

AUDIT REPORT  
TOWN OF BOSWELL, OKLAHOMA  
JUNE 30, 2016



KERSHAW CPA & ASSOCIATES, PC

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TOWN OF BOSWELL, OKLAHOMA  
JUNE 30, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION:	
LIST OF BOARD MEMBERS	4
FINANCIAL SECTION:	
INDEPENDENT AUDITOR'S REPORT	5-7
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
EXHIBIT A STATEMENT OF NET POSITION - MODIFIED CASH BASIS	8
EXHIBIT B STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	9
Fund Financial Statements:	
EXHIBIT C BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	10
EXHIBIT D STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	11-12
EXHIBIT E STATEMENT OF NET POSITION - PROPRIETARY FUND - MODIFIED CASH BASIS	13
EXHIBIT F STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND - MODIFIED CASH BASIS	14
EXHIBIT G STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	15
NOTES TO THE FINANCIAL STATEMENTS	16-30
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	31-32

TOWN OF BOSWELL, OKLAHOMA  
JUNE 30, 2016

SCHEDULE OF FINDINGS

33-34

OTHER SUPPLEMENTARY INFORMATION:

EXHIBIT H COMBINING BALANCE SHEET - NONMAJOR  
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS 35

EXHIBIT I COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
- NONMAJOR GOVERNMENTAL FUNDS - MODIFIED  
CASH BASIS

36+

TOWN OF BOSWELL, OKLAHOMA  
LIST OF BOARD MEMBERS  
JUNE 30, 2016

LIST OF BOARD MEMBERS

<u>NAME</u>	<u>POSITION</u>
Buck Eastwood	Mayor
Betty Winters	Vice-Mayor
Chris Pardue	Trustee
Tiffany Rubio	Trustee
Lela Marshall	Trustee
Brittany Harrison	City Clerk

Unaudited

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Boswell, 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 Boswell, Oklahoma, as of and for the fiscal year ended June 30, 2016, 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 accounting

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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 qualified opinions.

## *Basis for Qualified Opinion*

The Town is recording checks in the QuickBooks data files with vendors that do not match the vendors on the checks clearing the bank accounts. We were unable to obtain sufficient appropriate audit evidence about the expense classifications and proper authorization of such transactions. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

## *Qualified Opinions*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the of the Town of Boswell, Oklahoma, as of June 30, 2016, 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 November 17, 2016, on our consideration of the Town of Boswell'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

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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 Boswell'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 17, 2016

**TOWN OF BOSWELL, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2016 Total</u>
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 18,423	\$ 67,618	\$ 86,041
Cash and investments - restricted	-	56,736	56,736
Total Current Assets	<u>18,423</u>	<u>124,354</u>	<u>142,777</u>
<b><u>Noncurrent Assets:</u></b>			
Restricted trust accounts	-	94,425	94,425
Land and construction in progress	-	53,380	53,380
Capital Assets, net of Accum. Depreciation	<u>285,414</u>	<u>1,799,031</u>	<u>2,084,444</u>
Total Capital Assets	<u>285,414</u>	<u>1,946,836</u>	<u>2,232,250</u>
<b>TOTAL ASSETS</b>	<u>303,837</u>	<u>2,071,190</u>	<u>2,375,027</u>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities:</u></b>			
Accounts Payable	531	-	531
Current Portion of Long-Term Debt	6,393	15,000	21,393
Meter Deposits	-	45,783	45,783
Total Current Liabilities	<u>6,924</u>	<u>60,783</u>	<u>67,707</u>
<b><u>Long-Term Liabilities:</u></b>			
Long-term debt	23,298	695,000	718,298
Less: Current Portion of Long-Term Debt	<u>(6,393)</u>	<u>(15,000)</u>	<u>(21,393)</u>
Total Long-Term Liabilities	<u>16,905</u>	<u>680,000</u>	<u>696,905</u>
<b>TOTAL LIABILITIES</b>	<u>23,828</u>	<u>740,783</u>	<u>764,611</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	262,116	1,157,411	1,419,527
Restricted for:			
Debt Service	-	112,655	112,655
Other Purposes	-	-	-
Unrestricted	<u>17,892</u>	<u>60,342</u>	<u>78,234</u>
<b>TOTAL NET POSITION</b>	<u>\$ 280,008</u>	<u>\$ 1,330,407</u>	<u>\$ 1,610,416</u>

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

**TOWN OF BOSWELL, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	\$ 135,774	\$ -	\$ -	\$ -	\$ (135,774)
Public Safety - Police	161,555	116,026	-	-	(45,529)
Public Safety - Fire	50,459	4,905	4,290	-	(41,264)
Cemetery	2,179	-	-	-	(2,179)
Nutrition	53,238	-	44,553	-	(8,685)
<b>Total Governmental Activities</b>	<b>403,206</b>	<b>120,931</b>	<b>48,843</b>	<b>-</b>	<b>(233,432)</b>
<b>Business-type activities:</b>					
Water & Sewer	293,030	312,087	-	-	19,056
Sanitation	45,351	52,289	-	-	6,938
Industrial Park	9,386	22,255	-	-	12,869
Interest & Depreciation	116,831	-	-	-	(116,831)
<b>Total Business-type Activities</b>	<b>464,599</b>	<b>386,631</b>	<b>-</b>	<b>-</b>	<b>(77,968)</b>
<b>Total</b>	<b>\$ 867,804</b>	<b>\$ 507,561</b>	<b>\$ 48,843</b>	<b>\$ -</b>	<b>\$ (311,400)</b>

**Changes in Net Position:**

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (233,432)	\$ (77,968)	\$ (311,400)
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales Tax	154,879	-	154,879
Franchise Tax	12,394	-	12,394
Use Tax	14,679	-	14,679
Cigarette Tax	1,872	-	1,872
<b>Intergovernmental:</b>			
Alcoholic Beverage Tax	9,779	-	9,779
Motor Vehicle Tax	5,158	-	5,158
Gasoline Excise Tax	1,331	-	1,331
Licenses & Permits	345	-	345
Miscellaneous Income	13,633	21,720	35,353
Interest Income	16	85	101
Transfers - Internal Activity	(10,924)	10,924	-
<b>Total general revenues &amp; transfers</b>	<b>203,164</b>	<b>32,728</b>	<b>235,892</b>
<b>Changes in net position</b>	<b>(30,268)</b>	<b>(45,240)</b>	<b>(75,508)</b>
Net position - beginning	310,276	1,375,647	1,685,923
Net position - prior year adjustment	-	-	-
<b>Net position - ending</b>	<b>\$ 280,008</b>	<b>\$ 1,330,407</b>	<b>\$ 1,610,416</b>

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

**TOWN OF BOSWELL, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General Fund	Nutrition Program Fund	Police Department Fund	Fire Dept. Operating Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 16,205	\$ 10,921	\$ (3,177)	\$ (5,519)	\$ (7)	\$ 18,423
<b>TOTAL ASSETS</b>	<b>\$ 16,205</b>	<b>\$ 10,921</b>	<b>\$ (3,177)</b>	<b>\$ (5,519)</b>	<b>\$ (7)</b>	<b>\$ 18,423</b>
<b>LIABILITIES &amp; FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ -	\$ 531	\$ -	\$ -	\$ -	\$ 531
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>531</b>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	10,390	(3,177)	(5,519)	(7)	1,687
Unassigned	16,205	-	-	-	-	16,205
<b>TOTAL FUND BALANCES</b>	<b>16,205</b>	<b>10,390</b>	<b>(3,177)</b>	<b>(5,519)</b>	<b>(7)</b>	<b>17,892</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,205</b>	<b>\$ 10,921</b>	<b>\$ (3,177)</b>	<b>\$ (5,519)</b>	<b>\$ (7)</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 \$2,001,441, net of accumulated depreciation of \$1,716,027, are not financial resources and, therefore, are not reported in the funds. 285,414

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. (23,298)

Net Position of Governmental Activities \$ 280,008

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

TOWN OF BOSWELL, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Nutrition Program Fund	Police Department Fund	Fire Dept. Operating Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes:						
Sales Tax	\$ 154,879	\$ -	\$ -	\$ -	\$ -	\$ 154,879
Franchise Tax	12,394	-	-	-	-	12,394
Use Tax	14,679	-	-	-	-	14,679
Cigarette Tax	1,872	-	-	-	-	1,872
Intergovernmental:						
Alcoholic Beverage Tax	9,779	-	-	-	-	9,779
Motor Vehicle Tax	5,158	-	-	-	-	5,158
Gasoline Excise Tax	1,331	-	-	-	-	1,331
Grant Income	-	44,553	-	4,290	-	48,843
Fines and forfeitures	-	-	116,026	-	-	116,026
Licenses and permits	345	-	-	-	-	345
Membership Dues	-	-	-	4,905	-	4,905
Miscellaneous Income	9,247	618	-	3,768	-	13,633
Interest Income	13	-	-	3	-	16
<b>TOTAL REVENUES</b>	<b>209,699</b>	<b>45,171</b>	<b>116,026</b>	<b>12,967</b>	<b>-</b>	<b>383,862</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	119,595	-	-	-	-	119,595
Public Safety - Police	-	-	149,870	-	-	149,870
Public Safety - Fire	6,881	-	-	34,617	-	41,498
Cemetery	2,179	-	-	-	-	2,179
Nutrition Program	-	53,238	-	-	-	53,238
Debt Service	792	-	22,160	-	-	22,951
Capital Outlay	4,109	-	6,000	-	-	10,109
<b>TOTAL EXPENDITURES</b>	<b>133,557</b>	<b>53,238</b>	<b>178,030</b>	<b>34,617</b>	<b>-</b>	<b>399,442</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>76,142</b>	<b>(8,068)</b>	<b>(62,004)</b>	<b>(21,650)</b>	<b>-</b>	<b>(15,580)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers In	8,858	7,607	41,203	8,703	-	66,371
Operating Transfers Out	(73,823)	-	(3,472)	-	-	(77,294)
Capital Debt Proceeds	4,109	-	23,598	-	-	27,707
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(60,856)</b>	<b>7,607</b>	<b>61,330</b>	<b>8,703</b>	<b>-</b>	<b>16,783</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>15,286</b>	<b>(461)</b>	<b>(675)</b>	<b>(12,947)</b>	<b>-</b>	<b>1,203</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>919</b>	<b>10,851</b>	<b>(2,502)</b>	<b>7,428</b>	<b>(7)</b>	<b>16,689</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 16,205</b>	<b>\$ 10,390</b>	<b>\$ (3,177)</b>	<b>\$ (5,519)</b>	<b>\$ (7)</b>	<b>17,892</b>

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

TOWN OF BOSWELL, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$ 1,203
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	21,584
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	(27,707)
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	10,109
Depreciation expense	<u>(35,457)</u>
Change in Net Position of Governmental Activities	<u>\$ (30,268)</u>

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

**TOWN OF BOSWELL, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**JUNE 30, 2016**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Public Works Authority Fund</u>	<u>Industrial Park Fund</u>	
<b><u>ASSETS</u></b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 61,439	\$ 6,179	\$ 67,618
Restricted cash and investments	56,736	-	56,736
<b>Total Current Assets</b>	<b>118,175</b>	<b>6,179</b>	<b>124,354</b>
<b>Noncurrent Assets:</b>			
Restricted trust accounts	94,425	-	94,425
Land and construction in progress	27,880	25,500	53,380
Other capital assets, net of accumulated depreciation	1,343,401	455,630	1,799,031
<b>Total Noncurrent Assets</b>	<b>1,465,706</b>	<b>481,130</b>	<b>1,946,836</b>
<b>TOTAL ASSETS</b>	<b>1,583,881</b>	<b>487,309</b>	<b>2,071,190</b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
<b>Current Liabilities:</b>			
Current Portion of Long-Term Debt	15,000	-	15,000
Meter Deposits	45,783	-	45,783
<b>Total Current Liabilities</b>	<b>60,783</b>	<b>-</b>	<b>60,783</b>
<b>Noncurrent Liabilities:</b>			
Long-Term Debt	695,000	-	695,000
Less: Current Portion of Long-Term Debt	(15,000)	-	(15,000)
<b>Total Noncurrent Liabilities</b>	<b>680,000</b>	<b>-</b>	<b>680,000</b>
<b>TOTAL LIABILITIES</b>	<b>740,783</b>	<b>-</b>	<b>740,783</b>
<b>NET POSITION:</b>			
Net investment in capital assets	676,281	481,130	1,157,411
Restricted for debt service	112,655	-	112,655
Unrestricted	54,163	6,179	60,342
<b>TOTAL NET POSITION</b>	<b>\$ 843,098</b>	<b>\$ 487,309</b>	<b>\$ 1,330,407</b>

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

**TOWN OF BOSWELL, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Public Works Authority Fund</u>	<u>Industrial Park Fund</u>	
<b><u>OPERATING REVENUES:</u></b>			
Water Income	\$ 204,631	\$ -	\$ 204,631
Sewer Income	107,456	-	107,456
Sanitation Income	52,289	-	52,289
Rental Income	-	22,255	22,255
Other Income	21,720	-	21,720
<b>TOTAL OPERATING REVENUES</b>	<b>386,095</b>	<b>22,255</b>	<b>408,350</b>
<b><u>OPERATING EXPENSES:</u></b>			
Water and Sewer	293,030	-	293,030
Sanitation	45,351	-	45,351
Industrial Park	-	9,386	9,386
Depreciation Expense	54,991	21,570	76,561
<b>TOTAL OPERATING EXPENSES</b>	<b>393,373</b>	<b>30,956</b>	<b>424,329</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(7,278)</b>	<b>(8,701)</b>	<b>(15,979)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	76	9	85
Interest Expense	(40,270)	-	(40,270)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(40,194)</b>	<b>9</b>	<b>(40,185)</b>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>(47,472)</b>	<b>(8,692)</b>	<b>(56,164)</b>
Capital Contributions	-	-	-
Transfers in	16,310	-	16,310
Transfers out	(5,386)	-	(5,386)
<b>CHANGE IN NET POSITION</b>	<b>(36,548)</b>	<b>(8,692)</b>	<b>(45,240)</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>879,646</b>	<b>496,001</b>	<b>1,375,647</b>
<b>TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 843,098</b>	<b>\$ 487,309</b>	<b>\$ 1,330,407</b>

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

**TOWN OF BOSWELL, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Enterprise Funds		Totals
	Public Works Authority Fund	Industrial Park Fund	
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Receipts from Customers	\$ 386,095	\$ 22,255	\$ 408,350
Payments to Suppliers, Employees & Laborers	(338,382)	(9,386)	(347,768)
Receipts of Customer Utility Deposits, Net of Refunds	(282)	-	(282)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>47,432</b>	<b>12,869</b>	<b>60,301</b>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>			
Operating Transfers in	16,310	-	16,310
Operating Transfers Out	(5,386)	-	(5,386)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>10,924</b>	<b>-</b>	<b>10,924</b>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>			
Additions to Capital Assets	-	(22,293)	(22,293)
Loan Proceeds	-	-	-
Principal paid on Long-Term Debt	(15,000)	-	(15,000)
Interest Expense	(40,270)	-	(40,270)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>(55,270)</b>	<b>(22,293)</b>	<b>(77,563)</b>
<b><u>Cash Flows from Investing Activities:</u></b>			
Change in restricted cash, including trust accounts	294	-	294
Interest Income	76	9	85
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>371</b>	<b>9</b>	<b>379</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,456</b>	<b>(9,415)</b>	<b>(5,959)</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>57,983</b>	<b>15,594</b>	<b>73,577</b>
<b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 61,439</b>	<b>\$ 6,179</b>	<b>\$ 67,618</b>
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>			
Operating Income (Loss)	\$ (7,278)	\$ (8,701)	\$ (15,979)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation Expense	54,991	21,570	76,561
Increase(Decrease) in Meter Deposits	(282)	-	(282)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 47,432</b>	<b>\$ 12,869</b>	<b>\$ 60,301</b>

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

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 Boswell
Blended Component Units:	Boswell Public Works Authority (BPWA) Boswell Economic Development Authority

PRIMARY GOVERNMENT

The Town operates under the "Town Board of Trustees" form of government and provides the following services: public safety, nutrition program, streets and alley maintenance, sanitation, water and sewer department, fire protection and general administrative services. The following is a summary of the more significant accounting policies 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 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. The Town's blended component units are presented subsequently:

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Boswell Public Works Authority

The Boswell Public Works Authority (BPWA) is a public trust created under authority of and pursuant to Oklahoma Statutes. The Trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, garbage, trash disposal recreation and industrial facilities, or other forms or types of public and municipal services within the boundaries of the Boswell Public Works Authority.

Boswell Economic Development Authority

The Boswell Economic Development Authority (BEDA) is a public trust created under authority of and pursuant to Oklahoma Statutes. The Trust has as its purpose to provide industrial development for the benefit of the Town.

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 within the limitations of the modified cash basis of accounting. 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

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 accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund types as follows:

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

PROPRIETARY FUND TYPES

Enterprise Funds

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 Boswell Public Works Authority and Boswell Industrial Development Authority are accounted for as the Town's Enterprise Funds.

Boswell Public Works Authority

Accounts for the activities of the public trust in providing water, sewer and trash services to the public.

Boswell Economic Development Authority  
(Industrial Park Fund)

Account for the activities of the public trust in rental of industrial buildings.

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

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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.

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

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 cash on hand, demand and savings accounts and certificates of deposit or short-term investments with an original maturity of 3 months or less.

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.

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. The range of estimates useful lives by type of asset is as follows:

TOWN OF BOSWELL, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25-30
Machinery and equipment	3-10
Vehicles	5
Streets	40-50
Water and sewer systems and improvements	5-40

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.

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

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;

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 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:

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Nutrition Program Fund	Grant Income
Police Department Fund	Police Fines
Fire Department Operating Fund	Membership Dues Grant Income

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 these 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 Town's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an 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 Town for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2016, the Town held deposits of approximately \$169,585 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.

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 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 amounts reported as restricted assets comprise amounts held by the PWA for customer deposits (refunded upon termination of service or applied to final bill) and the amount held in trustee accounts on behalf of the revenue bonds.

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Restricted Assets are as follows:

Water Meter Deposit Account	\$ 30,304
Water Meter Deposit CD	8,185
PWA Debt Reserve CD	18,248
BOK Trust Construction Fund	18,061
BOK Trust Sinking Fd Rsv Fd	58,180
BOK Trust Bond Fund	<u>18,184</u>
Total Restricted Assets	<u>\$151,162</u>

NOTE 5 - CAPITAL ASSETS

Governmental activities:

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets:				
Buildings & Improvements	419,450	-	-	419,450
Machinery & Equipment	229,414	10,109	-	239,523
Infrastructure	1,342,468	-	-	1,342,468
Total depreciable capital assets	<u>1,991,332</u>	<u>10,109</u>	<u>-</u>	<u>2,001,441</u>
Less: Accum. Depreciation for:				
Buildings & Improvements	263,231	11,238	-	274,469
Machinery & Equipment	159,763	20,403	-	180,165
Infrastructure	1,257,577	3,816	-	1,261,393
Total Accumulated Depreciation	<u>1,680,571</u>	<u>35,457</u>	<u>-</u>	<u>1,716,027</u>
Governmental Activities Capital Assets, Net	<u>\$ 310,761</u>	<u>\$ (25,348)</u>	<u>\$ -</u>	<u>\$ 285,414</u>

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

Business-Type Activities:

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
Capital assets not being depreciated:				
Land	\$ 53,380	\$ -	\$ -	\$ 53,380
Construction in progress	-	-	-	-
Total capital assets not being depreciated	53,380	-	-	53,380
Other capital assets:				
Buildings & Improvements	680,865	22,293	-	703,158
Machinery & Equipment	198,197	-	-	198,197
Water & Sewer Systems	1,975,841	-	-	1,975,841
Total depreciable capital assets	2,854,904	22,293	-	2,877,197
Less: Accum. Depreciation for:				
Buildings & Improvements	168,459	24,070		192,528
Machinery & Equipment	191,582	2,140		193,722
Water & Sewer Systems	641,565	50,352	-	691,916
Total Accumulated Depreciation	1,001,605	76,561	-	1,078,166
Business-Type Activities Capital Assets, Net	\$ 1,906,679	\$ (54,268)	\$ -	\$ 1,852,411

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

Primary Government:

Governmental Activities:	
General Government	\$ 15,696
Public Safety - Police	10,800
Public Safety - Fire	8,961
Total depreciation expense for governmental activities	\$ 35,457
Business-Type Activities:	
Industrial Park Fund	\$ 21,570
PWA Fund	54,991
Total depreciation expense for business-type activities	\$ 76,561

NOTE 6 - LONG-TERM DEBT

Governmental Activities:

On April 30, 2014, the Town of Boswell entered into a contract with First Texoma National Bank. This contract is in the amount of \$22,200 at 3.25%, with 54 payments of \$442.89 beginning June 10, 2014 and ending November 10, 2018. The Police Department Fund makes the monthly payments as required. This loan was refinanced by a new loan with First Texoma National Bank.

On August 11, 2015, the Town of Boswell entered into a contract with First Texoma National Bank. This contract is in the amount of \$23,598.21 at 3.25%, with 54 payments of \$470.34 beginning September 11, 2015 and ending February 11, 2020. The Police Department Fund makes the monthly payments as required. This loan was used to refinance the existing loan with First Texoma National Bank and to purchase a 2007 Dodge Durango. The collateral

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

for the new loan is the 2011 Chevrolet Tahoe 4WD 1500 LS and the 2008 Crown Victoria Police Interceptor.

On April 14, 2016, the Town of Boswell entered into a contract with First Texoma National Bank. This contract is in the amount of \$4,109.00 at 6.00%, with 36 payments of \$125.00 beginning May 14, 2016 and ending April 14, 2019. The General Fund Fund makes the monthly payments as required. This loan was used to purchase a Bad Boy MZ Magnum Lawn Mower which is also the collateral for this loan.

Changes in Long-Term Debt:

Capital Note Obligations:	2015	Additions	Retirements	2016
Note Payable - FTNB (Police)	\$ 17,174	\$ -	\$ (17,174)	\$ -
Note Payable - FTNB (Police-New)	-	23,598	(4,100)	19,498
Note Payable - FTNB (General)	-	4,109	(309)	3,800
Total Capital Note Obligations	<u>\$ 17,174</u>	<u>\$ 27,707</u>	<u>\$ (21,584)</u>	<u>\$ 23,298</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, 2016, are as follows:

First Texoma National Bank (Police-New):

Year Ending	Principal	Interest	Total
June 30,			
2017	\$ 5,086	\$ 558	\$ 5,644
2018	5,253	391	5,644
2019	5,427	217	5,644
2020	3,732	46	3,778
2021	-	-	-
2022-2026	-	-	-
Total	<u>\$ 19,498</u>	<u>\$ 1,212</u>	<u>\$ 20,710</u>

First Texoma National Bank (General):

Year Ending	Principal	Interest	Total
June 30,			
2017	\$ 1,308	\$ 192	\$ 1,500
2018	1,388	112	1,500
2019	1,104	28	1,132
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
Total	<u>\$ 3,800</u>	<u>\$ 332</u>	<u>\$ 4,132</u>

Business-Type Activities:

On March 1, 2008, the Boswell Public Works Authority issued utility system revenue bonds, series 2008, in the amount of \$800,000, with semi-annual interest payable on March 1 and September 1, beginning September 1, 2008. The interest rate varies between 4.85% and 5.85%. Bank of Oklahoma, NA, Oklahoma City, Oklahoma is the trustee bank and registrar for the bond issue. The Boswell Public Works Authority makes monthly payment to a

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

bond sinking fund at Bank of Oklahoma to pay bond interest and redemption as required.

Changes in Long-Term Debt:

	2015	Additions	Retirements	2016
Revenue Bonds Payable	\$ 710,000	\$ -	\$ (15,000)	\$ 695,000
Total Long-Term Debt	\$ 710,000	\$ -	\$ (15,000)	\$ 695,000

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2016, are as follows:

Revenue Bonds Payable:

FYE June 30,	Principal	Interest	Total
2017	\$ 15,000.00	\$ 39,542.50	\$ 54,542.50
2018	15,000.00	38,815.00	53,815.00
2019	15,000.00	38,087.50	53,087.50
2020	20,000.00	37,262.50	57,262.50
2021	20,000.00	36,162.50	56,162.50
2022-2026	115,000.00	163,487.50	278,487.50
2027-2031	150,000.00	127,587.50	277,587.50
2032-2036	195,000.00	79,455.00	274,455.00
2037-2038	150,000.00	14,917.50	164,917.50
Total	<u>\$ 695,000.00</u>	<u>\$ 575,317.50</u>	<u>\$ 1,270,317.50</u>

NOTE 7 - PENSION PLAN PARTICIPATION

The Town participates in one employee pension system as follows:

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

Description of the Plan

The Town participates in the Oklahoma Firefighter's Pension and Retirement System (OFPRS), a statewide cost-sharing, multiple-employer, defined benefit plan, on behalf of volunteer firefighters. Participation in the System is open to all full-time or volunteer firefighters of a participating municipality hired before age 45. Contribution rates for full-time and volunteer firefighters are set by state statute. The System is supported by employee contributions, municipal contributions, and state appropriations.

Benefits under the System are vested after 10 years of credited service. Volunteers may receive benefits after obtaining 20 years of credited service. Benefits are determined at the rate of \$5.46 per month per year of credited service, with a maximum of 30 years considered. The Oklahoma Firefighter's Pension and Retirement System issues a publicly available financial report that includes financial statements and required 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

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

calling 1-800-525-7461. That report is also available at [www.ok.gov/fprs](http://www.ok.gov/fprs) under the "GASB" tab labeled "2014-GASB 68 Accounting Supplement".

Funding Policy

OFPRS 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 OFPRS contributions for 2016, 2015 and 2014, respectively, were \$240.00, \$960.00, and \$1,020.00.

NOTE 8 - 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

Restricted assets are described in Note 4 above.

Fund Balances

Town of Boswell, Oklahoma  
Disclosure of Fund Balances Reported on Balance Sheet  
For Fiscal Year Ending June 30, 2016

	General Fund	Nutrition Program Fund	Police Department Fund	Fire Dept. Operating Fund	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES:</b>						
Assigned to:						
Nutrition Program	\$ -	\$ 10,390	\$ -	\$ -	\$ -	\$ 10,390
Police Department	-	-	(3,177)	-	-	(3,177)
Fire Department Operating	-	-	-	(5,519)	-	(5,519)
Fire Department Equipment	-	-	-	-	(7)	(7)
Unassigned	16,205	-	-	-	-	16,205
Total	<u>\$ 16,205</u>	<u>\$ 10,390</u>	<u>\$ (3,177)</u>	<u>\$ (5,519)</u>	<u>\$ (7)</u>	<u>\$ 17,892</u>

NOTE 9 - 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.

TOWN OF BOSWELL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

LITIGATION

The Town may be party to various legal proceedings that normally occur in the course of governmental operations. As a result of the Town's use of the modified cash basis of accounting, the financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court-assessed judgment rendered against the Town. Although the outcome of the previously noted proceedings cannot be predicted due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

NOTE 10 - OPERATING TRANSFERS

Interfund operating transfers for the year ended June 30, 2016, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Nutrition Program Fund	\$ -	\$ 7,606.95
Police Department Fund	3,471.59	41,202.88
Fire Dept. Operating Fund	-	8,702.98
Boswell Public Works Authority	5,386.14	16,309.96
Total General Fund	<u>\$ 8,857.73</u>	<u>\$ 73,822.77</u>
SPECIAL REVENUE FUNDS:		
Nutrition Program Fund:		
General Fund	\$ 7,606.95	\$ -
Police Department Fund:		
General Fund	41,202.88	3,471.59
Fire Dept. Operating Fund:		
General Fund	8,702.98	-
Total Special Revenue Funds	<u>\$ 57,512.81</u>	<u>\$ 3,471.59</u>
ENTERPRISE FUNDS		
Boswell Public Works Authority:		
General Fund	\$ 16,309.96	\$ 5,386.14
Total Enterprise Funds	<u>\$ 16,309.96</u>	<u>\$ 5,386.14</u>
	<u>\$ 82,680.50</u>	<u>\$ 82,680.50</u>

NOTE 11 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 17, 2016, 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, 2016.

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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 Boswell, 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 Boswell, Oklahoma, as of and for the year ended June 30, 2016, 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 Boswell, Oklahoma's basic financial statements, and have issued our report thereon dated November 17, 2016.

### Internal Control Over Financial Reporting

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

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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 16-01 and 16-02.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Boswell's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are included in the Schedule of Findings as Item 16-03. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

## Town of Boswell's Response to Findings

Town of Boswell's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Boswell'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 17, 2016

TOWN OF BOSWELL, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2016

INTERNAL CONTROL FINDINGS:

Item 16-01: Financial Reporting

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

Condition: The Town is not dedicating sufficient resources to properly maintain the financial accounting records of the Town's activities. During our audit we noted fund, inter-fund transfers, and expenses posted to incorrect general ledger accounts. As well as checks being recorded with vendors that do not match the checks clearing the bank accounts.

Cause/Effect: Inter-fund transfers are not being properly recorded. The Town Council and department heads are not being provided accurate financial statements. This compromises budget and actual comparison and the integrity of financial information for both internal and external purposes.

Recommendation: Proper resources should be devoted to maintaining the Town's financial accounting records. In addition, the department heads should review detailed information of the departmental activities on a monthly basis and provide input on necessary corrections.

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

Item 16-02: Overdrawn Cash

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

Condition: Several of the accounts are showing negative balances as of the fiscal year end. The bank reconciliations include large balances of old outstanding transactions.

Cause/Effect: Overdraft charges will be incurred if the negative bank balances persist.

Recommendation: It is recommended checks not been written in excess of available balances.

Response: The Town is aware of the problem.

TOWN OF BOSWELL, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2016

COMPLIANCE FINDINGS:

Item 16-03: Outstanding Checks

Criteria: Oklahoma statute requires city treasurers to report unclaimed intangible property to include, but not be limited to: 1. Outstanding treasury checks, vouchers or warrants that have remained outstanding and unclaimed for a period of one year or more.

Condition: The Town has a large amount of checks that are outstanding and unclaimed for periods exceeding one year.

Cause/Effect: This leaves the town out of compliance with Oklahoma Statutes

Recommendation: Management should be instructed to complete the unclaimed property reporting and remittance procedure in accordance with Oklahoma Statute.

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

TOWN OF BOSWELL, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	<u>SPECIAL REVENUE FUNDS</u>	Total
	Fire Dept. Equipment Fund	Nonmajor Governmental Funds
<b><u>ASSETS</u></b>		
Cash and investments	\$ (7)	\$ (7)
<b>TOTAL ASSETS</b>	<b>\$ (7)</b>	<b>\$ (7)</b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	(7)	(7)
Unassigned	-	-
<b>TOTAL FUND BALANCES</b>	<b>(7)</b>	<b>(7)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ (7)</b>	<b>\$ (7)</b>

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

**TOWN OF BOSWELL, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>SPECIAL REVENUE FUNDS</u> Fire Dept. Equipment Fund	Total Nonmajor Governmental Funds
<b><u>REVENUES:</u></b>		
Grant Income	\$ -	\$ -
Miscellaneous Income	-	-
Interest Income	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>
<b><u>EXPENDITURES:</u></b>		
General Government	-	-
Public Safety - Fire	-	-
Capital Outlay	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>		
Operating Transfers In	-	-
Operating Transfers Out	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>(7)</b>	<b>(7)</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ (7)</b>	<b>\$ (7)</b>

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