

REPORT OF AUDIT  
TOWN OF AMES  
INCLUDING  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

OFFICERS

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MAYOR

TOM HARDIMAN

MEMBER/TRUSTEE

BRYAN LARAMORE

MEMBER/TRUSTEE

JANICE BUNCH

CLERK/TREASURER

WENDELLA KIRCHNER

DEPUTY CLERK

AUDIT

PATRICK W. CARROLL  
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

TOWN OF AMES  
 AMES PUBLIC WORKS AUTHORITY  
 MAJOR COUNTY – OKLAHOMA  
 JULY 1, 2015 TO JUNE 30, 2016

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
OFFICERS	1
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR'S REPORT	3 - 4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS -	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS	5
STATEMENT OF ACTIVITIES - MODIFIED BASH BASIS	6
GOVERNMENTAL FUNDS -	
BALANCE SHEET - MODIFIED CASH BASIS	7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS	8
PROPRIETARY FUNDS -	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS	10
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS	11
FIDUCIARY FUND -	
STATEMENT OF NET POSITION - MODIFIED CASH BASIS	12
NOTES TO FINANCIAL STATEMENTS	13 - 22
SUPPLEMENTAL INFORMATION:	
BUDGETARY COMPARISON - MODIFIED CASH BASIS - GENERAL FUND ONLY	23
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	24 - 25
DISPOSITION OF PRIOR YEAR FINDINGS	26
SCHEDULE OF FINDINGS	27 - 28
SCHEDULE OF RECOMMENDATIONS	29

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Trustees  
Town of Ames  
Major County, Oklahoma

I have audited the accompanying 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 Ames, Major County, Oklahoma, as of and for the 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 1D; 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, 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 Town, 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 accordance with the basis of accounting as described in Note 1D.

**Other Matters**

**Required Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison information and combining schedules information on page 23, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Management has omitted the Management's Discussion & Analysis that accounting principles generally accepted in the United States of American require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued a report dated November 14, 2016 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

**Basis of Accounting**

I draw attention to Note 1D of the financial statements, which 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. My opinion is not modified with respect to that matter.



Chas. W. Carroll, P.A.  
November 14, 2016

TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
 JUNE 30, 2016

**PRIMARY GOVERNMENT**

**ASSETS**

Current assets:

Pooled cash and cash equivalents

Investments

Total assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$69,936.34	\$6,886.81	\$76,823.15
326,485.77		326,485.77
396,422.11	6,886.81	403,308.92

**LIABILITIES**

Accounts payable and accrued expenses

Total current liabilities

0.00	0.00	0.00
0.00	0.00	0.00

**NET POSITION**

Restricted

Committed

Unrestricted

Total net position

21,709.41		
248.35		
374,464.35	6,886.81	403,308.92
396,422.11	6,886.81	403,308.92

See accompanying notes to the basic financial statements.

TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Net (Expense) Revenue
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General Government	\$69,607.43	\$0.00	\$0.00	\$0.00	(\$69,607.43)	\$0.00	(\$69,607.43)
Public Safety	13,326.60		4,289.96		(9,036.64)		(9,036.64)
Public Works	25,868.29	26,648.24			779.95		779.95
Culture and Recreation	232.00				(232.00)		(232.00)
Capital Outlay	163,045.00			146,580.00	(16,465.00)		(16,465.00)
Total government activities	272,079.32	26,648.24	4,289.96	146,580.00	(\$94,561.12)	\$0.00	(94,561.12)
Business-type activities:							
Administration	16,968.17	0.00	0.00	0.00	0.00	(16,968.17)	(16,968.17)
Water and Sewer	29,822.58	40,038.36			10,215.78		10,215.78
Sanitation	0.00	0.00			0.00		0.00
Capital Outlay	0.00	0.00			0.00		0.00
Total business-type activities	46,790.75	40,038.36	0.00	0.00	0.00	(6,752.39)	(6,752.39)
Total primary government	318,870.07	66,686.60	4,289.96	146,580.00	(94,561.12)	(6,752.39)	(101,313.51)
	<b>General revenues:</b>						
	Taxes:						
	Sales and Use				85,469.52	0.00	85,469.52
	Franchise				9,340.93	0.00	9,340.93
	Other				147.90	1,390.00	1,537.90
	Unrestricted investment income				2,330.00	7.46	2,337.46
	Miscellaneous				2,142.62	869.45	3,012.07
	Total general revenues and transfers				99,430.97	2,266.91	101,697.88
	<b>Change in net position</b>				4,869.85	(4,485.48)	384.37
	<b>Net position - beginning</b>				391,552.26	11,372.29	402,924.55
	<b>Net position - ending</b>				\$396,422.11	\$6,886.81	\$403,308.92

See accompanying notes to the basic financial statements.

TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 BALANCE SHEET (MODIFIED CASH BASIS)  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$48,226.93	\$21,709.41	\$69,936.34
Investments	326,485.77	0.00	326,485.77
<b>Total assets</b>	<b>374,712.70</b>	<b>21,709.41</b>	<b>396,422.11</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	0.00	0.00	0.00
Total Liabilities (Note 1D)	0.00	0.00	0.00
<b><u>Fund Balances</u></b>			
Restricted	0.00	21,709.41	21,709.41
Committed	248.35	0.00	248.35
Unassigned	374,464.35	0.00	374,464.35
<b>Total fund balances</b>	<b>374,712.70</b>	<b>21,709.41</b>	<b>396,422.11</b>
<b>Total liabilities and fund balances</b>	<b>\$374,712.70</b>	<b>\$21,709.41</b>	<b>\$396,422.11</b>

See accompanying notes to the basic financial statements.

TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS)  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Street And Alley Fund</u>	<u>PWA-ODOC Fund</u>	<u>Total Governmental Funds</u>
<b><u>CASH RECEIPTS</u></b>				
Taxes	\$83,202.15	\$11,608.30		\$94,810.45
Intergovernmental	4,289.96		146,580.00	150,869.96
Licenses and Permits				0.00
Charges for Services	26,648.24			26,648.24
Interest	2,118.28	24.34		2,142.62
Miscellaneous	2,430.00	47.90		2,477.90
Total cash receipts	<u>118,688.63</u>	<u>11,680.54</u>	<u>146,580.00</u>	<u>276,949.17</u>
<b><u>CASH DISBURSEMENTS</u></b>				
Current:				
General Government	69,607.43			69,607.43
Public Safety	3,057.05	10,269.55		13,326.60
Public Works	25,868.29			25,868.29
Culture and Recreation	232.00			232.00
Capital Outlay	16,465.00		146,580.00	163,045.00
Total cash disbursements	<u>115,229.77</u>	<u>10,269.55</u>	<u>146,580.00</u>	<u>272,079.32</u>
Excess (deficiency of receipts over disbursements)	3,458.86	1,410.99	0.00	4,869.85
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	0.00		0.00	0.00
Transfers out	0.00			0.00
Total other financing sources and uses	0.00	0.00	0.00	0.00
Net change in fund balances	3,458.86	1,410.99	0.00	4,869.85
Fund balances - beginning	<u>371,253.84</u>	<u>20,298.42</u>	<u>0.00</u>	<u>391,552.26</u>
Fund balances - ending	<u>\$374,712.70</u>	<u>\$21,709.41</u>	<u>\$0.00</u>	<u>\$396,422.11</u>

See accompanying notes to the basic financial statements.

TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 STATEMENT OF NET POSITION (MODIFIED CASH BASIS)  
 PROPRIETARY FUNDS  
 JUNE 30, 2016

Business-type Activities-Enterprise Funds

	<u>Public Works Authority</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$6,886.81
Restricted Assets - Cash and Investments	<u>0.00</u>
Total assets	<u>6,886.81</u>
 <u>LIABILITIES</u>	
Payables	<u>0.00</u>
Total liabilities	<u>0.00</u>
 <u>NET POSITION</u>	
Restricted:	0.00
Unrestricted	<u>6,886.81</u>
Total net position	<u><u>\$6,886.81</u></u>

See accompanying notes to the basic financial statements.

TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (MODIFIED CASH BASIS)  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

Business-type Activities-Enterprise Funds

	<u>Public Works Authority</u>
<u>OPERATING CASH RECEIPTS:</u>	
Charges for services	
Water	\$27,518.70
Sewer	12,069.02
Reconnect fee	160.00
	39,747.72
 <u>OPERATING CASH DISBURSEMENTS</u>	
General and administration	16,863.61
Water and sewer	29,822.58
	46,686.19
Operating income (loss)	(6,938.47)
 <u>NONOPERATING RECEIPTS (DISBURSEMENTS):</u>	
Rent	1,390.00
Miscellaneous	869.45
Interest income	7.46
Transfer from W/S Deposit	290.64
Fiscal charges	(104.56)
Total nonoperating receipts (disbursements)	2,452.99
Change in net Position	(4,485.48)
Total net position - beginning	11,372.29
Total net position - ending	\$6,886.81

See accompanying notes to the basic financial statements.

TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS)  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

Business-type Activities-Enterprise Funds

	<u>Public Works Authority</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$39,747.72
Payments for supplies and maintenance	(22,570.63)
Payments to employees	<u>(24,115.56)</u>
Net cash provided (used) by operating activities	<u>(6,938.47)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Miscellaneous revenues	2,259.45
Operating transfers in (out)	<u>290.64</u>
Net cash provided (used) by noncapital financing activities	<u>2,550.09</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital outlay	0.00
Interest expense and fiscal charges	(104.56)
Decrease (increase) in restricted assets	<u>0.00</u>
Net cash provided (used) by capital and related financing activities	<u>(104.56)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	<u>7.46</u>
Net cash provided (used) by investing activities	<u>7.46</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,485.48)</u>
Cash and cash equivalents, beginning of the year	<u>11,372.29</u>
Cash and cash equivalents, end of the year	<u><u>\$6,886.81</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating income (loss)	(6,938.47)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Cash flows reported in other categories:	
Change in assets and liabilities:	<u>0.00</u>
Total adjustments	<u>0.00</u>
Net cash provided by (used in) operating activities	<u><u>(\$6,938.47)</u></u>

See accompanying notes to the basic financial statements.

TOWN OF AMES  
MAJOR COUNTY, OKLAHOMA  
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>AGENCY FUNDS</u> Water & Sewer Deposit Fund
<u>ASSETS</u>	
Current assets:	
Cash and Cash Equivalents	<u>\$5,905.20</u>
Total current assets	<u>5,905.20</u>
Total assets	<u><u>5,905.20</u></u>
 <u>LIABILITIES</u>	
Current liabilities:	
Deposits	<u>5,905.20</u>
Total liabilities	<u><u>5,905.20</u></u>

See accompanying notes to the basic financial statements.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

As discussed further in Note 1.D, these financial statements, for the Town of Ames, Major County, Oklahoma, 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. Reporting Entity

The municipality is a corporate body for public purposes created under Title II of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title II, Oklahoma Statutes. The governing body of the municipality is the Board of Trustees composed of elected members. The mayor is the executive officer of the municipality.

The Town's financial reporting entity includes two separate legal entities reported as the primary government.

The Town of Ames - that operates the public safety, streets, health and welfare, culture and recreation, and administrative activities.

The Ames Public Works Authority - that operates the water, sewer, and sanitation services of the City through a public trust of which the City is the beneficiary. The City Council serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the City Council.

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Council Statement No. 14, as amended by Statement No. 61, The Financial Reporting Entity, and includes all component units for which the Town is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The Town, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Government-Wide Financial Statements

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted only for certain modifications stated below that have substantial support in generally accepted accounting principles (GAAP). These modifications include adjustments for the following balances arising from cash transactions:

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

Government-Wide Financial Statements (continued)

- cash-based inter-fund receivables and payables
- other cash-based receivables/payables
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and 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 accrued expenses and liabilities) are not recorded in these financial statements.

In addition, due to the use of this modified cash basis of accounting, capital asset and long-term debt transactions are excluded from reporting within the financial statements. Capital assets are expensed when purchased and long-term debts are reported as cash receipts when issued and received.

B. Fund Accounting

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain town functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

Fund Description

The following funds are utilized by the Town of Ames, Oklahoma.

Governmental Fund Types

Proprietary Fund Type

Fiduciary Fund Types

General Fund (Major Fund)  
Special Revenue Funds  
Capital Project Funds

Public Works Authority (Major Fund)

Water and Sewer Deposit

The General Fund accounts for all financial transactions not accounted for in any other fund. The revenues include taxes, utility collections, fees, licenses and permits, fines and forfeits, etc. Expenditures are for personal services, maintenance and operations and capital outlay

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

Fund Description (continued)

Special Revenue Funds are funds which must be spent in accordance with special regulations and restrictions. There are major classifications to account for operating funds for which the use of revenues is restricted or designated by outside sources.

Special Revenue Fund -

Street and Alley Fund

Capital Project Funds -

The Capital Project Fund is the PWA Grant Fund. These funds are used to replace the Town's waste water system and enlarge lagoons.

Proprietary Fund

The Town's proprietary fund is comprised of the following:

Ames Public Works Authority - accounts for the operation of the water, sewer, and sanitation activities.

The proprietary fund is reported on a modified cash basis, as defined above, and current financial resources measurement focus.

For the purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Fiduciary Fund

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Town. When these assets are held under the terms of a formal trust agreement, either a permanent fund or an expendable trust fund is used. The terms "permanent" and "expendable" refer to whether or not the Town is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the Town holds on behalf of others as their agent and do not involve measurement of results of operations.

Permanent Fund -

Water and Sewer Deposit Fund

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

Fund Balance and Net Position Classifications

Fund Statements

Governmental Funds

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amount for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified Street and Alley revenue as being restricted because the use is restricted by State Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants. Capital project revenue from bond proceeds is restricted by State Statute and is legally segregated for funding of voter approved uses.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has assigned interest earnings to the funds where earned for the purposes defined by the fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other government fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

Government-Wide Statements

Net Position

- a. Restricted Net Position - consists of net position with constraints placed on the use by either
  - 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or
  - 2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position - all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In addition, the Town has restricted net positions for the Street and Alley Fund.

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

Memorandum Only - Total Column

The total column on the modified cash basis financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

C. Internal and Inter-fund Balances and Transfers

The Town's policy is to eliminate inter-fund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

D. Basis of Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and fiduciary funds are accounted for using a modified cash basis of accounting. Revenues, except for certain grant revenues, are recognized when they are received rather than earned. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized when the grant expenditure is made. Under this modified cash basis of accounting, expenditures are generally recognized when encumbered/reserved rather than at the time the related fund liability is incurred.

The Town of Ames, Oklahoma utilizes an appropriated budget system of accounting. This system has an approved budget appropriation for its General Fund. All expenditures are recorded against the appropriation on a ledger by classification.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

E. Budgets and Budgetary Accounting

The Town is required by state law to prepare an annual budget. The Town must submit a budget by August 22 of each year according to Oklahoma Statutes, Title 68, Section 3002. The budget amount for the Town is the appropriated balance approved by the County Excise Board. The budget, as set by the governing board, constitutes the maximum funds that may be spent during the fiscal year by any department of the local government required to appropriate funds. The budget includes revenues which are collected by the Town or transfers into a specific fund from another fund. The Town's budget does not include an ad valorem tax levy.

A budget is legally adopted by the Board of Trustees for the General Fund that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the Town.

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

F. Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

G. Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Investments

All monies which are not invested in Certificate of Deposits are maintained in NOW Checking Accounts or Savings Accounts.

Safeguard of Deposits and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Oklahoma and its agencies that have a market value of not less than the principal amount of the deposits. The Town Treasurer is responsible for maintaining adequate coverage of all funds on deposit through security pledges approved by the Treasurer of the State of Oklahoma.

TOWN OF AMES  
 AMES PUBLIC WORKS AUTHORITY  
 MAJOR COUNTY - OKLAHOMA  
 JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- (C) Uncollateralized.

	<u>Category</u>			<u>BANK BALANCE</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	
Cash and cash equivalents	\$ 83,938.35	\$ 0.00	\$ 0.00	\$ 83,938.35
Investments	326,485.77	0.00	0.00	326,485.77
Total	<u>\$ 410,424.12</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$440,424.12</u>

Fixed Assets and Property, Plant and Equipment

Property and equipment purchases are recorded as capital outlays in the accompanying statements of revenues, expenditures and changes in fund balances. The Town does not maintain complete financial records of capital assets purchased which would include depreciation schedules.

Property Tax

The Town's property tax is levied each October 1, on the assessed value listed as of January 1, of the same year for all real and personal property located in the Town, except certain exempt property. Assessed values are established by the Oklahoma Tax Commission and the State Equalization Board. A revaluation of all property is required once every five (5) years.

The Town does not have a millage levy for the General Fund for the 2015-16 period.

Compensated Absences

The Town does not have a policy which would allow vacation leave or sick pay benefits to accrue to employees past the current year. Therefore, no liability is recorded in the accompanying financial statements for compensated absences.

Operating Leases

The Town had no operating leases during the current fiscal year; therefore, no liability is recorded in the accompanying financial statements.

2. Risk Management

Liability Protection Plan

The Town's Commercial Liability Insurance agreements cover claims against municipalities for all government functions, utilities, and services. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

Liability Protection Plan (continued)

All public officials, employees, services, and municipal functions are covered unless they are specifically listed.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating Town pays all cost, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Surety Bonds

The Town maintains a Public Employee Position Schedule Bond, with the Western Surety Company in the amount of \$30,000.00. The bond number is 68539338, October 7, 2015 to October 7, 2016. The positions are as follows:

Clerk/Treasurer	\$15,000.00
Deputy Clerk/Treasurer	\$15,000.00

3. Consumers and Service Rates

Consumers:

Residential	112 (6 Residential have sewer/trash only)
Commercial	13
Churches	<u>3</u>
Total Consumers	128

Monthly Service Rates:

Water -	\$15.00 minimum charge up to 2,000 gallons
	1.00 per 1,000 gallons over minimum up to 10,000 gallons
	1.10 per 1,000 gallons over 10,000
Sewer -	9.00 standard rate
Trash -	12.73
Water Deposits -	45.00

Commercial trash rates vary by each customer.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS

4. Employee Retirement Plans

The Town of Ames participates in two pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) - a statewide cost-sharing plan
2. Oklahoma Municipal Retirement System Defined Contribution Plan (OMRF) - an agent multiple-employer defined contribution plan

Description of Plan

Only the Town's volunteer fireman are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters 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, OK 73105-3414, or by calling 1-800-525-7461.

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer fireman. Additional funding comes from a percentage of all taxes collected on premiums collected by insurance companies and an appropriation by the State of Oklahoma.

The Town's contributions to OFPRS were \$1,140.00 for 2014, \$1,140.00 for 2015 and \$840.00 for 2016.

5. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

6. Subsequent Events

Management has evaluated subsequent events through November 14, 2016, which is the date the financial statements were available to be issued.



TOWN OF AMES  
 MAJOR COUNTY, OKLAHOMA  
 BUDGTARY COMPARISON SCHEDULE  
 MODIFIED CASH BASIS  
 GENERAL FUND ONLY  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE <UNFAVORABLE>
<b>REVENUES:</b>				
Taxes	\$62,308.72	\$62,308.72	\$83,202.15	\$20,893.43
Services	22,540.15	22,540.15	26,648.24	\$4,108.09
Intergovernmental	0.00	0.00	4,289.96	\$4,289.96
Rentals/Royalties	0.00	0.00	2,330.00	\$2,330.00
Other	0.00	0.00	2,218.28	\$2,218.28
<b>TOTAL</b>	<b>84,848.87</b>	<b>84,848.87</b>	<b>118,688.63</b>	<b>33,839.76</b>
<b>EXPENDITURES:</b>				
Personal Services	48,000.00	48,000.00	41,141.94	6,858.06
Maintenance & Operation	60,000.00	60,000.00	54,353.42	5,646.58
Capital Outlay	79,000.00	79,000.00	19,604.10	59,395.90
Other	269,102.71	269,102.71	0.00	269,102.71
Bank Fees	0.00	0.00	130.31	(130.31)
<b>TOTAL</b>	<b>456,102.71</b>	<b>456,102.71</b>	<b>115,229.77</b>	<b>340,872.94</b>
Excess of Revenues Over/ <Under> Expenditures	(371,253.84)	(371,253.84)	3,458.86	374,712.70
Operating Transfers	0.00	0.00	0.00	0.00
Excess of Revenue Over/ <Under> All Uses	(371,253.84)	(371,253.84)	3,458.86	374,712.70
Fund Balance at 7/1/15	371,253.84	371,253.84	371,253.84	0.00
Fund Balance at 6/30/16	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$374,712.70</u>	<u>374,712.70</u>

Notes to Required Supplemental Information-Budgetary Comparison Schedule

Budgetary Accounting

The Town prepares its budget for the General Fund on the modified cash basis of accounting described in Note 1 to Financial Statements. This basis is consistent with the basis of accounting used in presenting the General Fund in the combining financial statements. The Town utilizes an appropriated budgetary system and all unencumbered appropriations lapse at year end.

# Chas. W. Carroll, P.A.

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Fax 580-234-5425

## 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

The Honorable Mayor and Board of Trustees  
Town of Ames  
Major County, Oklahoma

I 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 financial statements-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ames, Major County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Town's basic financial statements-modified cash basis and have issued my report thereon dated November 14, 2016. As described in Note 1D, the Town has elected to report 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.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 a 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 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.

My consideration of internal control over financial reporting 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 I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings that I consider to be significant deficiencies. Those deficiencies are listed as items 16-01, 16-02 and 16-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chas. W. Carroll, P.A.  
November 14, 2016

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2016

15-01 Lack of Segregation of Duties

The finding that inherent limitations resulting from a small number of employees performing functions, which would normally be divided among a larger number of employees, prevented a proper segregation of accounting functions which is necessary in order to assure adequate internal accounting controls continued in the current fiscal year.

15-02 Purchasing Procedures

The finding that instances of noncompliance with purchasing procedures continued in the current fiscal year.

15-03 Prior Year of Obligations

The finding that obligations were made in one fiscal period but expended from the succeeding period continued in the current fiscal year.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

SCHEDULE OF FINDINGS  
JUNE 30, 2016

Section 1 - Findings related to the financial statements required to be reported in accordance with GAGAS.

16-01 Lack Of Segregation Of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: Due to its limited population, the Town employs one individual who is responsible for certain duties that are incompatible with the objectives of effective internal control.

Cause: The Town's limited population and resources result in the inability to provide sufficient staffing to fully segregate incompatible duties.

Effect: Without proper segregation of duties, the risk increases that errors, fraud or illegal acts could occur and not be detected within a timely basis. For example, employees with access to cash and access to the accounting records could misappropriate cash and conceal the misappropriation through improper accounting entries or adjustment.

Recommendation and Benefit: Efficient segregation of duties is difficult in a small environment; however, this segregation of duties is an important one to seriously consider. We recommend the Town assess the feasibility of segregating the cash collection duties from those of posting and adjusting customer accounts and posting to the accounting ledgers, to the extent reasonably possible. The Town may want to consider the use of volunteer assistance on a monthly basis for the reconciliation duties to segregate those activities from asset custody and bookkeeping. Such duties segregation will significantly reduce the risk of undetected errors, fraud or illegal acts.

16-02 Purchasing Procedures

Criteria: State law (62 O.S. sec's 310.1-310.4) prescribe basic elements of the purchase order system such as authorized agents, encumbering the amount of purchase before issuing, tracking appropriations and expenditures and submission of adequate invoices.

Condition: In some instances encumbrances of purchase orders were not made prior to issuing them to insure unencumbered balances in the designated appropriations.

Cause: In some instances the Town's Governmental Funds current purchasing policies and procedures, including encumbrance control, were not properly followed by employees and personnel.

Effect: Without a fulltime encumbrance clerk at the Town office, Town personnel have ordered or purchased items and submitted purchase orders at a later date.

Recommendation: Town officials should instruct and emphasize to all personnel the purchasing policies and procedures required on the state and local level. Compliance with purchasing procedures is important to internal control and limiting risk of legal action and potential liability.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

Page 2

SCHEDULE OF FINDINGS  
JUNE 30, 2016

16-03 Prior Year of Obligations

Criteria: Obligation made by the Town are to be paid from Governmental Funds appropriations of the fiscal year in which they incurred.

Condition: In reviewing the Town's expenditures I found two (2) instances where expenditures were approved in the 2014-15 fiscal year, but the payments were made from the 2015-16 appropriations.

Cause: The expenditures were not encumbered when the services were authorized and no reserves were established to pay for services from the prior fiscal period.

Effect: Since the expenditures had been made from the incorrect fiscal year, the Fund's ending balance and the 2015-16 beginning balance would have both been decreased by the same amount. Also, the 2014-15 fund expenditures would have been increased and the 2015-16 expenditures would have decreased by the same amount. At June 30, 2016 the fund balance was correct

Recommendation: I recommend that cut-off dates be established and purchase order procedures be followed to reserve encumbrances for year-end obligations. Also, a municipality may issue a blanket purchase order for recurring purchase of goods or services if a maximum authorized amount for all purchases, pursuant to a blanket purchase order, is specified in the order and approved by the governing board.

TOWN OF AMES  
AMES PUBLIC WORKS AUTHORITY  
MAJOR COUNTY - OKLAHOMA  
JULY 1, 2015 TO JUNE 30, 2016

SCHEDULE OF RECOMMENDATIONS

No material exceptions were noted or brought to my attention for the 2015-16 fiscal year.