

TOWN OF CROMWELL, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
50 SOUTH CHESTNUT
P.O. BOX 1015
BRISTOW, OKLAHOMA 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Cromwell, Oklahoma

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cromwell, Oklahoma as of and for the year ended June 30, 2009, which collectively comprise Town of Cromwell, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Cromwell, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

As discussed in Note A, Town of Cromwell, Oklahoma prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Town failed to maintain adequate accounting records to provide sufficient information for the preparation of the basic financial statements. The Town did not retain proper support for revenue and expenditures.

Because of the significance of the matters discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion of the financial statements of the Town of Cromwell, Oklahoma.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 27, 2012, on my consideration of Town of Cromwell, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 27, 2012

TOWN OF CROMWELL, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2009

	Primary Government		
	Governmental	Business	Total
ASSETS	Activities	Type	
Current assets:			
Cash and cash equivalents	\$ 7,749	\$ 1,896	\$ 9,645
Total current assets	7,749	1,896	9,645
Non-current assets:			
Capital assets			
Other - not depreciated	68,554	-	68,554
Other capital assets net of accumulated depreciation	13,409	-	13,409
Total non-current assets	81,963	-	81,963
 Total assets	 89,712	 1,896	 91,608
 LIABILITIES			
Current liabilities:			
Lease Payable, current	-	-	-
Total current liabilities	-	-	-
Non-current liabilities:			
Lease Payable, non-current	-	-	-
Total non-current liabilities	-	-	-
 Total liabilities	 -	 -	 -
 NET ASSETS			
Nonspendable	81,963	-	81,963
Assigned	1,337	1,896	3,233
Unassigned	6,412	-	6,412
 Total net assets	 \$ 89,712	 \$ 1,896	 \$ 91,608

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009

Function/Programs	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expenses) Revenue
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$ 45,100	\$ -	\$ -	\$ -	\$ (45,100)
Public Safety	22,540	13,246	5,100	-	(4,194)
Total governmental activities	67,640	13,246	5,100	-	(49,294)
Business-type activities					
Landfill	16,004	19,880	-	-	3,876
Total business-type activities	16,004	19,880	-	-	3,876
Total primary government	\$ 83,644	\$ 33,126	\$ 5,100	\$ -	\$ (45,418)

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	\$ (49,294)	\$ 3,876	\$ (45,418)
General revenues			
Taxes			
Sales tax		21,516	21,516
Other taxes		371	371
Other		27,321	27,321
Transfers		3,304	-
Loss from sale of asset		(10,946)	(10,946)
Interest		18	27
Total general revenue		41,584	38,289
Change in net assets		(7,710)	(7,129)
Net assets - beginning		97,422	98,737
Net assets - ending		\$ 89,712	\$ 91,608

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Funds</u>	<u>Court Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,412	\$ 517	\$ 820	\$ 7,749
TOTAL ASSETS	<u>\$ 6,412</u>	<u>\$ 517</u>	<u>\$ 820</u>	<u>\$ 7,749</u>
LIABILITIES AND FUND BALANCES				
FUND BALANCES				
Assigned	-	517	820	1,337
Unassigned	<u>6,412</u>	<u>-</u>	<u>-</u>	<u>6,412</u>
TOTAL FUND BALANCES	<u>6,412</u>	<u>517</u>	<u>820</u>	<u>7,749</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,412</u>	<u>\$ 517</u>	<u>\$ 820</u>	<u>\$ 7,749</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
 RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
 WITH THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

Total fund balance \$ 7,749

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Land	68,554	
Capital assets	20,858	
Accumulated depreciation	<u>(7,449)</u>	81,963

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:

Lease obligation		<u>-</u>
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Total net assets		<u>\$ 89,712</u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Funds	Court Fund	Fire Fund	Total Governmental Funds
Revenue				
Sales tax	\$ 21,516	\$ -	\$ -	\$ 21,516
Other tax	371	-	-	371
Fines and Forfeitures	-	10,185	-	10,185
Intergovernmental	-	-	5,100	5,100
Fire Revenue	-	-	3,061	3,061
Other	27,321	-	-	27,321
Interest	18	-	-	18
	<u>49,226</u>	<u>10,185</u>	<u>8,161</u>	<u>67,572</u>
Total revenue				
Expenditures				
Current				
General government	45,100	-	-	45,100
Public Safety	-	20,131	8,468	28,599
	<u>45,100</u>	<u>20,131</u>	<u>8,468</u>	<u>73,699</u>
Total expenditures				
Excess (deficiency) of revenue over expenditures	<u>4,126</u>	<u>(9,946)</u>	<u>(307)</u>	<u>(6,127)</u>
Other financing sources (uses)				
Proceeds from sale of asset	-	10,000	-	10,000
Transfer in	5,754	1,650	2,350	9,754
Transfer out	(3,450)	(2,000)	(1,000)	(6,450)
	<u>2,304</u>	<u>9,650</u>	<u>1,350</u>	<u>13,304</u>
Total other financing sources (uses)				
Net change in fund balances	6,430	(296)	1,043	7,177
Fund balances, beginning	(18)	813	(223)	572
Fund balances, ending	<u>\$ 6,412</u>	<u>\$ 517</u>	<u>\$ 820</u>	<u>\$ 7,749</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

Net changes in fund balances - total governmental funds \$ 7,177

Amounts reported for governmental activities in the statement of activities are different because:
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(5,074)	
Capital outlay	-	
Sale of assets	<u>(20,946)</u>	(26,020)

The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds exceeded repayment.

Proceeds from lease payable	-	
Repayment	<u>11,133</u>	<u>11,133</u>

Change in net assets \$ (7,710)

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
 STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 JUNE 30, 2009

	<u>Landfill Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>1,896</u>
Total current assets	<u>1,896</u>
Total assets	<u>1,896</u>
LIABILITIES	
Current liabilities:	
Accounts Payable	<u>-</u>
Total liabilities	<u>-</u>
NET ASSETS	
Assigned	<u>1,896</u>
Net assets of business-type activities	<u>\$ <u>1,896</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 MODIFIED CASH BASIS - PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Landfill Fund</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Landfill charges	\$ 19,880
Total operating revenues	<u>19,880</u>
<u>OPERATING EXPENSES</u>	
Contract services	15,526
Office Expense	<u>478</u>
Total operating expenses	<u>16,004</u>
Operating income (loss)	<u>3,876</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	9
Transfer out	<u>(3,304)</u>
Total non-operating revenue (expenses)	<u>(3,295)</u>
Change in net assets	581
Total net assets, beginning	<u>1,315</u>
Total net assets, ending	<u>\$ 1,896</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Landfill Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 19,880
Cash payments to suppliers for goods and services	<u>(16,004)</u>
Net cash provided (used) by operating activities	<u>3,876</u>
Cash flows from non-capital financing activities	
Transfer to other funds	<u>(3,304)</u>
Net cash provided by non-capital financing sources	<u>(3,304)</u>
Cash flows from investing activities	
Interest revenue	<u>9</u>
Net cash provided by investing activities	<u>9</u>
Net increase in cash and cash equivalents	581
Cash and cash equivalents, beginning	<u>1,315</u>
Cash and cash equivalents, ending	<u>\$ 1,896</u>
Reconciliation of operating income(loss) to net cash provided by(used) by operating activities	
Operating income (loss)	\$ 3,876
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	-
Changes in assets and liabilities:	
Increase in utility deposits	<u>-</u>
Net cash provided by operating activities	<u>\$ 3,876</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CROMWELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Cromwell, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, and landfill. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria there are no component units. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

TOWN OF CROMWELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the 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. 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. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 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.

TOWN OF CROMWELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Court Fund - The court fund is used for certain revenue and expenditures related to municipal fines.

Fire Fund - The fire fund is used for certain revenue and expenditures related to the fire department.

Proprietary Funds - The Town reports the following major enterprise funds:

Landfill fund - The Authority provides landfill services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF CROMWELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2009 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

Prior to June 30, 2006, the town did not keep records of fixed assets. The cost and acquisition date of items acquired before this date are not known; however, an aggregated total of \$68,554 was carried over in the June 30, 2006 audit. Property, plant, and equipment acquired after July 1, 2006 with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

TOWN OF CROMWELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Improvements, other than buildings	20-50
Furniture , machinery, and equipment	5-10
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2009, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$9,645 at June 30, 2009. The bank balance of the deposits at June 30, 2009 was approximately \$9,645.

TOWN OF CROMWELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2009.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2009, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

The town did not report any interfund payables or receivables at June 30, 2009

NOTE D - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Other</u>
	<u>Buildings</u>	<u>Infrastructure & Furniture, Improvements Other Than Buildings</u>	<u>Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2008	\$ -	\$ -	\$ 50,183	\$ 50,183	\$ 68,554
Increases	-	-	-	-	-
Decreases	-	-	(29,325)	(29,325)	-
Balance, June 30, 2009	-	-	20,858	20,858	68,554
Accumulated Depreciation					
Balance, June 30, 2008	-	-	10,754	10,754	-
Increase	-	-	5,074	5,074	-
Decreases	-	-	(8,379)	(8,379)	-
Balance, June 30, 2009	-	-	7,449	7,449	-
Governmental activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,409</u>	<u>\$ 13,409</u>	<u>\$ 68,554</u>
Business-type activities					
Balance, June 30, 2008	\$ -	\$ -	\$ -	\$ -	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2009	-	-	-	-	-
Accumulated Depreciation					
Balance, June 30, 2008	-	-	-	-	-
Increase	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2009	-	-	-	-	-
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,409</u>	<u>\$ 13,409</u>	<u>\$ 68,554</u>

TOWN OF CROMWELL, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
Public Safety	\$ 5,074	Utilities Authority	\$ -

NOTE E - CAPITAL LEASES

The Town and Authority have entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town and Authority the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2009 are as follows:

<u>Payable at</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2009</u>
\$ 11,133	\$ -	\$ (11,133)	\$ -
<u>\$ 11,133</u>	<u>\$ -</u>	<u>\$ (11,133)</u>	<u>\$ -</u>

NOTE F - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

TOWN OF CROMWELL, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

NOTE G - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ -	0%
2008	1,140	100%
2009	420	100%

TOWN OF CROMWELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE H - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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 Honorable Mayor and Members of the Board of Trustees
Town of Cromwell
Cromwell, Oklahoma

I was engaged to audit the accompanying financial statements-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cromwell, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the Town of Cromwell, Oklahoma's basic financial statements, and have issued my report thereon dated January 27, 2012 which did not include Management's Discussion and Analysis or budgetary comparison and had a disclaimer of opinion. 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.

Internal Control Over Financial Reporting

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

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 over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. All duties are handled by one employee and the town failed to maintain sufficient accounting records. I consider the lack of segregation of duties and failure to maintain accounting records to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Cromwell, Oklahoma'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The town did not retain proper support for revenue and expenditures, failed to maintain adequate accounting records, and had a negative fund balance in the general fund and fire fund at the beginning of the fiscal year. Failure to maintain adequate accounting records and having a negative fund balance are out of compliance with state statutes.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 27, 2012