

TOWN OF CROMWELL
Cromwell, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

AUDITED BY

WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OKLAHOMA

TOWN OF CROMWELL
Cromwell, Oklahoma

CONTENTS

	<u>Page No.</u>
Table of Contents	2-3
Independent Auditors' Report	4-5
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets - Modified Cash Basis	6
Statement of Activities and Changes in Net Assets - Modified Cash Basis	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds – Modified Cash Basis	8
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets – Modified Cash Basis	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets – Modified Cash Basis	11
Statement of Net Assets – Proprietary Funds – Modified Cash Basis	12
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – Modified Cash Basis	13
Statement of Cash Flows – Proprietary Funds - Modified Cash Basis	14
Notes to the Basic Financial Statements	15-24
 Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Modified Cash Basis) and Actual – Governmental Funds	26

**TOWN OF CROMWELL
Cromwell, Oklahoma**

CONTENTS

	<u>Page No.</u>
Reports Required by <i>Government Auditing Standards</i>:	
Independent Auditors' Report Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	27-28
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings	30

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of Town Council
Town of Cromwell
Cromwell, 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 Cromwell, Oklahoma, as of and for the fiscal years ended June 30, 2013 and 2012 and the related notes for 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 financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion 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 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 error or fraud. 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

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

Basis of Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in generally accepted accounting principles in the United States of America, 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 purchased 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 Governmental and Business-Type activities is not readily determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis of 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 and the aggregate remaining fund information of the Town of Cromwell, Oklahoma, as of June 30, 2013 and 2012 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Other Matters

The supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated March 27, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and 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* in considering the Authority's internal control over financial reporting and compliance.

Basis of Accounting

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



Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 27, 2014

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENT OF NET ASSETS-MODIFIED CASH BASIS
JUNE 30, 2013 AND 2012

FOR YEAR ENDEDE JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments			
Cash and cash equivalents	\$ 30,841	10,443	41,284
CAPITAL ASSETS			
Depreciable buildings, property and equipment net of depreciation	<u>70,043</u>	<u>-</u>	<u>70,043</u>
TOTAL ASSETS	<u>\$ 100,884</u>	<u>10,443</u>	<u>111,327</u>
LIABILITIES			
Accounts payable	\$ -	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Invested in capital assets, net of related debt	70,043	-	70,043
Restricted	16,852	10,443	27,295
Unassigned	<u>13,989</u>	<u>-</u>	<u>13,989</u>
TOTAL NET ASSETS	<u>\$ 100,884</u>	<u>10,443</u>	<u>111,327</u>

FOR THE YEAR ENDED JUNE 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments			
Cash and cash equivalents	\$ 65,276	12,374	77,650
CAPITAL ASSETS			
Depreciable buildings, property and equipment net of depreciation	<u>73,023</u>	<u>-</u>	<u>73,023</u>
TOTAL ASSETS	<u>\$ 138,299</u>	<u>12,374</u>	<u>150,673</u>
LIABILITIES			
Accounts payable	\$ -	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Invested in capital assets, net of related debt	73,023	-	73,023
Restricted	47,193	12,374	59,567
Unassigned	<u>18,083</u>	<u>-</u>	<u>18,083</u>
TOTAL NET ASSETS	<u>\$ 138,299</u>	<u>12,374</u>	<u>150,673</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS- MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012

FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 109,725	-	-	-	(109,725)
Total Governmental Activities	109,725	-	-	-	(109,725)
Business-Type Activities:					
Landfill	20,085	26,677	-	-	6,592
Totals	\$ 129,810	26,677	-	-	(103,133)

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	Net (Expense)/Revenue	\$ (109,725)	6,592
General Revenues			
Taxes	37,793	-	37,793
Intergovernmental	15,236	-	15,236
Rents	1,565	-	1,565
Fines and forfeitures	691	-	691
Miscellaneous	8,502	-	8,502
Transfers out	8,523	(8,523)	-
Total general revenues and transfers	72,310	(8,523)	63,787
Change in Net Assets	(37,415)	(1,931)	(39,346)
Net Assets-beginning of year	138,299	12,374	150,673
Net Assets-end of year	\$ 100,884	10,443	111,327

FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 54,069	-	-	-	(54,069)
Total Governmental Activities	54,069	-	-	-	(54,069)
Business-Type Activities:					
Landfill	21,236	26,235	-	-	4,999
Totals	\$ 75,305	26,235	-	-	(49,070)

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	Net (Expense)/Revenue	\$ (54,069)	4,999
General Revenues			
Taxes	33,650	-	33,650
Intergovernmental	7,093	-	7,093
Rents	2,188	-	2,188
Fines and forfeitures	356	-	356
Miscellaneous	43,912	-	43,912
Transfers out	2,300	(2,300)	-
Total general revenues and transfers	89,499	(2,300)	87,199
Change in Net Assets	35,430	2,699	38,129
Net Assets-beginning of year	102,869	9,675	112,544
Net Assets-end of year	\$ 138,299	12,374	150,673

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

BALANCE SHEET - MODIFIED CASH GOVERNMENTAL FUNDS
JUNE 30, 2013 AND 2012

FOR YEAR ENDED JUNE 30, 2013

	GENERAL FUND	COURT FUND	FIRE FUND	EMERGENCY MANAGEMENT FUND	TOTAL
ASSETS					
Cash and investments					
Cash & cash equivalents	\$ 19,524	2,241	8,623	453	30,841
TOTAL ASSETS	\$ 19,524	2,441	8,623	453	30,841
LIABILITIES					
Accounts payable	\$ -	-	-	-	-
FUND EQUITY					
Fund balances					
Restricted	5,335	2,241	8,623	453	16,652
Unassigned	14,189	-	-	-	14,189
Total Fund Equity	19,524	2,241	8,623	453	30,841
TOTAL LIABILITIES & FUND EQUITY	\$ 19,524	2,241	8,623	453	30,841

FOR YEAR ENDED JUNE 30, 2012

	GENERAL FUND	COURT FUND	FIRE FUND	EMERGENCY MANAGEMENT FUND	TOTAL
ASSETS					
Cash and investments					
Cash & cash equivalents	\$ 20,419	3,400	40,957	500	65,276
TOTAL ASSETS	\$ 20,419	3,400	70,957	500	65,276
LIABILITIES					
Accounts payable	\$ -	-	-	-	-
FUND EQUITY					
Fund balances					
Restricted	2,336	3,400	40,957	500	47,193
Unassigned	18,083	-	-	-	18,083
Total Fund Equity	20,419	3,400	40,957	500	65,276
TOTAL LIABILITIES & FUND EQUITY	\$ 20,419	3,400	40,957	500	65,276

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2013 AND 2012**

	<u>JUNE 30,</u>	
	<u>2013</u>	<u>2012</u>
Total Fund Balances - Total Governmental Funds	\$ 30,841	65,276
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Depreciable buildings, property and equipment	<u>70,043</u>	<u>73,023</u>
Net Assets of Governmental Activities	<u>\$ 100,884</u>	<u>138,299</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012

FOR YEAR ENDED JUNE 30, 2013

	GENERAL FUND	COURT FUND	FIRE FUND	EMERGENCY MANAGEMENT FUND	TOTAL
REVENUES					
Taxes	\$ 37,793				37,793
Intergovernmental programs	10,752	-	4,484	-	15,236
Fines and forfeitures	-	691	-	-	691
Rents	1,565	-	-	-	1,565
All other	2,065	-	6,437	-	8,502
Total Revenues	<u>52,175</u>	<u>691</u>	<u>10,921</u>	<u>-</u>	<u>63,787</u>
EXPENDITURES					
Current					
General government					
Personal services	12,484	-		-	12,484
Maintenance & operations	48,091	50	43,255	2,865	94,261
Total Expenditures	<u>60,575</u>	<u>50</u>	<u>43,255</u>	<u>2,865</u>	<u>106,745</u>
Net changes in fund balance	(8,400)	641	(32,334)	(2,865)	(42,958)
Other financing sources uses					
Operating transfers in	7,505	-	-	2,818	10,323
Operating transfers out	-	(1,800)	-	-	(1,800)
	<u>7,505</u>	<u>(1,800)</u>	<u>-</u>	<u>2,818</u>	<u>8,523</u>
Net changes in fund balances & other financing sources and (uses)	(895)	(1,159)	(32,334)	(47)	(34,435)
Fund Balance - beginning of year	<u>20,419</u>	<u>3,400</u>	<u>40,957</u>	<u>500</u>	<u>65,276</u>
Fund Balance - end of year	<u>\$ 19,524</u>	<u>2,241</u>	<u>8,623</u>	<u>453</u>	<u>30,841</u>

FOR YEAR ENDED JUNE 30, 2012

	GENERAL FUND	COURT FUND	FIRE FUND	EMERGENCY MANAGEMENT FUND	TOTAL
REVENUES					
Taxes	\$ 33,650				33,650
Intergovernmental programs	2,681	-	4,412	-	7,093
Fines and forfeitures	-	356	-	-	356
Rents	2,188	-	-	-	2,188
All other	2,568	-	41,344	-	43,912
Total Revenues	<u>41,087</u>	<u>356</u>	<u>45,756</u>	<u>-</u>	<u>87,199</u>
EXPENDITURES					
Current					
General government					
Personal services	11,648	-		-	11,648
Maintenance & operations	32,686	118	6,637	-	39,441
Total Expenditures	<u>44,334</u>	<u>118</u>	<u>6,637</u>	<u>-</u>	<u>51,089</u>
Net changes in fund balance	(3,247)	238	39,119	-	36,110
Other financing sources uses					
Operating transfers in	2,300	-	-	125	2,425
Operating transfers out	(125)	-	-	-	(125)
	<u>2,175</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>2,300</u>
Net changes in fund balances & other financing sources and (uses)	(1,072)	238	39,119	125	38,410
Fund Balance - beginning of year	<u>21,491</u>	<u>3,162</u>	<u>1,838</u>	<u>375</u>	<u>26,866</u>
Fund Balance - end of year	<u>\$ 20,419</u>	<u>3,400</u>	<u>40,957</u>	<u>500</u>	<u>65,276</u>

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

**RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013 AND 2012**

	JUNE 30,	
	2013	2012
Net Change in Fund Balances - Total Governmental Funds	\$ (34,435)	38,410
Amount reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period net of depreciation expense.	(2,980)	(2,980)
Change in Net Assets of Governmental Activities	\$ (37,415)	35,430

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF NET ASSETS - PROPRIETARY FUNDS-MODIFIED CASH BASIS
JUNE 30, 2013 AND 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	LANDFILL	
	June 30,	
	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and investments		
Cash & cash equivalents	\$ 10,443	12,374
TOTAL ASSETS	\$ 10,443	12,374
LIABILITIES		
Accounts payable	\$ -	-
TOTAL LIABILITIES	-	-
NET ASSETS		
Unassigned	10,443	12,374
TOTAL NET ASSETS	\$ 10,443	12,374

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS-
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013 and 2012**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	LANDFILL	
	For Year Ended June. 30	
	2013	2012
REVENUES		
Landfill charges	\$ 26,677	26,235
OPERATIONS EXPENSE		
Contracted services	19,269	20,346
Other expenses	816	890
Total operations expense	20,085	21,236
INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS	6,592	4,999
OTHER FINANCING SOURCES AND (USES)		
Operating transfers in	-	
Operating transfers out	(8,523)	(2,300)
TOTAL OTHER FINANCING SOURCES AND (USES)	(8,523)	(2,300)
NET INCOME	(1,931)	2,699
RETAINED EARNINGS, BEGINNING OF THE YEAR	12,374	9,675
RETAINED EARNINGS, END OF THE YEAR	\$ 10,443	12,374

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - MODIFIED CASH BASIS
YEARAS ENDED JUNE 30, 2013 AND 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	LANDFILL	
	For the Year Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Cash received from customers & service users	\$ 26,677	26,235
Cash payments for goods & services & employees	(20,085)	(21,236)
Net cash provided by operating activities	6,592	4,999
Cash flows from financing activities		
Transfer outs	(8,523)	(2,300)
Net cash provided by financing activities	(8,523)	(2,300)
Net increase (decrease) in cash & cash equivalents	(1,931)	2,699
Cash & cash equivalents - beginning of year	12,374	9,675
Cash & cash equivalents - end of year	\$ 10,443	12,374
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,592	4,999
Net cash provided by operating activities	\$ 6,592	4,999

The accompanying notes to the financial statements are an integral part of these financial statements

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Cromwell, Oklahoma, Cromwell, Oklahoma (the Town), 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 depreciations 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.

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.

A. Reporting Entity

The Town of Cromwell, Oklahoma is organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the Town of Cromwell, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units and trusts, entities for which the Town is considered to be financially accountable. Blended component units and trusts, 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.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net assets 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 are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

The following are the Town's major governmental funds:

General Fund – is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Court Fund – is the fund used to collect prior years municipal fines and bonds. The Town no longer operates a police department.

Emergency Management Fund – is the fund used for certain revenues and expenditures related to emergency management.

The following is the only proprietary fund:

Landfill Fund – is the fund used for collecting and expending for garbage service . The Town contracts with a third party for this service.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposits, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

2. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

5. Inventories

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories are recorded as expenditures when purchased rather than when consumed.

6. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

**TOWN OF CROMWELL
Cromwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

All reported capital assets are depreciated except construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacements.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The Town has not maintained accurate capital assets records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

Prior to June 30, 2009, 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 \$68,554 was carried over in the June 30, 2006 audit. Property, plant, and equipment acquired after July 1, 2009 with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the Town or component unit.

8. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance(net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

The Town had no debit in current fiscal year.

9. Net Assets

Reservations of fund balance represent amounts that are legally restricted for a specific purpose. Reservations of retained earnings are limited to outside third party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary funds contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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 service, 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. The Town exceeded appropriations for the year ended June 30, 2013.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town's name.

The Town's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school Town s in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 2 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013 and 2012 the Town held deposits of approximately \$41,284 and \$ 77,650 respectively at financial institutions. The Town's cash deposits, including interest-bearing accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town 's name. Therefore, the Town was not exposed to custodial credit risk as defined above.

Investment Credit Risk

The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school Town debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school Town .
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Town has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The Town had no investment credit risk as of June 30, 2013 and 2012, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The Town had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town places no limit on the amount it may invest in any one issuer.

At June 30, 2013 and 2012, the Town had no concentration of credit risk as defined above.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

Governmental Activities:	Beginning Balance <u>July 1, 2011</u>	<u>Deductions</u>	Ending Balance <u>June 30, 2013</u>
Equipment	\$ 20,858	-	20,858
Land	68,554	-	68,554
Less:			
Depreciation	(13,409)	(5,960)	(19,369)
Total	<u>\$ 76,003</u>	<u>(5,960)</u>	<u>70,043</u>

4. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 2014, which is the date the financial statements were available to be issued.

TOWN OF CROMWELL
Cromwell, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2013 AND 2012

TOWN OF CROMWELL
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL GOVERNMENTAL FUNDS
 YEARS ENDED JUNE 30, 2013 AND 2012

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Revenues				
Total revenues	<u>48,626</u>	<u>48,626</u>	<u>52,175</u>	<u>3,549</u>
Expenditures:				
Current	<u>49,902</u>	<u>49,902</u>	<u>60,575</u>	<u>(10,673)</u>
Excess of revenues over (under) expenditures	(1,276)	(1,276)	(8,400)	(7,124)
Other financing sources & (uses)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>7,505</u>	<u>7,505</u>
Excess of revenues over (under) and other financing sources & (uses)	(1,276)	(1,276)	(895)	381
Fund balance at beginning of year	<u>17,000</u>	<u>17,000</u>	<u>20,419</u>	<u>3,419</u>
Fund balance at end of year	<u>\$ 15,724</u>	<u>15,724</u>	<u>19,524</u>	<u>3,800</u>

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Revenues				
Total revenues	<u>50,279</u>	<u>50,279</u>	<u>41,087</u>	<u>(9,192)</u>
Expenditures:				
Current	<u>57,706</u>	<u>57,706</u>	<u>44,334</u>	<u>13,372</u>
Excess of revenues over (under) expenditures	(7,427)	(7,427)	(3,247)	4,180
Other financing sources & (uses)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>2,175</u>	<u>2,175</u>
Excess of revenues over (under) and other financing sources & (uses)	(7,427)	(7,427)	(1,072)	6,355
Fund balance at beginning of year	<u>19,500</u>	<u>19,500</u>	<u>21,491</u>	<u>1,991</u>
Fund balance at end of year	<u>\$ 12,073</u>	<u>12,073</u>	<u>20,419</u>	<u>8,346</u>

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' 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

Honorable Mayor and
Members of Town Council
Town of Cromwell
Cromwell, Oklahoma

We have audited, 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, the modified cash financial statements of the governmental activities, the business-type, and each major fund, and the aggregate remaining fund information of the Town of Cromwell, Oklahoma, as of and for the years ended June 30, 2013 and 2012, 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 Cromwell, Oklahoma's basic financial statements, and have issued our report thereon dated March 27, 2014, which was qualified for improper capital asset recordkeeping.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, however, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we 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 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*.

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.



Wilson, Dotson & Associates, PLLC

Shawnee, Oklahoma
March 27, 2014

**TOWN OF CROMWELL
Cromwell, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSE
For the Years Ended June 30, 2013 and 2012**

None

TOWN OF CROMWELL
Cromwell, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended June 30, 2013 and 2012

None