

AUDIT REPORT  
TOWN OF GLENCOE, OKLAHOMA  
JUNE 30, 2015

KERSHAW CPA & ASSOCIATES, PC

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TOWN OF GLENCOE, OKLAHOMA  
JUNE 30, 2015

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TOWN OF GLENCOE, OKLAHOMA  
JUNE 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Glencoe, 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 Glencoe, 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

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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 Glencoe, Oklahoma, as of June 30, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## *Other Matters*

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Glencoe's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements (Exhibit H & I) are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in related to the basic financial statements as a whole on the basis of accounting described in Note 1.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the Town of Glencoe's internal control over financial reporting and on our tests of its compliance

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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 Glencoe's internal control over financial reporting and compliance.

## *Basis of Accounting*

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

November 5, 2015

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2015 Total</u>
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 122,392	\$ 58,841	\$ 181,234
Certificates of Deposit	190,000	73,000	263,000
Total Current Assets	<u>312,392</u>	<u>131,841</u>	<u>444,234</u>
<b><u>Capital Assets:</u></b>			
Land	-	59,929	59,929
Capital Assets, net of Accum. Depreciation	349,641	659,036	1,008,677
Total Capital Assets	<u>349,641</u>	<u>718,965</u>	<u>1,068,606</u>
<b>TOTAL ASSETS</b>	<u>662,033</u>	<u>850,807</u>	<u>1,512,840</u>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities:</u></b>			
Current Portion of Long-Term Debt	-	8,219	8,219
Total Current Liabilities	<u>-</u>	<u>8,219</u>	<u>8,219</u>
<b><u>Long-Term Liabilities:</u></b>			
Customer Meter Deposits	-	23,159	23,159
Notes Payable	-	105,351	105,351
Less: Current Portion of Long-Term Debt	-	(8,219)	(8,219)
Total Long-Term Liabilities	<u>-</u>	<u>120,291</u>	<u>120,291</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>128,511</u>	<u>128,511</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	349,641	613,614	963,255
Restricted for:			
Debt Service	-	-	-
Other Purposes	-	-	-
Unrestricted	<u>312,393</u>	<u>108,682</u>	<u>421,075</u>
<b>TOTAL NET POSITION</b>	<u>\$ 662,033</u>	<u>\$ 722,296</u>	<u>\$ 1,384,329</u>

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

**TOWN OF GLENCOE, 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	
<b>Governmental activities:</b>					
General Government	\$ 86,550	\$ -	\$ -	\$ -	\$ (86,550)
Public Safety	57,770	11,165	4,484	-	(42,121)
Highways & Streets	9,803	-	-	-	(9,803)
Parks & Recreation	13,972	-	-	-	(13,972)
<b>Total Governmental Activities</b>	<b>168,095</b>	<b>11,165</b>	<b>4,484</b>	<b>-</b>	<b>(152,445)</b>
<b>Business-type activities:</b>					
Water	198,618	142,202	-	-	(56,416)
Sewer	51,910	43,145	-	-	(8,765)
Sanitation	43,131	54,771	-	-	11,640
Emergency Services	450	9,550	-	-	9,100
<b>Total Business-type Activities</b>	<b>294,109</b>	<b>249,668</b>	<b>-</b>	<b>-</b>	<b>(44,441)</b>
<b>Total</b>	<b>\$ 462,204</b>	<b>\$ 260,833</b>	<b>\$ 4,484</b>	<b>\$ -</b>	<b>\$ (196,887)</b>

**Changes in Net Position:**

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (152,445)	\$ (44,441)	\$ (196,887)
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales Tax	122,270	-	122,270
Use Tax	-	-	-
Tobacco Tax	1,510	-	1,510
Franchise Tax	14,557	-	14,557
<b>Intergovernmental:</b>			
Motor Vehicle Tax	4,579	-	4,579
Alcoholic Beverage Tax	2,017	-	2,017
Gasoline Excise Tax	1,127	-	1,127
Licenses & Permits	500	-	500
Miscellaneous Income	22,850	56,732	79,582
Interest Income	1,140	513	1,653
Transfers - Internal Activity	-	-	-
<b>Total general revenues &amp; transfers</b>	<b>170,550</b>	<b>57,245</b>	<b>227,796</b>
<b>Changes in Net Position</b>	<b>18,105</b>	<b>12,804</b>	<b>30,909</b>
Net Position - beginning	644,729	711,753	1,356,482
Net Position - prior year adjustment	(800)	(2,261)	(3,061)
<b>Net Position - ending</b>	<b>\$ 662,033</b>	<b>\$ 722,296</b>	<b>\$ 1,384,329</b>

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

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

	General Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,844	\$ 19,703	\$ 845	\$ 122,392
Certificates of deposit	165,000	25,000	-	190,000
<b>TOTAL ASSETS</b>	<b>\$ 266,844</b>	<b>\$ 44,703</b>	<b>\$ 845</b>	<b>\$ 312,392</b>
<b>LIABILITIES &amp; FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Payroll Taxes Payable	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	44,703	845	45,548
Unassigned	266,844	-	-	266,844
<b>TOTAL FUND BALANCES</b>	<b>266,844</b>	<b>44,703</b>	<b>845</b>	<b>312,392</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 266,844</b>	<b>\$ 44,703</b>	<b>\$ 845</b>	

**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 \$940,106, net of accumulated depreciation of \$590,465, are not financial resources and, therefore, are not reported in the funds.	349,641
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	-
<b>Net Position of Governmental Activities</b>	<b>\$ 662,033</b>

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

**TOWN OF GLENCOE, 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	Police Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
<b>Taxes:</b>				
Sales Tax	\$ 122,270	\$ -	\$ -	122,270
Use Tax	-	-	-	-
Tobacco Tax	1,510	-	-	1,510
Franchise Tax	14,557	-	-	14,557
<b>Intergovernmental:</b>				
Motor Vehicle Tax	-	-	4,579	4,579
Alcoholic Beverage Tax	2,017	-	-	2,017
Gasoline Excise Tax	-	-	1,127	1,127
Grants	4,484	-	-	4,484
Fines & Forfeitures	-	1,350	-	1,350
Licenses & Permits	500	-	-	500
Miscellaneous Income	32,660	5	-	32,665
Interest Income	990	150	-	1,140
<b>TOTAL REVENUES</b>	<b>178,988</b>	<b>1,505</b>	<b>5,706</b>	<b>186,200</b>
<b>EXPENDITURES:</b>				
General Government	61,788	-	-	61,788
Public Safety - Fire	12,819	-	-	12,819
Public Safety - Police	-	42,771	-	42,771
Highways & Streets	-	-	9,803	9,803
Parks and Recreation	9,862	-	-	9,862
Capital Outlay	20,746	-	2,500	23,246
<b>TOTAL EXPENDITURES</b>	<b>105,216</b>	<b>42,771</b>	<b>12,303</b>	<b>160,290</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>73,772</b>	<b>(41,266)</b>	<b>(6,597)</b>	<b>25,910</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	-	38,421	6,597	45,018
Operating Transfers Out	(45,018)	-	-	(45,018)
Capital Debt Proceeds	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(45,018)</b>	<b>38,421</b>	<b>6,597</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>28,754</b>	<b>(2,845)</b>	<b>-</b>	<b>25,910</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>236,377</b>	<b>50,060</b>	<b>845</b>	<b>287,283</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>1,713</b>	<b>(2,513)</b>	<b>-</b>	<b>(800)</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 266,844</b>	<b>\$ 44,703</b>	<b>\$ 845</b>	<b>312,392</b>

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

**TOWN OF GLENCOE, 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	\$	25,910
 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		23,246
Depreciation expense		(31,051)
		18,105
Change in Net Position of Governmental Activities	\$	18,105

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

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

	<u>Glencoe Public Works Authority Enterprise Fund</u>
<b><u>ASSETS</u></b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 58,841
Certificates of Deposit	73,000
<b>Total Current Assets</b>	<u>131,841</u>
<b>Noncurrent Assets:</b>	
Land	59,929
Other capital assets, net of accumulated depreciation	659,036
<b>Total Noncurrent Assets</b>	<u>718,965</u>
<b>TOTAL ASSETS</b>	<u>850,807</u>
<b><u>LIABILITIES</u></b>	
<b>Current Liabilities:</b>	
Current Portion of Long-Term Debt	8,219
<b>Total Current Liabilities</b>	<u>8,219</u>
<b>Noncurrent Liabilities:</b>	
Customer meter deposits	23,159
OWRB Note Payable	105,351
Less: Current Portion of Long-Term Debt	(8,219)
<b>Total Noncurrent Liabilities</b>	<u>120,291</u>
<b>TOTAL LIABILITIES</b>	<u>128,511</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	613,614
Restricted for debt service	-
Unrestricted	108,682
<b>TOTAL NET POSITION</b>	<u>\$ 722,296</u>

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

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

	<u>Glencoe Public Works Authority Enterprise Fund</u>
<b><u>OPERATING REVENUES:</u></b>	
Charges for services:	
Water	\$ 142,202
Sewer	43,145
Sanitation	54,771
Emergency services	9,550
Other income	<u>56,732</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>306,400</b></u>
<b><u>OPERATING EXPENSES:</u></b>	
Water	186,796
Sewer	29,248
Sanitation	43,131
Emergency services	450
Depreciation	<u>31,444</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>291,069</b></u>
<b>NET OPERATING INCOME (LOSS)</b>	<u><b>15,330</b></u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	513
Interest Expense	<u>(3,039)</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u><b>(2,526)</b></u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>12,804</b>
Capital Contributions	-
Transfers in	-
Transfers out	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<b>12,804</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>711,753</b>
<b>TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT</b>	<u><b>(2,261)</b></u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u><b>\$ 722,296</b></u></u>

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

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

	2015
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Receipts from Customers	\$ 249,668
Other Cash Receipts	56,732
Payments to Suppliers, Employees & Laborers	(259,625)
Receipts of Customer Utility Deposits, Net of Refunds	3,025
Net Cash Provided (Used) by Operating Activities	49,799
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>	
Operating Transfers in	-
Operating Transfers Out	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>	
Additions to Capital Assets	-
Capital Contributions	-
Loan Proceeds received	-
Principal paid on Notes	(7,989)
Interest paid on Notes	(3,039)
Net Cash Provided (Used) by Capital & Related Financing Activities	(11,029)
<b><u>Cash Flows from Investing Activities:</u></b>	
(Increase) Decrease in CDs	-
Interest Income	513
Net Cash Provided (Used) by Investing Activities	513
Net Increase (Decrease) in Cash and Cash Equivalents	39,283
Cash & Cash Equivalents, Beginning of Year	21,819
Cash & Cash Equivalents, Prior Year Adjustment	(2,261)
Cash & Cash Equivalents, End of Year	\$ 58,841
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>	
Operating Income (Loss)	\$ 15,330
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation Expense	31,444
Increase(Decrease) in Customer Deposits	3,025
Net Cash Provided (Used) by Operating Activities	\$ 49,799

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

TOWN OF GLENCOE, 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 Glencoe
Blended Component Units:	Glencoe Public Works Authority (GPWA)

PRIMARY GOVERNMENT

The Town of Glencoe, Oklahoma (Town) operates under the Town Board of Trustees form of government.

The Town provides the following services: public safety, streets, public improvements, recreation, planning and zoning and general administrative services. The Glencoe Public Works Authority (Enterprise Fund) provides water, sewer and trash services to the citizens of the Town.

BLENDED 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

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

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: Glencoe Public Works Authority. The Town board of trustees, and PWA board of directors are the same.

**B. BASIS OF PRESENTATION**

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds:

Street & Alley Fund - used to account for gasoline excise and commercial vehicle taxes legally restricted for street & alley improvements.

Police Fund - used to account for the revenues received and expenditures paid for public safety.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for the acquisition, operation and maintenance of Town facilities which are financed primarily by user charges. The Enterprise funds are accounted for similar to activities of the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The Glencoe Public Works Authority is accounted for as the Town's Enterprise Fund.

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

Glencoe Public Works Authority      Accounts for the activities of the public trust in providing water, sewer and sanitation services to the public.

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 used 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:

- 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.

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

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.

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

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

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

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 and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions 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. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2000.

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 the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets.

Fund Financial Statements

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

ESTIMATES

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

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

NET POSITION/FUND BALANCE CLASSIFICATION

Government-Wide Statements

Net Position is classified 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.

Fund Financial Statements

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Police Fund	Fines Grants

REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission.

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

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.

Enterprise Fund Revenues

Revenues consist of sales of water, sewer, and sanitation services to individuals, business owners, and others within the Town corporate limits and nearby area.

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.

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.

Finance-related Legal & Contractual Provisions

As described in Note 4, the Authority was not in compliance with the reserve requirements of the Rural Development loan agreement.

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

Deficit Fund Balance or Retained Earnings

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

NOTE 3 - DEPOSITS, INVESTMENTS AND COLLATERAL

Custodial Credit Risk

At June 30, 2015, the Town held deposits of approximately \$444,234 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 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 Town 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 Town.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the

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

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 - CAPITAL ASSETS

Capital asset activity resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2015, was as follows:

<u>Governmental Activities:</u>	6/30/14			6/30/15
	Balance	Additions	Deductions	Balance
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Fire Department	197,110	1,440	-	198,550
Police Department	32,622	-	-	32,622
Parks and Recreation	114,064	19,306	-	133,370
Building	57,071	-	-	57,071
General equipment	23,263	-	-	23,263
Water, sewer & street improvements	492,731	2,500	-	495,231
Total other capital assets	916,861	23,246	-	940,107
Less accumulated depreciation for:				
Equipment	339,774	7,369	-	347,143
Buildings	23,899	2,774	-	26,673
Water, sewer & street improvements	195,742	20,908	-	216,650
Total accumulated depreciation	559,415	31,051	-	590,466
Other capital assets, net	357,446	(7,805)	-	349,641
Governmental activities capital assets, net	\$ 357,446	\$ (7,805)	\$ -	\$ 349,641

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

<u>Business-Type Activities:</u>	6/30/14			6/30/15
	Balance	Additions	Deductions	Balance
Capital assets not being depreciated:				
Land	\$ 59,929	\$ -	\$ -	\$ 59,929
Construction in progress	-	-	-	-
Total capital assets not being depreciated	59,929	-	-	59,929
Other capital assets:				
Utility equipment	85,524	-	-	85,524
Water & Sewer System	1,050,338	-	-	1,050,338
Total other capital assets	1,135,862	-	-	1,135,862
Less accumulated depreciation for:				
Utility equipment	74,160	3,195	-	77,355
Water & Sewer System	371,222	28,249	-	399,471
Total accumulated depreciation	445,382	31,444	-	476,826
Other capital assets, net	690,480	(31,444)	-	659,036
Business-type activities capital assets, net	\$ 750,409	\$ (31,444)	\$ -	\$ 718,965

NOTE 5 - LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

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

There are currently no governmental fund long-term debts outstanding.

BUSINESS-TYPE ACTIVITIES

ENTERPRISE FUND - GLENCOE PUBLIC WORKS AUTHORITY

Refundable Customer Deposits

Refundable deposits reported as a liability within the Statement of Net Position are utility deposits.

Note Payable - OWRB

The Authority has a note payable (ORF-05-0003-CW) to Oklahoma Water Resources Board (OWRB), payable in semi-annual installments until maturity on September 15, 2026, including interest at 2.6% plus 0.5%

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

administrative fees. The original amount of the loan was \$170,000.00 and was used for sewer improvements. Collateral is pledge and assignment of revenues.

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
Note Payable - OWRB	\$ 113,340.44	\$ -	\$ (7,989.32)	\$ 105,351.12
Refundable deposits	20,134.85	-	3,024.63	23,159.48
Total Long-Term Debt	<u>\$ 133,475.29</u>	<u>\$ -</u>	<u>\$ (4,964.69)</u>	<u>\$ 128,510.60</u>

Debt Services Requirements to Maturity

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

OWRB				
Year Ended June 30,	Principal	Interest	Admin	Payment
2016	\$ 8,219	\$ 2,290	\$ 517	\$ 11,026
2017	8,474	2,076	475	11,025
2018	8,728	1,863	432	11,024
2019	8,990	1,643	389	11,022
2020	9,254	1,422	343	11,019
2021-2025	50,921	3,167	987	55,075
2026	10,765	-	40	10,805
Total	<u>\$ 105,351</u>	<u>\$ 12,461</u>	<u>\$ 3,183</u>	<u>\$ 120,996</u>

NOTE 6 - 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

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

Fund Balances

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

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:				
Assigned to:				
Capital Improvements	\$ -	\$ 845	\$ -	\$ 845
Police Fund	-	-	44,703	44,703
Unassigned	266,844	-	-	266,844
Total	\$ 266,844	\$ 845	\$ 44,703	\$ 312,392

NOTE 7 - COMMITMENTS AND CONTINGENCIES

GRANT PROGRAMS

The Town participates in certain federal and state grant programs as available; currently the town is not participating in any ongoing programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agency cannot be determined at this time, although it is believed by the Town that the amount, if any, would not be significant.

LITIGATION

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

NOTE 8 - EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Oklahoma Municipal Retirement Fund

The Town provides a defined contribution plan and trust known as the Town of Glencoe & Glencoe Public Works Authority Plan (the "OMRF Plan") in the form of the Oklahoma Municipal Retirement System Master

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

Defined Contribution Plan (OMRF) available to all full-time employees. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is mandatory to all full-time employees who are not already participating in another plan. The employee contributes to the Plan and amount of 3% of their gross wages. The Employer contribution shall be allocated in the proportion which the Compensation of each employee for Valuation Period bears to the Compensation paid to all such Participants for such Valuation Period. If any employee terminates before becoming fully vested (vested after seven years), the employer's contributions that are forfeited may be used to reduce the Town's current-period contribution requirements.

The total OMRF contributions for 2015, 2014 and 2013, respectively, were \$3,762.81, \$3,949.60, and \$3,713.94.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

Oklahoma Firefighter's Pension and Retirement System (OFPRS):

The Town's volunteer firemen participate in the Oklahoma State Firefighter's Pension and Retirement System. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The total contribution for the year ended June 30, 2015 was \$1,260 and covered 21 volunteers.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414 and is also available at [www.ok.gov/fprs](http://www.ok.gov/fprs) under the "GASB" tab labeled "2014-GASB 68 Accounting Supplement."

NOTE 9 - WATER PURCHASE COMMITMENT

The governing board of the Town of Glencoe, Oklahoma, together with seven other cities and rural water districts located in Noble, Pawnee, and Payne Counties have jointly formed Lone Chimney Water Association (Association). The purpose of the Association is to provide a water system for the benefit of its members and other users. The Association has entered into various loan agreements with the USFA-Rural Development to provide financing for the facility. Under the

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

terms of the agreement regarding the Lone Chimney Water Association, each member has contracted to purchase a minimum amount of water from the Association during the 40 year term of the notes. In addition, each individual member is proportionately liable for any debts that exceed the assets of the Association to the extent of one and one-half times the percentage of ownership interest held by the entity pursuant to the agreement. At June 30, 2015, the Association's debts do not exceed its assets.

At June 30, 2015, the Town of Glencoe, Oklahoma was obligated to purchase a minimum of 18 million gallons of water annually. The rate charged for the water can be adjusted every three years to provide sufficient revenues for the Association. In November 2014, the rates increased significantly and have resulted in a large increase in water costs for the Town.

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 5, 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.

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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 Glencoe, Oklahoma

We were engaged to audit, 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 Glencoe, 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 Glencoe, Oklahoma's basic financial statements, and have issued our report thereon dated November 5, 2015.

### Internal Control Over Financial Reporting

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

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weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 15-01.

## Compliance and Other Matters

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

## Town of Glencoe's Response to Findings

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

## Purpose of this Report

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

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

November 5, 2015

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

INTERNAL CONTROL FINDINGS

Item 15-01: 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 Trustees have concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

COMPLIANCE FINDINGS:

None

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

	<u>SPECIAL REVENUE FUNDS</u>		Total Nonmajor Governmental Funds
	<u>Street &amp; Alley Fund</u>	<u>Capital Improvement Fund</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 845	\$ 845
Investments	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 845</u>	<u>\$ 845</u>
<b>LIABILITIES &amp; FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Due to Other Governments	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	845	845
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>845</u>	<u>845</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 845</u>	<u>\$ 845</u>

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

**TOWN OF GLENCOE, 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
	<u>Street &amp; Alley Fund</u>	<u>Capital Improvement Fund</u>	
<b><u>REVENUES:</u></b>			
Intergovernmental:			
Gasoline Excise Tax	\$ 1,127	\$ -	\$ 1,127
Motor Vehicle Tax	4,579	-	4,579
Grants	-	-	-
Fines & Forfeitures	-	-	-
Miscellaneous Income	-	-	-
Interest Income	-	-	-
<b>TOTAL REVENUES</b>	<b>5,706</b>	<b>-</b>	<b>5,706</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
Public Safety - Police	-	-	-
Highways & Streets	9,803	-	9,803
Capital Outlay	2,500	-	2,500
<b>TOTAL EXPENDITURES</b>	<b>12,303</b>	<b>-</b>	<b>12,303</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,597)</b>	<b>-</b>	<b>(6,597)</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Operating Transfers In	6,597	-	6,597
Operating Transfers Out	-	-	-
Capital Debt Proceeds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,597</b>	<b>-</b>	<b>6,597</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>-</b>	<b>845</b>	<b>845</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 845</b>	<b>\$ 845</b>

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