

AUDIT REPORT

TOWN OF CAMERON, OKLAHOMA
&
CAMERON PUBLIC WORKS AUTHORITY

JUNE 30, 2020

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TOWN OF CAMERON, OKLAHOMA
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Cameron, 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 Cameron, Oklahoma, as of and for the fiscal year ended June 30, 2020, 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. 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 policies used, and the reasonableness of significant accounting

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estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinions.

Basis for Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of the Governmental & Business-Type Activities is not readily determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, 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, each major fund, and the aggregate remaining fund information of the Town of Cameron, Oklahoma, as of June 30, 2020, 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.

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.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the Town of Cameron'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 solely to describe the

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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 effectiveness of the Town of Cameron's 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 Cameron's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC
Muskogee, Oklahoma

March 26, 2021

TOWN OF CAMERON, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2020 Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 380,457	\$ (4,655)	\$ 375,802
Total Current Assets	<u>380,457</u>	<u>(4,655)</u>	<u>375,802</u>
<u>Noncurrent Assets:</u>			
Restricted Sewer Reserve Account	-	76,024	76,024
Other Capital Assets, Net of Accum. Depr.	-	2,133,238	2,133,238
Total Capital Assets	<u>-</u>	<u>2,209,262</u>	<u>2,209,262</u>
TOTAL ASSETS	<u>380,457</u>	<u>2,204,607</u>	<u>2,585,064</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Refundable Customer Deposits	-	14,615	14,615
Current Portion of Long Term Debt	-	13,659	13,659
Total Current Liabilities	<u>-</u>	<u>28,274</u>	<u>28,274</u>
<u>Long-Term Liabilities:</u>			
Notes Payable	-	597,433	597,433
Less: Current Portion of Long-Term Debt	-	(13,659)	(13,659)
Total Long-Term Liabilities	<u>-</u>	<u>583,774</u>	<u>583,774</u>
TOTAL LIABILITIES	<u>-</u>	<u>612,048</u>	<u>612,048</u>
<u>NET POSITION</u>			
Net investment in capital assets	-	1,535,805	1,611,829
Restricted for:			
Debt Service	-	76,024	76,024
Other Purposes	-	-	-
Unrestricted	<u>380,457</u>	<u>(19,270)</u>	<u>285,162</u>
TOTAL NET POSITION	<u>\$ 380,457</u>	<u>\$ 1,592,559</u>	<u>\$ 1,973,015</u>

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

TOWN OF CAMERON, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 24,066	\$ -	\$ -	\$ -	\$ (24,066)
Highways & Streets	16,350	-	-	-	(16,350)
Total Governmental Activities	40,416	-	-	-	(40,416)
Business-type activities:					
Water & Sewer	204,526	93,384	-	16,993	(94,149)
Total Business-type Activities	204,526	93,384	-	16,993	(94,149)
Total	\$ 244,942	\$ 93,384	\$ -	\$ 16,993	\$ (134,565)

Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (40,416)	\$ (94,149)	\$ (134,565)
General revenues:			
Taxes:			
Franchise Tax	9,066	-	9,066
Sales Tax	47,377	-	47,377
Use Tax	13,994	-	13,994
Cigar Tax	413	-	413
Intergovernmental:			
Alcoholic Beverage Tax	4,079	-	4,079
Gasoline Excise Tax	518	-	518
Motor Vehicle Tax	2,054	-	2,054
Contributions	-	-	-
Miscellaneous Income	-	-	-
Interest Income	921	234	1,155
Transfers - Internal Activity	(2,300)	2,300	-
Total general revenues & transfers	76,121	2,535	78,655
Changes in net position	35,704	(91,614)	(55,910)
Net position - beginning	344,752	1,686,506	2,031,259
Net position - prior year adjustment	-	(2,333)	(2,333)
Net position - ending	\$ 380,457	\$ 1,592,559	\$ 1,973,015

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

**TOWN OF CAMERON, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 184,185	\$ 196,271	\$ 380,457
TOTAL ASSETS	\$ 184,185	\$ 196,271	\$ 380,457
LIABILITIES & FUND EQUITY			
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	146,407	146,407
Committed	-	-	-
Assigned	-	49,864	49,864
Unassigned	184,185	-	184,185
TOTAL FUND BALANCES	184,185	196,271	380,457
TOTAL LIABILITIES AND FUND BALANCES	\$ 184,185	\$ 196,271	\$ 380,457

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 \$0, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds.	-
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	-
Net Position of Governmental Activities	\$ 380,457

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

TOWN OF CAMERON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Franchise Tax	\$ 7,187	\$ 1,878	\$ 9,066
Sales Tax	47,377	-	47,377
Use Tax	13,994	-	13,994
Cigar Tax	413	-	413
Intergovernmental:			
Alcoholic Beverage Tax	4,079	-	4,079
Gasoline Excise Tax	-	518	518
Motor Vehicle Tax	-	2,054	2,054
Grants	-	-	-
Contributions	-	-	-
Miscellaneous Income	-	-	-
Interest Income	454	467	921
TOTAL REVENUES	73,504	4,917	78,421
EXPENDITURES:			
Current:			
General Government	16,591	-	16,591
Highways & Streets	-	12,550	12,550
Capital Outlay	7,475	3,800	11,275
TOTAL EXPENDITURES	24,066	16,350	40,416
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	49,438	(11,433)	38,005
OTHER FINANCING SOURCES (USES):			
Transfers In	-	30,922	30,922
Transfers Out	(33,072)	(150)	(33,222)
Capital Debt Proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(33,072)	30,771	(2,300)
NET CHANGES IN FUND BALANCES	16,366	19,338	35,704
FUND BALANCE - BEGINNING OF YEAR	167,819	176,933	344,752
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-
FUND BALANCE - END OF YEAR	\$ 184,185	\$ 196,271	380,457

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

**TOWN OF CAMERON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	35,704
 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		-
Depreciation expense		-
		-
Change in Net Position of Governmental Activities	\$	35,704

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

**TOWN OF CAMERON, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2020**

	Cameron Public Works Authority Enterprise Fund	
	June 30, 2020	Memo Only June 30, 2019
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ (4,655)	\$ 6,922
Total Current Assets	(4,655)	6,922
Noncurrent Assets:		
Restricted Sewer Reserve Account	76,024	81,402
Capital assets, Net of Accumulated Depreciation	2,133,238	2,222,886
Total Noncurrent Assets	2,209,262	2,304,288
TOTAL ASSETS	2,204,607	2,311,210
<u>LIABILITIES & NET POSITION</u>		
Current Liabilities:		
Refundable Customer Deposits	14,615	13,865
Current Portion of Long-Term Debt	13,659	13,406
Total Current Liabilities	28,274	27,271
Noncurrent Liabilities:		
Notes Payable - USDA RD	597,433	610,839
Less: Current Portion of Long-Term Debt	(13,659)	(13,406)
Total Noncurrent Liabilities	583,774	597,433
TOTAL LIABILITIES	612,048	624,704
NET POSITION:		
Net investment in capital assets	1,535,805	1,612,048
Restricted for debt service	76,024	81,402
Unrestricted	(19,270)	(6,943)
TOTAL NET POSITION	\$ 1,592,559	\$ 1,686,506

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

TOWN OF CAMERON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Cameron Public Works Authority Enterprise Fund	
	June 30, 2020	Memo Only June 30, 2019
OPERATING REVENUES:		
Charges for Services:		
Water	\$ 44,675	\$ 47,123
Sewer	43,552	45,286
Miscellaneous Income	5,157	7,638
TOTAL OPERATING REVENUES	93,384	100,047
OPERATING EXPENSES:		
Water Purchases	18,594	18,029
Repairs & Maintenance	44,418	47,760
Professional Fees	14,238	12,940
Office Expense	788	1,504
Water Testing	2,449	1,914
ORWA Insurance/Dues	2,956	2,801
Bank Charges	768	405
Licenses, Dues & Subscriptions	368	333
Telephone	695	661
Utilities	1,227	1,205
Miscellaneous	45	216
Depreciation	106,641	106,679
TOTAL OPERATING EXPENSES	193,187	194,449
NET OPERATING INCOME (LOSS)	(99,803)	(94,402)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	234	246
Interest Expense	(11,339)	(11,588)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(11,105)	(11,342)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(110,908)	(105,743)
Capital Contributions	16,993	-
Transfers in	2,300	-
Transfers out	-	-
CHANGE IN NET POSITION	(91,614)	(105,743)
TOTAL NET POSITION - BEGINNING	1,686,506	1,792,250
TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT	(2,333)	
TOTAL NET POSITION - ENDING	\$ 1,592,559	\$ 1,686,506

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

**TOWN OF CAMERON, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	June 30, 2020	Memo Only June 30, 2019
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 93,384	\$ 100,047
Payments to Suppliers for Goods & Services	(86,546)	(87,770)
Customer Deposits Received, Net of Refunded	750	2,000
Net Cash Provided (Used) by Operating Activities	7,588	14,277
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Transfers to other funds	-	-
Transfers from other funds	2,300	-
Net Cash Provided (Used) by Non-Capital Financing Activities	2,300	-
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Capital grant received for construction/purchase of capital assets	16,993	-
Purchases of Capital Assets	(16,993)	-
Proceeds from sale of Capital Assets	-	-
Loan Proceeds received	-	-
Principal paid on Notes Payable	(13,405)	(13,156)
Interest paid	(11,339)	(11,588)
Net Cash Provided (Used) by Capital & Related Financing Activities	(24,744)	(24,744)
Cash Flows from Investing Activities:		
Interest Income	234	246
Net Cash Provided (Used) by Investing Activities	234	246
Net Increase (Decrease) in Cash and Cash Equivalents	(14,621)	(10,221)
Cash & Cash Equivalents, Beginning of Year	88,324	98,545
Cash & Cash Equivalents, Prior Year Adjustment	(2,333)	-
Cash & Cash Equivalents, End of Year	\$ 71,370	\$ 88,324
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ (99,803)	\$ (94,402)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	106,641	106,679
Increase(Decrease) in Refundable Customer Deposits	750	2,000
Net Cash Provided (Used) by Operating Activities	\$ 7,588	\$ 14,277

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

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 Cameron
Blended Component Units:	Cameron Public Works Authority (CPWA)

PRIMARY GOVERNMENT

The Town of Cameron, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a board of trustees. The trustees elect a mayor from their own body. The Town provides the following services as authorized by its charter: general government, streets, public works (water and sewer), and public improvements.

These financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

BLENDED COMPONENT UNITS

The Cameron Public Works Authority (PWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town of Cameron, Oklahoma. The PWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to the PWA. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes and is governed by the board consisting trustees identical with the Town Council. The PWA is exempt from State and Federal Income Taxes and is reported as an enterprise fund.

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

B. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole 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 summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund. The Street and Alley Fund administers revenues from state vehicle taxes, gasoline excise taxes and grant income. The Special Projects Fund is to be used for out of the ordinary expenses such as engineer services and construction/repair work and as a repository for grant monies. Revenue for the Special Projects Fund is $\frac{1}{4}$ of the annual OG&E franchise tax. The Flood Plain Fund account was established to fulfill a FEMA requirement and is meant to serve as account to house fees from flood plain building permits. The OWRB/REAP Account Fund is being used for OWRB/REAP Grant activity.

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Proprietary Fund Types

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

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

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

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

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

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

D. FINANCIAL POSITION

Cash and cash equivalents

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

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Capital Assets

The Town does not maintain adequate records for property and equipment of the governmental or proprietary fund types; therefore Capital Assets are not reported as required by the modified cash basis of accounting. The capital assets that are included in the financial statements are account for as follows:

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The range of estimated useful lives by type of assets is as follows:

Buildings	25 years
Improvements	25 years
Machinery and Equipment	3-25 years

Capitalization Policy

Purchases of capital items in excess of \$1,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

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 a liability 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

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

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 Balance

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.

TOWN OF CAMERON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

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 non-major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Street & Alley Fund	Commercial Vehicle Tax Gasoline Excise Tax Grant Income
Special Projects Fund	Franchise Tax Grant Income
Flood Plain Fund	Grant Income
OWRB/REAP Fund	Grant Income

E. REVENUES, EXPENDITURES AND EXPENSES

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Operating and capital grants
Public Safety	Operating and capital grants

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. 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

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on consideration of the Town's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts, grants and other matters. That report is an integral part of an audit performed in compliance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Finance-related Legal & Contractual Provisions

As required, the annual budget was prepared and filed with the State Auditor and Inspector's office.

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, 2020, the Town held deposits of approximately \$451,826 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.

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

NOTE 4 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) requires the Authority to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installment (\$24,744), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2020, the Authority was required to have at least \$18,351.80 set aside in the reserve account; as of that date the account balance for the reserve account was \$75,874.06, which complies with the covenants of the loan agreement.

NOTE 5 - CAPITAL ASSETS

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

Capital asset activity, for the fiscal year ended June 30, 2020, was as follows:

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

	Balance at June 30, 2019	Additions	Deductions	Balance at June 30, 2020
Water System	\$ 53,277	\$ -	\$ -	\$ 53,277
Sewer System	131,267	-	-	131,267
Sewer System Improvements	2,531,208	-	-	2,531,208
Equipment	15,488	-	-	15,488
Building Improvements	15,306	-	-	15,306
Construction in Progress	-	16,993	-	16,993
Subtotal	2,746,546	16,993	-	2,763,539
Less: Accum. Depr.	(523,660)	(106,641)	-	(630,301)
Total Capital Assets (Net of Depreciation)	<u>\$ 2,222,886</u>	<u>\$ (89,648)</u>	<u>\$ -</u>	<u>\$ 2,133,238</u>

NOTE 6 - LONG-TERM DEBT

Governmental Activities:

The Town of Cameron Governmental Funds have no long-term debt.

Business-Type Activities:

The Authority has a note payable with to the United States Department of Agriculture Rural Development (USDA), payable in 480 monthly installments of \$2,062.00 until maturity, including interest at 1.8750%. The loan dated January 8, 2013 is for an original amount of \$694,000.00. The purpose of the loan was to make improvements and additions to the water distribution system and pay off the existing USDA Notes 92-02 and 92-03 and the CRG loan. Repayment of the loan began in February 2013. The note is secured by all facilities of the Authority. As of June 30, 2014, the Authority has received all loan proceeds for this loan.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Balance at June 30, 2019	Additions	Deductions	Balance at June 30, 2020
USDA Loan 92-04	\$ 610,839	\$ -	\$ (13,405)	\$ 597,433
Total Long-Term Debt	<u>\$ 610,839</u>	<u>\$ -</u>	<u>\$ (13,405)</u>	<u>\$ 597,433</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, 2020, are as follows:

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Year Ending June 30,	Note Payable - RD 92-04		Total
	Principal	Interest	
2021	\$ 13,659	\$ 11,085	\$ 24,744
2022	13,917	10,827	24,744
2023	14,181	50,084	64,264
2024	14,449	10,295	24,744
2025	14,722	10,022	24,744
2026-2030	77,894	45,826	123,720
2031-2035	85,543	38,177	123,720
2036-2040	93,944	29,776	123,720
2041-2045	103,170	20,550	123,720
2046-2050	113,302	10,418	123,720
2051-2053	52,651	1,119	53,770
Total	<u>\$ 597,433</u>	<u>\$ 238,178</u>	<u>\$ 835,610</u>

NOTE 6 - FUND BALANCES

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 amounts are described in Note 4 above.

Fund Balances

Town of Cameron, Oklahoma
Disclosure of Fund Balances Reported on Balance Sheet
For Fiscal Year Ending June 30, 2020

	General Fund	Street & Alley Fund	Special Projects Fund	Flood Plain Fund	OWRB/ REAP Fund	Total Governmental Funds
FUND BALANCES:						
Restricted for:						
Road Maintenance	\$ -	\$ 146,127	\$ -	\$ -	\$ -	\$ 146,127
Flood Plain	-	-	-	280	-	280
OWRB/REAP	-	-	-	-	-	-
Assigned to:						
Special Projects	-	-	49,864	-	-	49,864
Unassigned	184,185	-	-	-	-	184,185
Total	<u>\$ 184,185</u>	<u>\$ 146,127</u>	<u>\$ 49,864</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 380,457</u>

TOWN OF CAMERON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - COMMITMENTS & CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at June 30, 2020, which would have a material effect on the financial statements.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through March 26, 2021, 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, 2020.

NOTE 9 - AUDIT REPORTING

The FYE June 30, 2015 was the first time that the audit has been combined for the Town of Cameron and the Cameron Public Works Authority.

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INDEPENDENT AUDITOR'S 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 Cameron, 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, 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 Cameron, Oklahoma, as of and for the year ended June 30, 2020, 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 Cameron, Oklahoma's basic financial statements, and have issued our report thereon dated March 26, 2021, which was qualified for the improper capital asset recordkeeping.

Internal Control Over Financial Reporting

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

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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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as Item 20-01, 20-02 and 20-03 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cameron'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 Cameron's Response to Findings

Town of Cameron's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Cameron'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
Muskogee, Oklahoma

March 26, 2021

TOWN OF CAMERON, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2020

INTERNAL CONTROL FINDINGS:

Item 20-01: 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 financial statements are categorized in a check register type ledger, however, the categories are not totaled by income & expense type.

Cause/Effect: The expenses are not being properly separated by type and totaled up at the end of the month or year.

Recommendation: Proper resources should be devoted to maintaining the Town's financial accounting records.

Response: The Town has been made aware of the problem and will take steps to correct the situation.

Item 20-02: Refundable Customer Deposits

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

Condition: The Authority does not keep a ledger or any other documentation regarding the balance of customer deposits.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's Statement of Net Assets could be incorrect with respect to the deposit account.

Recommendation: It is recommended that the organization properly report and account for the balance of customer deposits.

Response: The Authority has been made aware of the problem and will take steps to correct the situation.

TOWN OF CAMERON, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2020

Item 20-03: Overdrawn Accounts

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: As of the fiscal year end of June 30, 2020, multiple PWA accounts had negative book balances in the general ledger.

Cause/Effect: Checks were still being written even when funds were not available to make payments. This could result in overdraft fees on the accounts.

Recommendation: The Authority should not write checks when cash is not available.

Response: The Authority is aware of the problem.

COMPLIANCE FINDINGS:

None

TOWN OF CAMERON, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

	<u>SPECIAL REVENUE FUNDS</u>				Total Nonmajor Governmental Funds
	Street & Alley Fund	Special Projects Fund	Flood Plain Fund	OWRB/ REAP Fund	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 146,127	\$ 49,864	\$ 280	\$ -	\$ 196,271
TOTAL ASSETS	<u>\$ 146,127</u>	<u>\$ 49,864</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 196,271</u>
<u>LIABILITIES & FUND EQUITY</u>					
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Restricted	146,127	-	280	-	146,407
Assigned	-	49,864	-	-	49,864
TOTAL FUND BALANCES	<u>146,127</u>	<u>49,864</u>	<u>280</u>	<u>-</u>	<u>196,271</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 146,127</u>	<u>\$ 49,864</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 196,271</u>

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

TOWN OF CAMERON, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS				Total Nonmajor Governmental Funds
	Street & Alley Fund	Special Projects Fund	Flood Plain Fund	OWRB/ REAP Fund	
REVENUES:					
Taxes:					
Franchise Tax	\$ -	\$ 1,878	\$ -	\$ -	\$ 1,878
Intergovernmental:					
Gasoline Excise Tax	518	-	-	-	518
Motor Vehicle Tax	2,054	-	-	-	2,054
Grants	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-
Interest Income	343	124	-	0	467
TOTAL REVENUES	2,915	2,002	-	0	4,917
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Highways & Streets	12,550	-	-	-	12,550
Capital Outlay	3,800	-	-	-	3,800
TOTAL EXPENDITURES	16,350	-	-	-	16,350
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,435)	2,002	-	0	(11,433)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	30,892	-	30	-	30,922
Operating Transfers Out	-	-	-	(150)	(150)
Capital Debt Proceeds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	30,892	-	30	(150)	30,771
NET CHANGES IN FUND BALANCES	17,456	2,002	30	(150)	19,338
FUND BALANCE - BEGINNING OF YEAR	128,671	47,862	250	150	176,933
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 146,127	\$ 49,864	\$ 280	\$ -	\$ 196,271

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