

AUDIT REPORT
TOWN OF COLBERT
JUNE 30, 2015



KERSHAW CPA & ASSOCIATES, PC

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TOWN OF COLBERT, OKLAHOMA
JUNE 30, 2015

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TOWN OF COLBERT, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015

ELECTED GOVERNING OFFICIALS

| <u>NAME</u> | <u>POSITION</u> | <u>TERM EXPIRATION</u> |
|---------------|-----------------|------------------------|
| ROXANNE REED | MAYOR | 2017 |
| TERRY BELL | VICE MAYOR | 2019 |
| LOUIS PRESLEY | COUNCIL MEMBER | 2017 |
| JAMES COBLE | COUNCIL MEMBER | 2019 |
| JOHN POSS | COUNCIL MEMBER | 2019 |
| ANNIE HARRELL | TOWN CLERK | 2019 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Colbert, 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 Colbert, 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 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

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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 modified cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Colbert, 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

The introductory and supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has 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 October 29, 2015, on our consideration of the Town of Colbert's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Colbert's internal control over financial reporting and compliance.

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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

October 29, 2015

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>2015 Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------|
| <u>ASSETS</u> | | | |
| <u>Current Assets:</u> | | | |
| Cash and cash equivalents | \$ 884,496 | \$ 190,976 | \$ 1,075,472 |
| Investments | - | - | - |
| Due from Other Funds | - | - | - |
| Total Current Assets | <u>884,496</u> | <u>190,976</u> | <u>1,075,472</u> |
| <u>Restricted Assets:</u> | | | |
| Cash, Including Time Deposits | - | 467,532 | 467,532 |
| Total Restricted Assets | <u>-</u> | <u>467,532</u> | <u>467,532</u> |
| <u>Capital Assets:</u> | | | |
| Land and construction in progress | 5,000 | 368,726 | 373,726 |
| Other Capital Assets | 1,297,070 | 2,577,188 | 3,874,258 |
| Less: Accumulated Depreciation | <u>(882,652)</u> | <u>(1,695,074)</u> | <u>(2,577,726)</u> |
| Total Capital Assets | <u>419,418</u> | <u>1,250,841</u> | <u>1,670,259</u> |
| TOTAL ASSETS | <u>1,303,914</u> | <u>1,909,350</u> | <u>3,213,263</u> |
| <u>LIABILITIES</u> | | | |
| <u>Current Liabilities:</u> | | | |
| Due to Other Funds | - | - | - |
| Current Portion of Long-term Debt | - | 35,000 | 35,000 |
| Total Current Liabilities | <u>-</u> | <u>35,000</u> | <u>35,000</u> |
| <u>Long-Term Liabilities:</u> | | | |
| Due to Depositors | - | 31,865 | 31,865 |
| Notes Payable | - | 5,515 | 5,515 |
| Revenue Bonds Payable | - | 145,000 | 145,000 |
| Less: Current Portion of Long-term Debt | <u>-</u> | <u>(35,000)</u> | <u>(35,000)</u> |
| Total Long-Term Liabilities | <u>-</u> | <u>147,380</u> | <u>147,380</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>182,380</u> | <u>182,380</u> |
| <u>NET POSITION</u> | | | |
| Net Investment in capital assets | 419,418 | 1,100,325 | 1,519,743 |
| Restricted for: | | | |
| Debt Service | - | 280,442 | 280,442 |
| Other Purposes | - | 155,225 | 155,225 |
| Unrestricted | <u>884,496</u> | <u>190,976</u> | <u>1,075,472</u> |
| TOTAL NET POSITION | <u>\$ 1,303,914</u> | <u>\$ 1,726,969</u> | <u>\$ 3,030,883</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses)/ Revenue |
|---------------------------------------|---------------------|-------------------------|--|--|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Fire Department | \$ 92,163 | \$ - | \$ 50,839 | \$ - | \$ (41,324) |
| Police Department | 219,614 | 118,916 | 22,223 | - | (78,475) |
| EMS Department | 383,588 | 354,540 | - | - | (29,048) |
| Street & Alley | 27,533 | - | - | - | (27,533) |
| Parks & Recreation | 200 | - | - | - | (200) |
| General Government | 96,356 | - | - | - | (96,356) |
| Total Governmental Activities | 819,456 | 473,456 | 73,062 | - | (272,937) |
| Business-type activities: | | | | | |
| Water, Sewer & Sanitation | 662,131 | 746,289 | - | 323,618 | 407,777 |
| Total Business-type Activities | 662,131 | 746,289 | - | 323,618 | 407,777 |
| Total | \$ 1,481,587 | \$ 1,219,745 | \$ 73,062 | \$ 323,618 | \$ 134,839 |

Changes in Net Position:

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| Net (expense)/revenue | \$ (272,937) | \$ 407,777 | \$ 134,839 |
| General revenues: | | | |
| Taxes: | | | |
| Sales Tax | 348,121 | - | 348,121 |
| Use Tax | 27,805 | - | 27,805 |
| Tobacco Tax | 4,835 | - | 4,835 |
| Franchise Tax | 38,940 | - | 38,940 |
| Intergovernmental: | | | |
| Alcoholic Beverage Tax | 8,051 | - | 8,051 |
| Gasoline Excise Tax | 2,155 | - | 2,155 |
| Motor Vehicle Tax | 8,934 | - | 8,934 |
| Licenses & Permits | 700 | - | 700 |
| Rental Income | 1,500 | - | 1,500 |
| Investment Income | 423 | 323 | 747 |
| Miscellaneous | 38,967 | - | 38,967 |
| Transfers - Internal Activity | 733 | (733) | (0) |
| Total general revenues & transfers | 481,163 | (410) | 480,753 |
| Changes in net position | 208,225 | 407,367 | 615,592 |
| Net position - beginning | 644,841 | 428,716 | 1,073,557 |
| Net position - prior year adjustment | 450,848 | 890,886 | 1,341,734 |
| Net position - ending | \$ 1,303,914 | \$ 1,726,969 | \$ 3,030,883 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

| | General Fund | EMS Fund | Municipal Court Fund | Fire Department Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|------------------|----------------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 488,851 | \$ 44,372 | \$ 1,277 | \$ 263,526 | \$ 86,470 | \$ 884,496 |
| Investments | - | - | - | - | - | - |
| Due from Other funds | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - |
| TOTAL ASSETS | \$ 488,851 | \$ 44,372 | \$ 1,277 | \$ 263,526 | \$ 86,470 | \$ 884,496 |
| LIABILITIES & FUND EQUITY | | | | | | |
| LIABILITIES: | | | | | | |
| Due to Other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | - | - | - | - | - | - |
| FUND BALANCES: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - |
| Committed | - | - | - | - | - | - |
| Assigned | - | 44,372 | 1,277 | 263,526 | 86,470 | 395,645 |
| Unassigned | 488,851 | - | - | - | - | 488,851 |
| TOTAL FUND BALANCES | 488,851 | 44,372 | 1,277 | 263,526 | 86,470 | 884,496 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 488,851 | \$ 44,372 | \$ 1,277 | \$ 263,526 | \$ 86,470 | |

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 \$1,302,070, net of accumulated depreciation of \$882,652, are not financial resources and, therefore, are not reported in the funds.

419,418

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.

-

Net Position of Governmental Activities

\$ 1,303,914

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

| | General Fund | EMS Fund | Municipal Court Fund | Fire Department Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|------------------|----------------------------|----------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | | |
| Taxes: | | | | | | |
| Sales Tax | \$ 348,121 | \$ - | \$ - | \$ - | \$ - | \$ 348,121 |
| Use Tax | 27,805 | - | - | - | - | 27,805 |
| Tobacco Tax | 4,835 | - | - | - | - | 4,835 |
| Franchise Tax | 38,940 | - | - | - | - | 38,940 |
| Intergovernmental: | | | | | | |
| Alcoholic Beverage Tax | 8,051 | - | - | - | - | 8,051 |
| Gasoline Excise Tax | 2,155 | - | - | - | - | 2,155 |
| Motor Vehicle Tax | 8,934 | - | - | - | - | 8,934 |
| Grants | 22,223 | - | - | 50,839 | - | 73,062 |
| Fines & Forfeitures | - | - | 118,916 | - | - | 118,916 |
| Charges for Services | - | 354,540 | - | - | - | 354,540 |
| Licenses & Permits | 700 | - | - | - | - | 700 |
| Rental Income | 1,500 | - | - | - | - | 1,500 |
| Miscellaneous Income | 19,247 | 19,711 | 9 | - | - | 38,967 |
| Interest Income | 204 | 21 | 6 | 136 | 56 | 423 |
| TOTAL REVENUES | 482,715 | 374,271 | 118,931 | 50,976 | 56 | 1,026,948 |
| EXPENDITURES: | | | | | | |
| Fire Department: M&O | - | - | - | 49,746 | - | 49,746 |
| Police Department: Personal Services | 97,883 | - | - | - | - | 97,883 |
| Police Department: M&O | 101,884 | - | 52 | - | - | 101,937 |
| EMS Department: Personal Services | - | 239,089 | - | - | - | 239,089 |
| EMS Department: M&O | - | 127,238 | - | - | - | 127,238 |
| Street & Alley: M&O | - | - | - | - | 27,533 | 27,533 |
| General Government: Personal Services | 54,538 | - | - | - | - | 54,538 |
| General Government: M&O | 30,550 | - | - | - | - | 30,550 |
| Debt Service | - | - | - | - | - | - |
| Capital Outlay | 19,983 | - | - | 62,578 | - | 82,561 |
| TOTAL EXPENDITURES | 304,838 | 366,327 | 52 | 112,324 | 27,533 | 811,074 |
| EXCESS OF REVENUES OVER (UNDER) | | | | | | |
| EXPENDITURES | 177,877 | 7,944 | 118,879 | (61,348) | (27,478) | 215,874 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating Transfers In | 118,900 | - | - | 116,773 | 29,010 | 264,683 |
| Operating Transfers Out | (145,050) | - | (118,900) | - | - | (263,950) |
| Capital Debt Proceeds | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (26,150) | - | (118,900) | 116,773 | 29,010 | 733 |
| NET CHANGES IN FUND BALANCES | 151,726 | 7,944 | (21) | 55,425 | 1,533 | 216,607 |
| FUND BALANCE - BEGINNING OF YEAR | 329,858 | 29,532 | 1,299 | 200,926 | 83,225 | 644,841 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | 7,266 | 6,895 | - | 7,174 | 1,712 | 23,048 |
| FUND BALANCE - END OF YEAR | \$ 488,851 | \$ 44,372 | \$ 1,277 | \$ 263,526 | \$ 86,470 | 884,496 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds \$ 216,607

Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

 Capital debt obligation principal payments -

Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

 Capital Debt Proceeds -

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 82,561
 Depreciation expense (90,943)

Change in Net Position of Governmental Activities \$ 208,225

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

| | <u>Colbert Public Utilities Authority Enterprise Fund June 30, 2015</u> |
|---|---|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and cash equivalents | \$ 190,976 |
| Restricted cash and cash equivalents | 467,532 |
| Due from other funds | - |
| Total Current Assets | 658,509 |
| Noncurrent Assets: | |
| Land and construction-in-progress | 368,726 |
| Other capital assets, net of accumulated depreciation | 882,114 |
| Total Noncurrent Assets | 1,250,841 |
| TOTAL ASSETS | 1,909,350 |
| <u>LIABILITIES & FUND EQUITY</u> | |
| Current Liabilities: | |
| Due to Other funds | - |
| Current Portion of Long-term Debt | 35,000 |
| Total Current Liabilities | 35,000 |
| Noncurrent Liabilities: | |
| Due to Depositors | 31,865 |
| OWRB Note Payable | 5,515 |
| Revenue Bonds Payable | 145,000 |
| Less: Current Portion of Long-term Debt | (35,000) |
| Total Noncurrent Liabilities | 147,380 |
| TOTAL LIABILITIES | 182,380 |
| NET POSITION: | |
| Net investment in capital assets | 1,100,325 |
| Restricted for debt service | 280,442 |
| Restricted for capital improvements | 155,225 |
| Unrestricted | 190,976 |
| TOTAL NET POSITION | \$ 1,726,969 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

| | Colbert Public Utilities Authority Enterprise Fund June 30, 2015 |
|---|---|
| <u>OPERATING REVENUES:</u> | |
| Charges for services: | |
| Water Sales | \$ 708,436 |
| Miscellaneous Income | 37,854 |
| TOTAL OPERATING REVENUES | 746,289 |
| <u>OPERATING EXPENSES:</u> | |
| Personal Services | 210,139 |
| Maintenance & Operations | 341,246 |
| Depreciation | 100,820 |
| TOTAL OPERATING EXPENSES | 652,205 |
| NET OPERATING INCOME (LOSS) | 94,085 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest Income | 323 |
| Interest Expense | (9,926) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (9,603) |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | 84,482 |
| Capital Contributions | 323,618 |
| Transfers in | - |
| Transfers out | (733) |
| CHANGE IN NET POSITION | 407,367 |
| TOTAL NET POSITION - BEGINNING | 428,716 |
| TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT | 890,886 |
| TOTAL NET POSITION - ENDING | \$ 1,726,969 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

| | <u>June 30, 2015</u> |
|--|---------------------------------|
| <u>Cash Flows from Operating Activities:</u> | |
| Receipts from Customers | \$ 746,289 |
| Payments to Suppliers & Laborers for Goods & Services | (571,621) |
| Receipts of Customer Utility Deposits, Net of Refunds | 200 |
| Net Cash Provided (Used) by Operating Activities | <u>174,869</u> |
| <u>Cash Flows from Non-Capital Financing Activities:</u> | |
| Transfers to other funds | (733) |
| Transfers from other funds | - |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>(733)</u> |
| <u>Cash Flows from Capital & Related Financing Activities:</u> | |
| Capital grant received for construction of capital assets | 323,618 |
| Additions to Capital Assets | (481,010) |
| Proceeds from sale of Capital Assets | - |
| Loan Proceeds received | 313,731 |
| Principal paid on Notes/Leases Payable | (308,222) |
| Principal paid on Revenue Bonds | (30,000) |
| Interest paid | (9,920) |
| Net Cash Provided (Used) by Capital & Related Financing Activities | <u>(191,803)</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest Income | 323 |
| Net Cash Provided (Used) by Investing Activities | <u>323</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (17,344) |
| Cash & Cash Equivalents, Beginning of Year | 655,617 |
| Cash & Cash Equivalents, Prior Year Adjustment | <u>20,236</u> |
| Cash & Cash Equivalents, End of Year | <u><u>\$ 658,509</u></u> |
| <u>Reconciliation of operating income (loss) to net cash provided</u> | |
| <u>operating activities:</u> | |
| Operating Income (Loss) | \$ 94,085 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | |
| Depreciation | 100,820 |
| (Increase)Decrease in Due from Other Funds | - |
| Increase(Decrease) in Due to Depositors | 200 |
| Increase(Decrease) in Accounts Payable | (20,236) |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 174,869</u></u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLBERT, 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, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. FINANCIAL REPORTING ENTITY

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

| | |
|--------------------------|--|
| Primary Government: | Town of Colbert |
| Blended Component Units: | Colbert Public Utilities Authority (CPUA) |

PRIMARY GOVERNMENT

The Town of Colbert, Oklahoma (the Town) operates under Town Board of Trustees form of government under Title 11 of the Oklahoma Statutes. The Town provides the following services to its citizens; public safety (police and fire), streets and highways, sanitation, culture and recreation, utilities and general administrative services.

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Colbert Public Utilities Authority (CPUA) serves all the citizens of the Town and is governed by a board appointed by the Town's elected board of trustees. The CPUA has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate utility facilities whether water, sewage, or other forms or types of public and municipal services within and without the corporate boundaries of the Town of Colbert. The CPUA is reported as the proprietary fund in the financial statements.

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

BLENDING COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. Based on the foregoing criteria, the financial statements of the following component units are blended into the accompanying financial statements: Colbert Public Utilities Authority. The CPUA is a separate legal entity from the Town, and is not governed by the same constitutional and statutory requirements applicable to the Town. However, for financial reporting purposes the Authority reports revenues, expenditures and related assets and obligations using the same basis of accounting as the Town.

B. BASIS OF PRESENTATION

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

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 charges to external parties for goods or services.

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

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, cash receipts, cash 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 general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. These other funds are the special revenue funds.

Proprietary Fund Types

The Enterprise Funds are 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 or medical services, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

In the government-wide State of Net Position and 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, subsequently defined in item (b).

In the fund 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:

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

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. 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 within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

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

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

D. FINANCIAL POSITION

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.

Budgetary Information

Annual budgets are adopted for all governmental funds and proprietary funds. All unencumbered annual appropriations lapse a fiscal yearend. Actual expenditures within a fund may not exceed the adopted budget.

Prior to June of each year, requests for appropriations are submitted to the Town clerk so that a budget may be prepared. The Board of Trustees holds a public hearing prior to June 15, and a final budget is formally approved and adopted by the Town council in July, and submitted to the Oklahoma County Excise Board.

The appropriated budget is prepared for the general fund by function. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the object classification level. Object classifications include personnel services, maintenance and operations, capital outlay and debt service.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase order, contracts) outstanding at yearend are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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

Budgets are prepared on the budget basis of accounting, which demonstrates compliance with cash basis and budget laws of the State of Oklahoma, and is another comprehensive basis of accounting.

Capital Assets

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when 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 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 or events 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.

Depreciation of all exhaustible capital assets arising from cash transactions or events 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 that assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500.00 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

| <u>Asset Type</u> | <u>Useful Life</u> |
|----------------------|--------------------|
| Buildings | 40 |
| Equipment | 3-10 |
| Utility Improvements | 15-25 |

Fund Financial Statements:

In the fund financial statements capital assets arising from cash transactions or events 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.

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

Long-Term Debt

All long-term bonds, notes and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events 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 is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Net Position/Fund Balance Classifications

Government-Wide Statements:

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

1. 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 borrowings 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.
2. 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 (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. 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 in capital assets or the restricted component of net position.

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

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

Fund Financial Statements:

Governmental Funds

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u> |
|-----------------------------------|-----------------------|
| EMS Fund | Charges for Services |

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

| | |
|----------------------|---------------------|
| Municipal Court Fund | Fines & Forfeitures |
| Fire Department Fund | Grants Donations |

Proprietary Funds

The difference among assets, deferred outflows, liabilities and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

Revenues, Expenditures and Expenses

Property Tax

For the year ended June 30, 2015, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

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

Governmental Fund Types - By Character: Current (further
classified by activity)
Capital Outlay

Proprietary Fund Types - By Operating and Non-Operating

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

Interfund Transfers

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions which are normal and recurring between funds are recorded as operating transfers. Transfers of equity between funds (residual equity transfers) are recorded as a change in fund balance.

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

Memorandum Totals

The “Memorandum Only” captions above the total columns mean that totals are presented for overview information purposes only.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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.

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 District’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 audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 3 - DEPOSITS, INVESTMENTS AND COLLATERAL

Custodial Credit Risk

At June 30, 2015, the Town held deposits of approximately \$1,543,004 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.

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

Investment Interest Rate 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

The Colbert Utilities Authority had revenue bonds payable outstanding and notes payable as of June 30, 2015. The bond indenture and loan agreements require monies be set aside. As of June 30, 2015, the Town has reserves of \$280,040.

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

NOTE 5 - CAPITAL ASSETS

Town of Colbert:

| | 6/30/2014 | | | 6/30/2015 |
|--|------------|------------|-------------|------------|
| | Balance | Additions | Retirements | Balance |
| <u>Governmental Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,000 | \$ - | \$ - | \$ 5,000 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | 5,000 | - | - | 5,000 |
| <u>Other capital assets:</u> | | | | |
| General Government | 260,430 | - | - | 260,430 |
| Police Department | 121,540 | 19,983 | - | 141,523 |
| EMS | 190,465 | - | - | 190,465 |
| Fire Department | 570,255 | 62,578 | - | 632,833 |
| Park Department | 21,692 | - | - | 21,692 |
| Senior Citizens | 50,127 | - | - | 50,127 |
| Total other capital assets | 1,214,509 | 82,561 | - | 1,297,070 |
| <u>Less: Accum. Depreciation for:</u> | | | | |
| General Government | 115,067 | 11,268 | - | 126,335 |
| Police Department | 81,743 | 19,795 | - | 101,538 |
| EMS | 134,278 | 17,262 | - | 151,539 |
| Fire Department | 441,767 | 42,418 | - | 484,185 |
| Park Department | 18,855 | 200 | - | 19,055 |
| Senior Citizens | - | - | - | - |
| Total Accumulated Depreciation | 791,709 | 90,943 | - | 882,652 |
| Other capital assets, net | 422,800 | (8,382) | - | 414,418 |
| Governmental-type activities capital assets, net | \$ 427,800 | \$ (8,382) | \$ - | \$ 419,418 |

The additions to accumulated depreciation include only the current year depreciation expense of \$90,943. The asset additions included a 2007 Ford Explorer & Miscellaneous Fire Equipment.

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

Colbert Public Utility Authority:

| | 6/30/2014 | | | 6/30/2015 | |
|--|------------|------------|-------------|-----------|--------------|
| <u>Business-Type Activities:</u> | Balance | Additions | Retirements | Balance | Balance |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 40,000 | \$ - | \$ - | \$ - | \$ 40,000 |
| Construction in progress | - | 328,726 | - | - | 328,726 |
| Total capital assets not being depreciated | 40,000 | 328,726 | - | - | 368,726 |
| Other capital assets: | | | | | |
| PUA Capital Assets | 2,424,904 | 152,284 | - | - | 2,577,188 |
| Total other capital assets | 2,424,904 | 152,284 | - | - | 2,577,188 |
| Less: Accum. Depreciation for: | | | | | |
| PUA Capital Assets | 1,594,254 | 100,820 | - | - | 1,695,074 |
| Total Accumulated Depreciation | 1,594,254 | 100,820 | - | - | 1,695,074 |
| Other capital assets, net | 830,650 | 51,464 | - | - | 882,114 |
| Business-type activities capital assets, net | \$ 870,650 | \$ 380,191 | \$ - | \$ - | \$ 1,250,841 |

The additions to accumulated depreciation include only the current year depreciation expense of \$100,820. The asset additions included sanitation equipment and the PUA project.

NOTE 6 - LONG-TERM DEBT

GOVERNMENT FUND DEBT

The Town currently does not have any governmental fund debt.

Changes in Long-Term Debt

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

| | Balance at June 30, 2014 | Additions | Deductions | Balance at June 30, 2015 |
|----------------------|-----------------------------|-----------|------------|-----------------------------|
| Notes Payable | \$ - | \$ - | \$ - | \$ - |
| Total Long-Term Debt | \$ - | \$ - | \$ - | \$ - |

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

Debt Service Requirements to Maturity

| Year Ending June 30, | Capital Lease Payable | | Total |
|-------------------------|-----------------------|-------------|-------------|
| | Principal | Interest | |
| 2016 | \$ - | \$ - | \$ - |
| 2017 | - | - | - |
| 2018 | - | - | - |
| 2019 | - | - | - |
| 2020 | - | - | - |
| 2021-2025 | - | - | - |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

COLBERT PUBLIC UTILITIES AUTHORITY

Revenue Bonds Payable

Colbert Public Utilities Authority Utility System Bonds Series 1999 due in annual installments of \$20,000 to \$40,000 through August 2018 with interest payable semi-annually at 6.2%. Collateral for this obligation is system revenues and assets.

OWRB Loan ORF-15-0008-CW

On February 9, 2015, the Authority issued promissory note ORF-15-0008-CW to the Oklahoma Water Resources Board in the amount of \$884,000 to be advanced to pay construction costs related to water system improvements. The term of the loan is twenty years at 1.59%, plus ½% of the outstanding balance for administrative fees with a maturity date of September 15, 2035. \$308,221.50 was paid on the loan by a Capitalization Grant for Clean Water State Revolving Funds.

Changes in Long-Term Debt

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

| | Balance 7/1/2014 | Additions | Deductions | Balance 6/30/2015 |
|--------------------------|---------------------|-------------------|---------------------|----------------------|
| Revenues Bonds Payable | \$ 175,000 | \$ - | \$ (30,000) | \$ 145,000 |
| OWRB Loan ORF-15-0008-CW | \$ - | \$ 313,737 | \$ (308,222) | \$ 5,515 |
| | <u>\$ 175,000</u> | <u>\$ 313,737</u> | <u>\$ (308,222)</u> | <u>\$ 150,515</u> |

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

Debt Service Requirements to Maturity

| Year Ending June 30, | Revenue Bonds Payable | | |
|-------------------------|-----------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2016 | \$ 35,000 | \$ 7,905 | \$ 42,905 |
| 2017 | 35,000 | 5,735 | 40,735 |
| 2018 | 35,000 | 3,565 | 38,565 |
| 2019 | 40,000 | 1,240 | 41,240 |
| 2020 | - | - | - |
| 2021-2025 | - | - | - |
| Total | <u>\$ 145,000</u> | <u>\$ 18,445</u> | <u>\$ 163,445</u> |

An amortization schedule for the OWRB loan will be provided once the project is completed and all loan proceeds have been received.

NOTE 7 - FUND EQUITY

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

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The restricted amounts include assets related to Note 4 above.

Governmental Fund Balances

Town of Colbert
Disclosure of Fund Balances Reported on Balance Sheet
For Fiscal Year Ending June 30, 2015

| | General Fund | EMS Fund | Municipal Court Fund | Fire Dept. Fund | Other Governmental Funds | Total Governmental Funds |
|----------------|-------------------|------------------|----------------------------|-----------------------|--------------------------------|--------------------------------|
| FUND BALANCES: | | | | | | |
| Assigned | \$ - | \$ 44,372 | \$ 1,277 | \$ 263,526 | 86,470 | 395,645 |
| Unassigned | 488,851 | - | - | - | - | 488,851 |
| Total | <u>\$ 488,851</u> | <u>\$ 44,372</u> | <u>\$ 1,277</u> | <u>\$ 263,526</u> | <u>\$ 86,470</u> | <u>\$ 884,496</u> |

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation

According to the City Attorney, the Town currently has no pending litigation.

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

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.

Compensated Absences - Compensated absences have not been determined because the Town prepares its financial statements on the cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

NOTE 9 - RISK MANAGEMENT

The Town and its public trusts are exposed to various risks of loss related to torts; theft or, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 10 - PENSION PLAN PARTICIPATION

OKLAHOMA FIREFIGHTER'S PENSION AND RETIREMENT SYSTEM (OFPRS):

Description of the Plan

The Town volunteer firemen participate only in the Oklahoma State Firefighter's Pension and Retirement System which is a defined contributions plan applying only to the Town's volunteer firefighters. Eligibility to participate includes all full-time or voluntary firefighters or a participating municipality if they are hired before age 45. The State Statute gives the authority to establish contribution obligations and benefits. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The eligibility and benefits for distribution for volunteer firemen is 20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered. The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required

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

supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461. The report is also available at www.ok.gov/fprs under the "GASB" tab labeled "2014-GASB 68 Accounting Supplement".

Funding Policy

OFPPRA plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriation, as necessary.

The OFPPRS contributions are as follows:

| Fiscal Year | Required Contribution | Amount Contributed |
|-------------|--------------------------|-----------------------|
| 2013 | \$1,140 | \$1,140 |
| 2014 | \$840 | \$840 |
| 2015 | \$900 | \$900 |

NOTE 11 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through October 29, 2015, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2015.

NOTE 12 - CDBG GRANT INCOME

During the fiscal year ending June 30, 2015, the Town received and expended Contract 15677 CDBG CIP 13 in the amount of \$13,360.00.

The Town was also awarded Contract 15473 CDBG 12 in the amount of \$136,235 to be used to bring the Town's sewer lagoons into compliance with DEQ requirements. The PUA received and expended \$2,036.75 from this contract for the current fiscal year.

NOTE 13 - PRIOR YEAR ADJUSTMENTS

Prior year adjustments were made to Fund Balance/Total Net Position accounts to remove accounts payable for the modified cash basis, to make immaterial adjustments to cash and to add capital asset information to the financial statements. The adjustments were as follows:

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

Governmental Funds:

| | |
|--|-------------------|
| General Fund - Accounts Payable | \$ 7,261.22 |
| General Fund - Cash | 5.00 |
| EMS Fund - Accounts Payable | 6,895.37 |
| Fire Dept. Fund - Accounts Payable | 7,084.22 |
| Fire Dept. Fund - Cash | 90.00 |
| Street Project Fund - Accounts Payable | <u>1,712.14</u> |
| Total Governmental Fund Adjustment | \$ 23,047.95 |
| Capital Assets | <u>427,799.57</u> |
| Total Governmental Activities Adjustment | \$450,847.52 |

PUA Fund:

| | |
|---|-------------------|
| PUA - Accounts Payable | \$ 20,235.88 |
| PUA Capital Assets | <u>870,650.11</u> |
| Total Business-Type Activities Adjustment | \$890,885.99 |

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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 Colbert, 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 Colbert, 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 Colbert, Oklahoma's basic financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control Over Financial Reporting

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

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these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colbert's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of the 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

October 29, 2015

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

| | <u>SPECIAL REVENUE FUNDS</u> | | Total Nonmajor Governmental Funds |
|---|------------------------------|-----------------------------------|--|
| | Street Project Fund | Forfeitures & Seizures Fund | |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 81,675 | \$ 4,795 | \$ 86,470 |
| Investments | - | - | - |
| Due from General Fund | - | - | - |
| Due from other governments | - | - | - |
| TOTAL ASSETS | <u>\$ 81,675</u> | <u>\$ 4,795</u> | <u>\$ 86,470</u> |
| <u>LIABILITIES & FUND EQUITY</u> | | | |
| LIABILITIES: | | | |
| Due to Other Governments | \$ - | \$ - | \$ - |
| Payroll Taxes | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES: | | | |
| Assigned | 81,675 | 4,795 | 86,470 |
| TOTAL FUND BALANCES | <u>81,675</u> | <u>4,795</u> | <u>86,470</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 81,675</u> | <u>\$ 4,795</u> | <u>\$ 86,470</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

| | <u>SPECIAL REVENUE FUNDS</u> | | Total Nonmajor Governmental Funds |
|---|------------------------------|-----------------------------------|--|
| | Street Project Fund | Forfeitures & Seizures Fund | |
| <u>REVENUES:</u> | | | |
| Taxes: | | | |
| Sales Tax | \$ - | \$ - | \$ - |
| Franchise Tax | - | - | - |
| Intergovernmental: | | | |
| Alcoholic Beverage Tax | - | - | - |
| Gasoline Excise Tax | - | - | - |
| Motor Vehicle Tax | - | - | - |
| Grants | - | - | - |
| Fines & Forfeitures | - | - | - |
| Miscellaneous Income | - | - | - |
| Interest Income | 53 | 2 | 56 |
| TOTAL REVENUES | 53 | 2 | 56 |
| <u>EXPENDITURES:</u> | | | |
| Street & Alley - M&O | 27,533 | - | 27,533 |
| Police Department - M&O | - | - | - |
| Debt Service | - | - | - |
| Capital Outlay | - | - | - |
| TOTAL EXPENDITURES | 27,533 | - | 27,533 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (27,480) | 2 | (27,478) |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | |
| Operating Transfers In | 29,010 | - | 29,010 |
| Operating Transfers Out | - | - | - |
| Capital Debt Proceeds | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 29,010 | - | 29,010 |
| NET CHANGES IN FUND BALANCES | 1,530 | 2 | 1,533 |
| FUND BALANCE - BEGINNING OF YEAR | 78,433 | 4,792 | 83,225 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | 1,712 | - | 1,712 |
| FUND BALANCE - END OF YEAR | \$ 81,675 | \$ 4,795 | \$ 86,470 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements