financial statements, and have issued our report thereon dated January 20, 2015, which was qualified for the improper capital asset recordkeeping. The Town of Colcord, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A or Budgetary Comparison Information.

Internal Control Over Financial Reporting

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

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

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 Items 14-01, 14-02 and 14-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colcord'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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are included in the Schedule of Findings as Item 14-04. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

Town of Colcord's Response to Findings

Town of Colcord's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Colcord's response was not subjected to the auditing

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procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended 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

January 20, 2015

TOWN OF COLCORD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2014

Internal Control Findings:

Item 14-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

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

Recommendation: The Town needs to prepare financial statements which will provide a better audit trail of financial transactions. Management needs to designate qualified individuals with the necessary expertise to be responsible and accountable for maintaining adequate, effective internal controls for the preparation, substantial accuracy and completeness of the financial statements.

Response: The Town is aware of the problem. However, the condition still exists.

Item 14-02: Meter Deposits

Criteria: It is the responsibility of the Town to properly report and account for the financial information.

TOWN OF COLCORD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2014

Condition: During a previous year, the Authority withdrew funds from the Meter Deposit account to use for operating cash.

Cause/Effect: The withdrawal has left the account with a deficit balance and insufficient funds to reimburse customer deposits.

Recommendation: A deposit needs to be made to the meter deposit account to bring the balance up to an amount sufficient to cover the liability.

Response: The Town is aware of the problem.

Item 14-03: Bank Deposits

Criteria: Daily bank deposits reduce the risk of lost or stolen cash on hand.

Condition: Receipts are not being deposited on a daily basis. During the current audit, it was noted that deposits of revenues continue to be held in some cases for extended periods. Some franchise tax receipts from early in the fiscal year that were confirmed with outside entities have still not been deposited at yearend.

Cause: The cost of fuel for going to the bank to make daily deposits is such that the Town is not cost effectively able to make daily deposits.

Effect: These conditions result in weakened control over cash receipts and could result in excess cash being maintained on-hand during the month or checks being misplaced or lost.

Recommendation: All receipts should be deposited daily and not retained on-site.

Response: At this time the Town is not able to cost effectively make such deposits.

TOWN OF COLCORD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2014

Compliance Findings:

Item 14-04: Water and Sewer Recordkeeping

Criteria: The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to maintain income and expense records for water and sewer systems separately.

Condition: The Authority maintains separate billing records for water and sewer income. However, the Authority does not maintain separate income and expense accounts for the water and sewer systems. The town began trying to separate some of the income but not all of it.

Cause/Effect: This leaves the Authority out of compliance with the Rural Development loan agreement as the USDA will no longer be accepting audits that do not have Water and/or Sewer Records broken out separately.

Response: The Authority is aware of the problem.