

**PUBLISHED BY
KOLKER & KOLKER, INC.
FOR**

TOWN OF COLCORD, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2015

**KERSHAW CPA & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS**

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JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Colcord, Oklahoma

Report on the Financial Statements

We have audited 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 Colcord, Oklahoma, as of and for the fiscal year ended June 30, 2015, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting

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

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

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset 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 my review. The amount by which this departure would affect the assets, net position, and expenditures/expenses of the Governmental & Business-Type Activities is not readily determinable.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colcord, Oklahoma, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Colcord, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis or Budgetary Comparison Information required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2016, on our consideration of the Town of Colcord, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant

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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 compliance with *Government Auditing Standards* in considering Town of Colcord, Oklahoma's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

September 1, 2016

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2015

Statement 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 82,559	\$ 49,847	\$ 132,406
Deposit with county	102,340	--	102,340
Taxes receivable	40,293	--	40,293
Accounts receivable (net)	--	16,546	16,546
Due from intra-government	3,763	--	3,763
Due from meter fund	<u>--</u>	<u>259</u>	<u>259</u>
Total current assets	<u>228,955</u>	<u>66,652</u>	<u>295,607</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	55,464	55,464
Due to general operations	--	(259)	(259)
Capital assets (net)	<u>604,115</u>	<u>1,225,907</u>	<u>1,830,022</u>
Total noncurrent assets	<u>604,115</u>	<u>1,281,112</u>	<u>1,885,227</u>
Total assets	<u>833,070</u>	<u>1,347,764</u>	<u>2,180,834</u>
Deferred outflows of resources:			
Deferred outflows related to pensions:	<u>826</u>	<u>--</u>	<u>826</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	11,210	12,329	23,539
Current portion of long-term debt	--	12,012	12,012
Net pension liability	34,668	--	34,668
Due to intra-government	<u>--</u>	<u>3,763</u>	<u>3,763</u>
Total current liabilities	<u>45,878</u>	<u>28,104</u>	<u>73,982</u>
Noncurrent liabilities:			
Customer deposits payable from restricted assets	--	31,754	31,754
Long-term debt	<u>--</u>	<u>350,116</u>	<u>350,116</u>
Total noncurrent liabilities	<u>--</u>	<u>381,870</u>	<u>381,870</u>
Total liabilities	<u>45,878</u>	<u>409,974</u>	<u>455,852</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	<u>5,248</u>	<u>--</u>	<u>5,248</u>
NET POSITION			
Invested in capital assets, net of related debt	604,115	863,779	1,467,894
Restricted for specific purposes	145,166	--	145,166
Restricted for debt service	--	23,451	23,451
Unrestricted	<u>33,489</u>	<u>50,560</u>	<u>84,049</u>
Total net position	<u>\$ 782,770</u>	<u>\$ 937,790</u>	<u>\$1,720,560</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government					
Administrative and Accounting	\$ 83,695	\$ --	\$ --	\$ --	\$ (83,695)
Total general government	<u>83,695</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(83,695)</u>
Public safety and judiciary					
Police and First Responders	60,838	34,667	9,126	--	(17,045)
Fire	23,478	9,910	7,984	--	(5,584)
Civil defense	<u>1,522</u>	<u>--</u>	<u>240</u>	<u>--</u>	<u>(1,282)</u>
Total public safety and Judiciary	<u>85,838</u>	<u>44,577</u>	<u>17,350</u>	<u>--</u>	<u>(23,911)</u>
Transportation					
Street	<u>8,093</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(8,093)</u>
Total transportation	<u>8,093</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(8,093)</u>
Total governmental activities	<u>177,626</u>	<u>44,577</u>	<u>17,350</u>	<u>--</u>	<u>(115,699)</u>
Business-type activities:					
Water, sewer & sanitation	<u>257,599</u>	<u>252,859</u>	<u>--</u>	<u>5,670</u>	<u>930</u>
Total business-type activities	<u>257,599</u>	<u>252,859</u>	<u>--</u>	<u>5,670</u>	<u>930</u>
Total	<u>\$ 435,225</u>	<u>\$ 297,436</u>	<u>\$ 17,350</u>	<u>\$ 5,670</u>	<u>\$(114,769)</u>

The notes to the financial statements are an integral part of this statement.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	<u>\$(115,699)</u>	<u>\$ 930</u>	<u>\$(114,769)</u>
General Revenues			
Taxes:			
Sales tax	144,808	--	144,808
Use tax	25,767	--	25,767
Alcohol beverage tax	9,459	--	9,459
Gasoline tax	1,524	--	1,524
Motor vehicle tax	6,164	--	6,164
Franchise taxes	14,595	--	14,595
Cigarette tax	955	--	955
Investment income	297	20	317
Miscellaneous	<u>1,880</u>	<u>--</u>	<u>1,880</u>
Total general revenues	<u>205,449</u>	<u>20</u>	<u>205,469</u>
Change in net position	89,750	950	90,700
Net position - beginning	<u>693,020</u>	<u>936,840</u>	<u>1,629,860</u>
Net position - ending	<u>\$ 782,770</u>	<u>\$ 937,790</u>	<u>\$1,720,560</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF COLCORD, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Fire Department Fund</u>	<u>Street and Drainage Fund</u>	<u>Emergency Management Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash, including time deposits	\$ 52,513	\$ --	\$ 26,371	\$ 1,570	\$ 2,105	\$ 82,559
Deposits with county	--	102,340	--	--	--	102,340
Taxes receivable	26,950	12,044	--	1,299	--	40,293
Due from other funds	--	--	--	1,486	--	1,486
Due from Colcord PWA	<u>3,713</u>	<u>--</u>	<u>50</u>	<u>--</u>	<u>--</u>	<u>3,763</u>
Total assets	<u>83,176</u>	<u>114,384</u>	<u>26,421</u>	<u>4,355</u>	<u>2,105</u>	<u>230,441</u>
LIABILITIES						
Accounts payable and accrued expenses	9,111	--	1,679	420	--	11,210
Due other funds	<u>1,486</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,486</u>
Total liabilities	<u>10,597</u>	<u>--</u>	<u>1,679</u>	<u>420</u>	<u>--</u>	<u>12,696</u>
FUND BALANCES						
Assigned	--	114,384	24,742	3,935	2,105	145,166
Unassigned	<u>72,579</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>72,579</u>
Total fund balance	<u>72,579</u>	<u>114,384</u>	<u>24,742</u>	<u>3,935</u>	<u>2,105</u>	<u>217,745</u>
Total liabilities and fund balance	<u>\$ 83,176</u>	<u>\$ 114,384</u>	<u>\$ 26,421</u>	<u>\$ 4,355</u>	<u>\$ 2,105</u>	<u>\$ 230,441</u>
Fund balance per above						217,745
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities of \$604,114, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds						604,115
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.						
Net pension liability						(34,668)
Pension related deferred inflows						(5,248)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund.						
Pension related deferred outflows						<u>826</u>
Net position of governmental activities						<u>\$ 782,770</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Fire Department Fund</u>	<u>Street and Drainage Fund</u>	<u>Emergency Management Fund</u>	<u>Total Governmental Funds</u>
REVENUES						
Sales tax	\$ 79,997	\$ 64,811	\$ --	\$ --	\$ --	\$ 144,808
Other taxes	36,181	--	--	7,688	--	43,869
Fines and forfeits	34,667	--	--	--	--	34,667
Franchise taxes	14,595	--	--	--	--	14,595
Interest	--	296	--	1	--	297
Miscellaneous	910	--	79	--	891	1,880
Grants and contributions	9,126	--	7,984	--	240	17,350
Memberships	<u>--</u>	<u>--</u>	<u>9,910</u>	<u>--</u>	<u>--</u>	<u>9,910</u>
Total revenues	<u>175,476</u>	<u>65,107</u>	<u>17,973</u>	<u>7,689</u>	<u>1,131</u>	<u>267,376</u>
EXPENDITURES						
Current						
General government						
Administrative & accounting	<u>83,695</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>83,695</u>
Total general government	<u>83,695</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>83,695</u>
Public safety and judiciary:						
Police and First Responders	61,533	--	--	--	--	61,533
Fire	180	2,935	20,363	--	--	23,478
Civil Defense	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,522</u>	<u>1,522</u>
Total public safety and judiciary	<u>61,713</u>	<u>2,935</u>	<u>20,363</u>	<u>--</u>	<u>1,522</u>	<u>86,533</u>
Transportation						
Street	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,093</u>	<u>--</u>	<u>8,093</u>
Total transportation	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,093</u>	<u>--</u>	<u>8,093</u>
Capital outlay	<u>7,628</u>	<u>210,047</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>217,675</u>
Total expenditures	<u>153,036</u>	<u>212,982</u>	<u>20,363</u>	<u>8,093</u>	<u>1,522</u>	<u>395,996</u>
Net change in fund balances	22,440	(147,875)	(2,390)	(404)	(391)	(128,620)
Fund balances - beginning	<u>50,139</u>	<u>262,259</u>	<u>27,132</u>	<u>4,339</u>	<u>2,496</u>	<u>346,365</u>
Fund balances - ending	<u>\$ 72,579</u>	<u>\$ 114,384</u>	<u>\$ 24,742</u>	<u>\$ 3,935</u>	<u>\$ 2,105</u>	<u>\$ 217,745</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of the change in fund balances - total government funds to the change in net position of governmental activities:
Net change in fund balances - total governmental funds (128,620)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital assets purchased capitalized 217,675
Depreciation - See notes to financial statements 00

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of expense. The Fund Financial Statements report pension contributions as expenditures

695

Change in net position of governmental activities \$ 89,750

TOWN OF COLCORD, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
COLCORD PUBLIC WORKS AUTHORITY
JUNE 30, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 49,847
Accounts receivable	16,546
Due from meter fund	<u>259</u>

Total current assets 66,652

Noncurrent assets:

Restricted assets	
Cash and cash equivalents	55,464
Due to general assets	(259)
Capital assets (net)	<u>1,225,907</u>

Total noncurrent assets 1,281,112

Total assets 1,347,764

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	12,329
Current portion of long-term debt	12,012
Due Town of Colcord	<u>3,763</u>

Total current liabilities 28,104

Noncurrent liabilities

Customers' meter deposits (payable from restricted assets)	31,754
Long-term debt	<u>350,116</u>

Total noncurrent liabilities 381,870

Total liabilities 409,974

NET POSITION

Investment in capital assets, net of related debt	863,779
Restricted for debt service	23,451
Unrestricted	<u>50,560</u>

Total net position \$ 937,790

The notes to the financial statements are an integral part of this statement.

**TOWN OF COLCORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
COLCORD PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2015**

Operating revenues	
Utility revenues	\$ 251,409
Miscellaneous	<u>1,450</u>
Total operating revenues	<u>252,859</u>
Operating expenses	
Legal and professional	4,615
Salaries and benefits	66,355
Operation and maintenance	69,072
Trash service	48,246
Depreciation expense	<u>53,938</u>
Total operating expense	<u>242,226</u>
Net operating income (loss)	<u>10,633</u>
Nonoperating revenue (expenses)	
Interest expense	(15,373)
Investment income	20
Grants	<u>5,670</u>
Total nonoperating revenue (expenses)	<u>(9,683)</u>
Changes in net position	950
Net position - beginning of year	<u>936,840</u>
Net position - end of year	<u>\$ 937,790</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF COLCORD, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
COLCORD PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:	
Receipts from customers	\$ 254,820
Payments to suppliers	(117,600)
Payments to employees and benefits	(64,107)
Receipts (deficits) over refunds of customer meter deposits	<u>(3,065)</u>
Net cash provided (used) by operating activities	<u>70,048</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(11,648)
Interest paid	(15,381)
Purchase of capital assets	(16,055)
Grant receipts	5,670
Borrow from Town of Colcord	<u>3,763</u>
Net cash provided (used) by capital and related financing activities	<u>(33,651)</u>
Cash flows from investing activities	
Interest	<u>20</u>
Net cash provided (used) by investing activities	<u>20</u>
Net increase (decrease) in cash and cash equivalents	36,417
Balances - beginning of the year	<u>68,894</u>
Balances - end of the year	<u>\$ 105,311</u>
Cash, including time deposits	49,847
Restricted cash, including time deposits	<u>55,464</u>
Total cash and cash equivalents, end of year	<u>\$ 105,311</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 10,633
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows in other categories:	
Depreciation expense	53,938
Utility deposits (decrease)	(3,065)
Change in assets and liabilities:	
Receivables	1,961
Accounts payable and accrued expenses	<u>6,581</u>
	<u>\$ 70,048</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF COLCORD, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Colcord, Oklahoma is incorporated and operates under a statutory town form of government as directed by Title 11 of the Oklahoma Statutes. The duties of the mayor are set forth in Title 11 and the Town is governed by five board members, each representing a ward within the Town. Major operations include police and fire protection, parks and recreation, public works, sanitation and streets and general administrative services.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, receipts, disbursements and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions which are FDIC insured.

Governmental Fund Types

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

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures. Special revenue funds consist of the Fire Department, Street and Alley and Emergency Management Funds. Additionally, the Countywide Fire Department Fund, which is administered by Delaware County for the Colcord Fire Department, is included.

Proprietary Fund Types

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

C. Basis of Presentation

The Town of Colcord prepares its financial statements on the accrual basis of accounting. However, for Fund Financial Statements, capital outlay and long-term debt activity, if any, are recorded as expenditures and revenues. These are then reclassified for the Statements of Net Position and Activities.

D. Budget and Budgetary Procedures

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. By law, unencumbered appropriations lapse after September 30 following the end of the fiscal year. Therefore, claims on such appropriations may be paid until that time.

E. Cash and Cash Equivalents

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

F. Accounts Receivable

Management has not established an allowance for uncollectible accounts receivable. Accounts are written off as bad debt expense when it is deemed that they are uncollectible. The allowance for doubtful accounts was considered immaterial for reporting purposes.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, street lights and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. the capitalization threshold has been set at \$1,000. Donated assets are recorded at estimated fair market values as of the date of the donation.

The costs of normal maintenance or repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

Capital assets are being depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Water Plant and Sewer System	40
Automobiles and Equipment	5
Building	20

H. Equity Classification

Equity is classified as net position and displayed in four components:

1. *Invested in Capital Assets, Net of Related Debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
2. *Restricted for Specific Purposes* - Represents funds that can only be utilized for specific purposes such as streets, fire, etc.
3. *Restricted for Debt Service* - Represents funds that can only be used for payment on long term debt.
4. *Unrestricted Net Assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". This net position is available for any purpose of the entity.

I. Revenues, Expenditures and Expenses

Expenditures/Expenses

For purposes of the combined operating statements, expenditures. expenses are classified as follows:

Governmental Fund Types	By Character: Current Capital Outlay (further classified by activity)
Proprietary Fund Types	By Operating and Nonoperating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

J.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain of the significant changes in the statement include the following:

1. The financial statement should include:
 - a. A Management, Discussion and Analysis (MD & A) section providing analysis of the Town's overall financial position and results of operations. However, the Town has chosen not to present the required MD & A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the Town's activities, except for and including the general capital assets or infrastructure (roads, bridges, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Town has elected to implement the general provisions of the statement and report infrastructure acquired after July 1, 2003 as provided by GASB standards.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

L. Interfund Receivables and Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. Short term interfund loans are classified as "due to/from other funds". All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as advances to/from other funds. Any residual balances outstanding between governmental activities and business-type activities have been eliminated in the presentation of the government-wide financial statements.

M. Compensated Absences

At fiscal year end, no determination of the aggregate dollar value of vacation or sick pay had been made. the Town's position is that any accrued benefits are not significant and would not materially affect the financial statements.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state and local laws and contractual regulations. In accordance with government auditing standards, the auditor has issued a report on his consideration of the Town's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audited performed in compliance with government auditing standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal and Contractual Provisions

The annual budget required to be prepared and filed with the State Auditor and Inspector's office has not been prepared.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are not fund balance or retained earnings deficits for the Town for this fiscal year.

NOTE 3. CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the Town and the PWA had deposits of \$137,808 at financial institutions. The Town's cash deposits, including interest bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U. S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

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

NOTE 4. RESTRICTED ASSETS

Payments into a reserve account are required to meet the requirement of USDA Rural Development. The Colcord Public Works Authority is also required to deposit \$76.00 and \$118.00 per month into a Debt Reserve Account until \$23,280 is accumulated for USDA Rural Development. These reserve accounts may be combined and should only be used for operation in the event of an emergency and after approval of the USDA Rural Development.

Restricted cash represents amounts maintained in separate bank accounts for the purpose of segregating funds. Restricted cash consisted of the following:

Consumer Meter Deposits	\$32,013
Debt Reserve	<u>23,451</u>
Total Restricted Cash	<u>\$55,464</u>

Additionally, restricted assets has a \$259 payable to general operations.

NOTE 5. CAPITAL ASSETS

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

The proprietary fund also does not keep detailed capital asset records. The capital assets included in the financial statements do not reflect all capital assets owned by the PWA. For the proprietary fund type capital assets, the sale or disposal of such assets is recorded by removing costs and accumulated deprecation from the accounts and charging the resulting gain or loss to income. Depreciation has been calculated on the sewer system using the straight line method with an estimated useful life of 40 years.

Capital asset activity for the Authority for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2015</u>
Cost				
Land	\$ 95,745	\$ --	\$ --	\$ 95,745
Buildings	9,692	--	--	9,692
Furniture & Equipment	135,673	5,000	--	140,673
Infrastructure	<u>2,132,011</u>	<u>11,055</u>	<u>--</u>	<u>2,143,066</u>
Total	<u>\$2,373,121</u>	<u>\$ 16,055</u>	<u>\$ --</u>	<u>\$2,389,176</u>
Accumulated Depreciation				
Buildings	\$ 9,692	\$ --	\$ --	\$ 9,692
Furniture & Equipment	135,673	500	--	136,173
Infrastructure	<u>963,966</u>	<u>53,438</u>	<u>--</u>	<u>1,017,404</u>
Total	<u>\$1,109,331</u>	<u>\$ 53,938</u>	<u>\$ --</u>	<u>\$1,163,269</u>
	<u>\$1,263,790</u>	<u>\$ (37,883)</u>	<u>\$ --</u>	<u>\$1,225,907</u>

NOTE 6 - LONG TERM DEBT

The Colcord Public Works Authority has the authority to incur long term debt as needed for operations, maintenance and expansion.

The Authority has two notes payable to the United States Department of Agriculture Rural Development (USDA) as follows:

<u>Monthly</u> <u>Payment</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Loan</u>
\$1,181.00	4.5%	3/25/1998
759.00	4.5%	6/21/2001

The Colcord Public Works Authority has a note payable to the Oklahoma Department of Commerce, payable in monthly installments of \$312.50. This note is an interest free loan, payable in 240 monthly payments. The first payment was due by March, 2002.

Changes in Long Term Debt

The following is a summary of changes in long term debt for the year ended June 30, 2015:

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2015</u>
Notes Payable:				
USDA Rural Development #2	\$203,681	\$ --	(5,110)	198,571
USDA Rural Development #3	141,720	--	(2,788)	138,932
Department of Commerce	<u>28,375</u>	<u>--</u>	<u>(3,750)</u>	<u>24,625</u>
Total long term debt	<u>\$373,776</u>	<u>\$ --</u>	<u>\$(11,648)</u>	<u>\$ 362,128</u>

USDA Rural Development #2

	<u>Principal</u>	<u>Interest</u>
FYE June 30,		
2016	5,346	8,826
2017	5,591	8,581
2018	5,848	8,324
2019 - 2023	33,526	37,334
2024 - 2028	41,968	28,892
2029 - 2033	52,536	18,324
2034 - 2037	53,754	5,296

USDA Rural Development #3

	<u>Principal</u>	<u>Interest</u>
FYE June 30,		
2016	2,916	6,192
2017	3,050	6,058
2018	3,190	5,918
2019 - 2023	18,286	27,254
2024 - 2028	22,891	22,649
2029 - 2033	28,654	16,886
2034 - 2038	35,869	9,671
2039 - 2042	24,077	1,605

Department of Commerce

	<u>Principal</u>	<u>Interest</u>
FYE June 30,		
2016	3,750	--
2017	3,750	--
2018	3,750	--
2019	3,750	--
2020 - 2022	9,625	--

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted for specific purposes
3. Restricted for debt service
4. Unrestricted

NOTE 8 - PRIOR YEAR ADJUSTMENT

Beginning fund balances/net position were restated as of June 30, 2014

	<u>Governmental Activities</u>
Beginning fund balance/net position, as previously stated	\$ 732,805
Implementation of GASB Statements 68 and 71	<u>(39,785)</u>
Beginning fund balance/net position, restated	<u>\$ 693,020</u>

NOTE 9 - EMPLOYEE BENEFITS

The only employee benefit offered by the Town of Colcord is the "Oklahoma Firefighters' Pension and Retirement System" for volunteer firefighters, which is a cost-sharing multi-employer PERS.

Plan description - The Town of Colcord, as the employer, participates in the Firefighters Pension and Retirement, a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at the Plan's administrative web site.

Benefits provided - FPRS provides retirement, disability and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating towns are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the Town were \$1,200.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Town reported a net pension liability of \$34,668 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Town's proportion of the net pension asset was based on the Town's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the Town's proportion was .00340.

For the year ended June 30, 2015, the Town recognized pension expense of \$505. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 826	\$ --
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	5,248
Changes in proportion and differences between Town contributions and proportionate share of contributions	--	--
Town contributions subsequent to the measurement date	<u>1,200</u>	<u>--</u>
Total	<u>\$ 2,026</u>	<u>\$ 5,248</u>

\$1,200 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	
2016	\$(1,105)
2017	(1,105)
2018	(1,106)
2019	<u>(1,106)</u>
	<u>\$(4,422)</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate (7.5%)	1% Increase <u>(8.5%)</u>
Employer's net pension liability (asset)	\$45,117	\$34,668	\$25,694

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS, which can be located on the Plan Administrative web site.

NOTE 10 - CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Federally Assisted Programs

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

NOTE 11 - SUBSEQUENT EVENTS

After June 30, 2015, the Colcord Public Works Authority started buying its water from a third party, which greatly increased its expenses. Although abandoning its water plant, it is still responsible for the debt on the plant. However, operating costs will decrease. The full net effect of this has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are considered a part of the basic financial statements. Such information includes:

- Fire
Schedule of the Town's proportionate share of the net pension liability (asset)
- Budgetary Comparison Schedules - General Fund

TOWN OF COLCORD, OKLAHOMA

**Schedules of Required Supplementary Information
Schedule of the Town of Colcord, Oklahoma
Proportionate Share of the Net Pension Liability
Oklahoma Firefighter's Pension and Retirement System
Last 10 Fiscal Years ***

	June 30, <u>2015</u>
Town's proportion of the net pension liability	0.0034%
Town's proportionate share of the net pension liability	\$ 34,668
Town's covered employee payroll (all volunteers)	N/A
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	68.12%

* The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

**TOWN OF COLCORD, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015
(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	<u>\$ 30,791</u>	<u>\$ 30,791</u>	<u>\$ 30,791</u>	<u>\$ --</u>
Resources (inflows)				
Taxes				
Franchise taxes	12,340	12,340	14,392	2,052
Use tax	13,739	13,739	22,140	8,401
Sales tax	<u>83,195</u>	<u>83,195</u>	<u>76,254</u>	<u>(6,941)</u>
Total taxes	<u>109,274</u>	<u>109,274</u>	<u>112,786</u>	<u>3,512</u>
Intergovernmental				
Alcoholic beverage tax	8,275	8,275	9,470	1,195
Cigarette tax	<u>944</u>	<u>944</u>	<u>915</u>	<u>(29)</u>
Total intergovernmental	<u>9,219</u>	<u>9,219</u>	<u>10,385</u>	<u>1,166</u>
Fines and forfeitures				
Police fines	<u>12,506</u>	<u>12,506</u>	<u>32,149</u>	<u>19,643</u>
Total fines and forfeitures	<u>12,506</u>	<u>12,506</u>	<u>32,149</u>	<u>19,643</u>
Grants and contributions	<u>3,605</u>	<u>3,605</u>	<u>9,126</u>	<u>5,521</u>
Miscellaneous	<u>5,059</u>	<u>5,059</u>	<u>910</u>	<u>(4,149)</u>
Amounts available for appropriation	<u>170,454</u>	<u>170,454</u>	<u>196,147</u>	<u>25,693</u>
Charges to appropriations (outflows)				
Personal services	80,000	80,000	75,911	4,089
Maintenance and operation	75,000	75,000	70,657	4,343
Capital outlay	<u>15,454</u>	<u>15,454</u>	<u>7,763</u>	<u>7,691</u>
Total charges to operations	<u>170,454</u>	<u>170,454</u>	<u>154,331</u>	<u>16,123</u>
Ending budgetary fund balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 41,816</u>	<u>\$ 41,816</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Town of Colcord, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colcord, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Colcord, Oklahoma's basic financial statements, and have issued our report thereon dated September 1, 2016, which was qualified for the improper capital asset recordkeeping. The Town of Colcord, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A or Budgetary Comparison Information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Colcord's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Colcord's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Colcord's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of

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deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Items 15-01, 15-02, 15-03, 15-04 and 15-05.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colcord's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are included in the Schedule of Findings as Item 15-06. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

Town of Colcord's Response to Findings

Town of Colcord's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Colcord's response was not subjected to the auditing

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procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

September 1, 2016

TOWN OF COLCORD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2015

Internal Control Findings:

Item 15-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the Town.

Recommendation: The Town needs to prepare financial statements which will provide a better audit trail of financial transactions. Management needs to designate qualified individuals with the necessary expertise to be responsible and accountable for maintaining adequate, effective internal controls for the preparation, substantial accuracy and completeness of the financial statements.

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

Item 15-02: Meter Deposits

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

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Condition: During a previous year, the Authority withdrew funds from the Meter Deposit account to use for operating cash.

Cause/Effect: The withdrawal has left the account with a deficit balance and insufficient funds to reimburse customer deposits.

Recommendation: A deposit needs to be made to the meter deposit account to bring the balance up to an amount sufficient to cover the liability.

Response: The Town is aware of the problem.

Item 15-03: Bank Deposits

Criteria: Daily bank deposits reduce the risk of lost or stolen cash on hand.

Condition: Receipts are not being deposited on a daily basis. During the current audit, it was noted that deposits of revenues continue to be held in some cases for extended periods. Some franchise tax receipts from early in the fiscal year that were confirmed with outside entities have still not been deposited at yearend.

Cause: The cost of fuel for going to the bank to make daily deposits is such that the Town is not cost effectively able to make daily deposits.

Effect: These conditions result in weakened control over cash receipts and could result in excess cash being maintained on-hand during the month or checks being misplaced or lost.

Recommendation: All receipts should be deposited daily and not retained on-site.

Response: At this time the Town is not able to cost effectively make such deposits.

Item 15-04: Oklahoma's Open Meeting Act

Criteria: Oklahoma's Open Meeting Act ("Act") requires public bodies to take and retain minutes of all open meetings. Section 312(A) of the Act requires written minutes of public bodies to be

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kept by a designated individual and to be made available for public inspection. Section 312(A) further states that these minutes shall be "an official summary of the proceedings" and shall contain: (1) the manner and time that notice was given of the particular meeting; (2) the members present and absent; (3) All matters considered by the public body; and (4) all actions taken by the public body.

Condition: Minutes for meetings in July 2014 thru June 2015 were not appropriately maintained.

Cause/Effect: This is a violation of the Open Meeting Act.

Recommendation: Ensure minutes are prepared and retained to support all opening meetings.

Response: Effective March 2016, the meeting minutes are now being appropriately maintained.

Item 15-05: Purchase Order Filing System

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

Condition: The Town was unable to locate several purchase orders and invoices requested for review.

Cause: The Town did not have a proper purchase order filing system in place.

Effect: Documentation is not being properly maintained.

Recommendation: The Town need to establish a proper system for filing purchase orders.

Response - The Town is aware of the problem and it has been corrected going forward.

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Compliance Findings:

Item 15-06: Water and Sewer Recordkeeping

Criteria: The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to maintain income and expense records for water and sewer systems separately.

Condition: The Authority maintains separate billing records for water and sewer income. However, the Authority does not maintain separate income and expense accounts for the water and sewer systems. The town began trying to separate some of the income but not all of it.

Cause/Effect: This leaves the Authority out of compliance with the Rural Development loan agreement as the USDA will no longer be accepting audits that do not have Water and/or Sewer Records broken out separately.

Response: The Authority is aware of the problem.