



**TOWN OF CALUMET,  
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

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**INDEPENDENT AUDITOR'S  
REPORT**

**DILLON & ASSOCIATES, P.C.**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Users of the Town of Calumet, Oklahoma, Annual Financial Report

**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 the aggregate remaining fund information of the Town of Calumet, Oklahoma (the Town), as of and for the year ended June 30, 2015, and the related notes to basic financial statements, which collectively comprise the Town of Calumet'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 presentation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in modified cash basis financial position and where applicable, cash flows - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## ***Emphasis of Matters***

### ***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 opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Report on Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town's basic financial statements. The accompanying budgetary comparison information and other information, such as the schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison information on pages 23-24, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Town of Calumet has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) and the GASB has determined is necessary to supplement, although not required to be a part of the basic financial statements.

The schedules of expenditures of federal and state awards and the schedule of debt service coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2015 on our consideration of the Town'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 not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
July 27, 2015

# **BASIC FINANCIAL STATEMENTS**

Town of Calumet, Oklahoma  
Statement of Net Position (Modified Cash Basis)  
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,499,893	133,342	2,633,235
Investments	2,010,358	-	2,010,358
Restricted assets:			
Restricted cash and investments	-	93,388	93,388
Total assets	<u>4,510,251</u>	<u>226,730</u>	<u>4,736,981</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due others	32,115	33,919	66,034
Due depositors	-	19,050	19,050
Total liabilities	<u>32,115</u>	<u>52,969</u>	<u>85,084</u>
<b>NET POSITION</b>			
Restricted for:			
Debt service	-	74,338	74,338
Other purposes	1,041,467	59,250	1,100,717
Unrestricted	3,436,669	40,173	3,476,842
Total net position	<u>\$ 4,478,136</u>	<u>173,761</u>	<u>4,651,897</u>

See accompanying notes to these financial statements.

**Town of Calumet, Oklahoma**  
**Statement of Activities (Modified Cash Basis)**  
**For the Year Ended June 30, 2015**

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 293,992	5,428	-	(288,564)
Public safety	206,639	7,764	4,484	(194,391)
Public works	12,661	-	-	(12,661)
Culture and recreation	21,011	-	-	(21,011)
Total government activities	<u>534,303</u>	<u>13,192</u>	<u>4,484</u>	<u>(516,627)</u>
Business-type activities:				
Administration	77,220	-	-	(77,220)
Water and sewer	96,168	137,139	-	40,971
Sanitation	51,286	73,332	-	22,046
Other	-	8,779	-	8,779
Total business-type activities	<u>224,674</u>	<u>219,250</u>	<u>-</u>	<u>(5,424)</u>
Total primary government	<u>758,977</u>	<u>232,442</u>	<u>4,484</u>	<u>(522,051)</u>

Town of Calumet, Oklahoma  
Statement of Activities (Modified Cash Basis)  
For the Year Ended June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Change in Net Position:</b>			
<b>Net (expense) revenue</b>	\$ (516,627)	(5,424)	(522,051)
<b>General revenues:</b>			
Taxes:			
Sales and use	603,386	-	603,386
Franchise	36,212	-	36,212
Other	11,229	-	11,229
Unrestricted investment income	10,632	376	11,008
Miscellaneous	84,037	-	84,037
Transfers - internal activity	1,800	(1,800)	-
<b>Total general revenues and transfers</b>	<u>747,296</u>	<u>(1,424)</u>	<u>745,872</u>
<b>Change in net position</b>	230,669	(6,848)	223,821
<b>Net position - beginning</b>	<u>4,247,467</u>	<u>180,609</u>	<u>4,428,076</u>
<b>Net position - ending</b>	<u>\$ 4,478,136</u>	<u>173,761</u>	<u>4,651,897</u>

See accompanying notes to these financial statements.

**Town of Calumet, Oklahoma**  
**Governmental Funds Balance Sheet (Modified Cash Basis)**  
*June 30, 2015*

	General Fund	Cemetery Fund	Vehicle Implement Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,431,895	42,976	25,022	2,499,893
Investments	2,010,358	-	-	2,010,358
<b>Total assets</b>	<b><u>4,442,253</u></b>	<b><u>42,976</u></b>	<b><u>25,022</u></b>	<b><u>4,510,251</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to others	32,115	-	-	32,115
<b>Total liabilities</b>	<b><u>32,115</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>32,115</u></b>
Fund balances:				
Restricted for:				
Emergency reserve fund	924,062	-	-	924,062
Special projects	49,407	-	-	49,407
Assigned to:				
Cemetery	-	42,976	-	42,976
Capital projects	-	-	25,022	25,022
Unassigned	3,436,669	-	-	3,436,669
<b>Total fund balances</b>	<b><u>4,410,138</u></b>	<b><u>42,976</u></b>	<b><u>25,022</u></b>	<b><u>4,478,136</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,442,253</u></b>	<b><u>42,976</u></b>	<b><u>25,022</u></b>	<b><u>4,510,251</u></b>

See accompanying notes to these financial statements.

**Town of Calumet, Oklahoma**  
**Governmental Funds - Statement of Revenues, Expenditures**  
**and Changes in Fund Balances (Modified Cash Basis)**  
**For the Year Ended June 30, 2015**

	General Fund	Cemetery Fund	Vehicle Implement Fund	Total Governmental Funds
<b>CASH RECEIPTS</b>				
Taxes	\$ 650,827	-	-	650,827
Intergovernmental	6,687	-	-	6,687
Licenses and permits	546	-	-	546
Charge for services	2,679	-	-	2,679
Fines and forfeitures	7,764	-	-	7,764
Interest	10,567	42	23	10,632
Miscellaneous	39,695	39,342	5,000	84,037
Total cash receipts	<u>718,765</u>	<u>39,384</u>	<u>5,023</u>	<u>763,172</u>
<b>CASH DISBURSEMENTS</b>				
Current:				
General government	293,992	-	-	293,992
Public safety	206,639	-	-	206,639
Public works	12,661	-	-	12,661
Culture and recreation	-	21,011	-	21,011
Capital outlay	-	-	-	-
Total cash disbursements	<u>513,292</u>	<u>21,011</u>	<u>-</u>	<u>534,303</u>
Excess (deficiency) of receipts over disbursements	<u>205,473</u>	<u>18,373</u>	<u>5,023</u>	<u>228,869</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	20,000	3,600	28,600
Transfers out	(21,800)	-	(5,000)	(26,800)
Total other financing sources and uses	<u>(16,800)</u>	<u>20,000</u>	<u>(1,400)</u>	<u>1,800</u>
Net change in fund balances	188,673	38,373	3,623	230,669
Fund balance - beginning	4,221,465	4,603	21,399	4,247,467
Fund balance - ending	<u>\$ 4,410,138</u>	<u>42,976</u>	<u>25,022</u>	<u>4,478,136</u>

See accompanying notes to these financial statements.

Town of Calumet, Oklahoma  
Proprietary Fund Statement of Net Position (Modified Cash Basis)  
June 30, 2015

	Calumet Public Works Authority	Meter Deposit Fund	Total Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 128,794	4,548	133,342
Restricted assets - cash and investments	74,338	19,050	93,388
Total assets	<u>203,132</u>	<u>23,598</u>	<u>226,730</u>
 <u>LIABILITIES</u>			
Current liabilities:			
Due to others	33,919	-	33,919
Due to depositors	-	19,050	19,050
Total liabilities	<u>33,919</u>	<u>19,050</u>	<u>52,969</u>
 <u>NET POSITION</u>			
Restricted:			
Debt service	74,338	-	74,338
Capital improvements	59,250	-	59,250
Unrestricted	<u>35,625</u>	<u>4,548</u>	<u>40,173</u>
 Total net position	 <u>\$ 169,213</u>	 <u>4,548</u>	 <u>173,761</u>

See accompanying notes to these financial statements.

**Town of Calumet, Oklahoma**  
**Proprietary Fund Statement of Revenues, Expenses and Changes**  
**in Net Position (Modified Cash Basis)**  
**For the Year Ended June 30, 2015**

	Calumet Public Works <u>Authority</u>	Meter Deposit <u>Fund</u>	Total Enterprise <u>Funds</u>
<u>OPERATING CASH RECEIPTS:</u>			
Charges for services			
Water	\$ 93,810	-	93,810
Sewer	43,329	-	43,329
Sanitation	73,332	-	73,332
Other	<u>8,779</u>	<u>-</u>	<u>8,779</u>
Total operating cash receipts	<u>219,250</u>	<u>-</u>	<u>219,250</u>
<u>OPERATING CASH DISBURSEMENTS:</u>			
General and administration	128,506	-	128,506
Water and sewer	<u>55,408</u>	<u>-</u>	<u>55,408</u>
Total operating cash disbursements	<u>183,914</u>	<u>-</u>	<u>183,914</u>
Operating income (loss)	<u>35,336</u>	<u>-</u>	<u>35,336</u>
<u>NONOPERATING RECEIPTS (DISBURSEMENTS):</u>			
Miscellaneous revenues	-	-	-
Grant income	-	-	-
Interest income	317	59	376
Debt service:			
Principal retirement	(25,000)	-	(25,000)
Inteest expense and fees	<u>(15,760)</u>	<u>-</u>	<u>(15,760)</u>
Total nonoperating receipts (disbursements)	<u>(40,443)</u>	<u>59</u>	<u>(40,384)</u>
<u>OPERATING TRANSFERS</u>			
Transfers in	-	-	-
Transfers out	<u>(1,800)</u>	<u>-</u>	<u>(1,800)</u>
Total operating transfers	<u>(1,800)</u>	<u>-</u>	<u>(1,800)</u>
Change in net position	(6,907)	59	(6,848)
Net position - beginning	176,120	4,489	180,609
Net position - ending	<u>\$ 169,213</u>	<u>4,548</u>	<u>173,761</u>

See accompanying notes to these financial statements.

**Town of Calumet, Oklahoma**  
**Proprietary Fund Statement of Cash Flows (Modified Cash Basis)**  
**For the Year Ended June 30, 2015**

	Calumet Public Works Authority	Meter Deposit Fund	Total Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 219,250	-	219,250
Payments to suppliers	(164,998)	-	(164,998)
Payments to employees	-	-	-
Payment of customer meter deposits	-	369	369
Other receipts	-	-	-
Net cash provided (used) by operating activities	<u>54,252</u>	<u>369</u>	<u>54,252</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Operating transfers in (out)	54,252	-	(1,800)
Net cash provided (used) by noncapital financing activities	<u>(1,800)</u>	<u>-</u>	<u>(1,800)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal and interest paid on long-term debt	(40,760)	-	(40,760)
Net cash provided (used) by capital and related financing activities	<u>(40,760)</u>	<u>-</u>	<u>(40,760)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received	317	59	376
Net cash provided (used) by investing activities	<u>317</u>	<u>59</u>	<u>376</u>
Net increase (decrease) in cash and cash equivalents	12,009	428	12,068
Balances, beginning of the year	191,123	23,170	214,293
Balances, end of the year	<u>\$ 203,132</u>	<u>23,598</u>	<u>226,361</u>
<u>RECONCILIATION TO STATEMENT OF NET POSITION:</u>			
Cash and cash equivalents	\$ 128,794	4,548	133,342
Restricted cash and cash equivalents	<u>74,338</u>	<u>19,050</u>	<u>93,388</u>
Total cash and cash equivalents, end of year	<u>\$ 203,132</u>	<u>23,598</u>	<u>226,730</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	35,336	-	35,336
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous income	-	-	-
Change in assets and liabilities:			
Due to others	18,916	-	18,916
Deposits subject to refund	-	369	369
Net cash provided by (used in) operating activities	<u>\$ 54,252</u>	<u>369</u>	<u>54,621</u>

See accompanying notes to these financial statements.

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. - FINANCIAL REPORTING ENTITY**

The Town of Calumet, Oklahoma's (the Town) financial reporting entity includes the primary government and its blended component unit. This report includes all activities for which the Town Council is fiscally responsible. In determining the reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement Nos. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus* and includes all component units for which the Town is financially accountable.

The Town of Calumet, Oklahoma (the Town) was established in 1893 and operates under a council-mayor form of government under Title 11 of the *Oklahoma Statutes*. The Town provides the following services to its citizens: public safety (police and fire), public works (streets and cemetery), culture and recreation, general government and administration, along with utility services to include water, wastewater, and sanitation.

**Blended component unit.** The Calumet Public Works Authority (CPWA) serves all the citizens of the Town and is governed by a board comprised of the Town's elected council (Trustees). The rates for user charges and debt authorization are approved by the town council. The CPWA was created May 28, 1986, to finance, develop, and operate the water, wastewater, and solid waste activities of the Town. The CPWA is reported as an enterprise fund type.

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

**1.B. - BASIS OF ACCOUNTING AND PRESENTATION**

The Town's basic financial statements consist of government-wide statements, including a statement of net position, and a statement of activities, and fund financial statements, which provide a more detailed level of financial statement 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.

**Town of Calumet, Oklahoma**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**1.B. - BASIS OF PRESENTATION AND ACCOUNTING - Continued**

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

- Long-term debt
- Cash-based interfund receivables and payables
- Other cash-based receivables/payables
- Investments

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 billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure. However, the Town has not maintained current records to be able to identify the compensated absence obligation for disclosure purposes at June 30, 2015.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

- General government: License and permits, cemetery fees, operating and capital grants and contributions
- Public safety: Fine revenue, operating and capital grants and contributions
- Administration: Operating and capital grants and contributions
- Water and sewer: Utility charges
- Sanitation: Utility charges

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**1.B. - BASIS OF PRESENTATION AND ACCOUNTING - Continued**

*Governmental Funds:*

The Town's governmental funds comprise of the following:

**Major Fund:**

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Cemetery Fund - accounts for cemetery revenues and expenses.
- Vehicle Implement Fund - accounts for capital expenditures related to vehicles and machinery.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statement to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

*Proprietary Fund:*

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

- Calumet Public Works Authority (CPWA) - accounts for the operation of the water, sewer and sanitation activities.

The proprietary fund is reported on a modified cash basis, as defined above, and economic resources measurement focus. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

**Town of Calumet, Oklahoma**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**1.C. - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

**1.D. - COMPENSATED ABSENCES**

As a result of the use of the modified cash basis of accounting, liabilities related to compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid.

**1.E. - FUND BALANCES AND NET POSITION**

*Fund Balances:*

Governmental fund equity is classified as fund balance. The Town has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

a. Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

b. Restricted - consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

c. Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance while the CPWA's highest level of decision-making authority is made by resolution.

d. Assigned - includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Board action or management decision when the Town Board has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.

e. Unassigned - represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposed within the general fund.

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**1.E. - FUND BALANCES AND NET POSITION - Continued**

It is the Town's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund to be spent prior to restricted fund balance. In those funds, interest income is used first before other revenues.

*Net position:*

Net position are displayed in two components:

a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

b. *Unrestricted net position* - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

**1.F. - INTERNAL AND INTERFUND BALANCES AND TRANSFERS**

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

**1.G. - NEW ACCOUNTING PRONOUNCEMENTS**

There were no new accounting pronouncements affecting the Town.

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL FUNDS**

The following notes present detailed information to support the amounts reported in the basic financial statements for the Town's various assets, liabilities, net position/fund balances, revenues and expenditures/expenses.

**2.A. - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

For the year ended June 30, 2015 the Town recognized \$11,008 of investment income. Due to the minimal rates of returns on allowable investments in the current environment, most of the Town's deposits are in demand and short-term time deposits.

At June 30, 2015, the primary government held the following deposits and investments:

Deposits:	Carrying Value
Demand deposits	\$ 2,633,235
Time deposits	<u>2,103,746</u>
Total deposits and investments	<u><u>\$ 4,736,981</u></u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 2,633,235
Investments	2,010,358
Restricted investments	<u>93,388</u>
	<u><u>\$ 4,736,981</u></u>

*Custodial Credit Risk*

At June 30, 2015, the City held deposits of approximately \$4,736,981 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the Town or by its agent in the City's name.

*Investment Interest Credit Risk*

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

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued**

**2.A. - CASH, CASH EQUIVALENTS, AND INVESTMENTS - Continued**

*Investment Credit Risk*

The City has no policy that limits its investment choice other than the limitation of the 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 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 Federal Housing Administrator, and 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 paragraph (a.-d.).

*Concentration of Investment Credit Risk*

The City places no limit on the amount it may invest in any one issuer.

**2.B. - RESTRICTED ASSETS**

The Calumet Public Works Authority OWRB Promissory Note, Series 2004 include restricted cash and investments for a debt service fund for repayment of the principal and interest when due, and a debt service reserve to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. All funds are on deposit with trustee banks.

OWRB Promissory Note, Series 2004 :

Debt service	\$ 25,936
Debt service reserve	48,402
Total restricted assets	<u>\$ 74,338</u>

**Town of Calumet, Oklahoma**  
**Notes to Basic Financial Statements**  
**June 30, 2015**

**NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued**

**2.C. - DEPOSITS SUBJECT TO REFUND**

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in a separate account totaled \$23,598 as June 30, 2015. The Town has not maintained a complete record of amounts of deposits due to utility customers.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the Town general fund as fines. As of June 30, 2015, \$0 was being held that was subject to refund.

**2.D. - LONG-TERM DEBT COMMITMENTS:**

Long-term debt commitments of the Town as of June 30, 2015, are as summarized as follows:

**Business-type activities**

Installments of \$10,000 to \$40,000 through September 1, 2023,  
 With interest ranging from 1.245% to 4.745%, secured by a pledge  
 on the utility distribution and collection assets and a year to year  
 pledge of the Town's sales tax.

\$ 315,000

Long-term liabilities transactions for the year ended June 30, 2015, and changes therein were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Business-type activities</b>					
Notes payable:					
OWRB	\$ 340,000	-	25,000	315,000	25,000
Total business-type activities	<u>\$ 340,000</u>	<u>-</u>	<u>25,000</u>	<u>315,000</u>	<u>25,000</u>

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.D. - LONG-TERM DEBT COMMITMENTS - Continued

Annual debt service requirements, including principal and interest to maturity for long-term debt at June 30, 2015 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2016	\$ -	-	25,000
2017	-	-	30,000	12,081
2018	-	-	30,000	10,838
2019	-	-	35,000	9,457
2020	-	-	35,000	7,937
2021-2024	-	-	160,000	14,832
Totals	\$ -	-	315,000	68,432

2.E. - INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2015, is as follows:

Interfund transactions:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Calumet Public Works Authority</u>	
Transfer out:				
General fund	\$ -	21,800	-	21,800
Nonmajor governmental	5,000	-	-	5,000
Calumet Public Works Auth.	-	1,800	-	1,800
Totals	\$ 5,000	23,600	-	28,600

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 3 - OTHER INFORMATION**

**3.A. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has insurance for the major risks such as property, general liability and worker's compensation. Judgments against the Town may be paid by a property tax assessment over a three-year period.

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, error, and omissions	Purchased commercial insurance	None
Workers compensation	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

**3.B. CONTINGENT LIABILITIES**

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

At June 30, 2015 the Town is party to legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the affected funds of the Town.

Town of Calumet, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2015

**3.C. EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN**

The Town of Calumet participates in the Oklahoma State Firefighters' Pension and Retirement System, which is cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fire fighting employees of the Town. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma Town, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy - The Town of Calumet contributes \$60 per volunteer firefighter.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 27, 2015, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**SUPPLEMENTARY AND  
OTHER INFORMATION**

**Town of Calumet, Oklahoma**  
**Statement of Cash Receipts, Cash Disbursements and Change**  
**in Modified Cash Basis Fund Balance - Budget and Actual**  
**General Fund**  
*For the Year Ended June 30, 2015*

	Budget		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<b>REVENUES</b>				
Taxes	\$ 822,824	822,824	650,827	(171,997)
Intergovernmental	-	-	6,687	6,687
Licenses and permits	2,189	2,189	546	(1,643)
Charge for services	3,965	3,965	2,679	(1,286)
Fines and forfeitures	5,847	5,847	7,764	1,917
Interest	8,362	8,362	10,567	2,205
Miscellaneous	-	-	39,695	39,695
Total revenues	<u>843,187</u>	<u>843,187</u>	<u>718,765</u>	<u>(124,422)</u>
<b>EXPENDITURES</b>				
General government:				
General government	645,000	645,000	293,992	351,008
Public safety	271,000	271,000	206,639	64,361
Public works	66,000	66,000	12,661	53,339
Culture and recreation	10,000	10,000	-	10,000
Capital outlay	-	-	-	-
Total expenditures	<u>992,000</u>	<u>992,000</u>	<u>513,292</u>	<u>478,708</u>
Excess (deficiency) of revenues over (under) expenditures	(148,813)	(148,813)	205,473	354,286
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(1,800)	(1,800)	(16,800)	(15,000)
Net change in fund balances	(150,613)	(150,613)	188,673	339,286
Fund balances - beginning	4,241,380	4,241,380	4,221,465	(19,915)
Fund balances - ending	<u>\$ 4,090,767</u>	<u>4,090,767</u>	<u>4,410,138</u>	<u>319,371</u>

See accompanying notes these financial statements.

**Town of Calumet, Oklahoma**  
**Notes to Required Supplemental Information**  
***For the Year Ended June 30, 2015***

**BUDGETARY INFORMATION**

The Town prepares its annual operating budget under the provisions of Titles 62 and 68 of the Oklahoma Statutes (Estimated of Needs). In accordance with those provisions, the following process is used to adopt the annual budget:

- In the first week of August, a financial statement is prepared on State prescribed forms for use in determining cash surplus of the General Fund and other “cash” Funds of the Town.
- Using the State prescribed forms, an estimate of appropriation needs of the General Fund is prepared which is limited to no more than 90% of prior year actual recurring revenue plus cash surplus.
- The estimate of need forms are approved by the Town Board of Trustees and submitted to the County Excise Board in August.
- The budget for the General Fund becomes final upon County Excise Board approval.

The General Fund, Debt Service Fund and certain “cash” funds as defined by state law are required to have annual budgets, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. State statutes recognize the following object categories as minimum legal level of control by department:

- Personal Services
- Maintenance and Operations
- Capital Outlay
- Interfund Transfers

All transfers of appropriations between departments and object categories require approval of the Town Council, and all supplemental appropriations require the approval of the Town Council and the County Excise Board. The budgets for the Special Revenue funds must be submitted on an as needed basis. The Town can only appropriate the cash balance on hand at the beginning of the fiscal year and monies as they are actually received.

The budgetary comparison schedules are reported on a non-GAAP budgetary basis that report revenues on a cash basis and expenditures on a modified cash basis.

Town of Calumet, Oklahoma  
 Debt Service Coverage Schedule  
 For the Year Ended June 30, 2015

	2004 OWRB Promissory <u>Note</u>
Gross Revenue Available For Debt Service:	
Pledged sales tax	\$ 355,407
System-wide gross revenues - Water and wastewater	219,250
Total Gross Revenues Available	<u>574,657</u>
System-wide operating expense - Exclusive of capital improvement and debt service	<u>183,914</u>
Net Revenues Available for Debt Service	<u>\$ 390,743</u>
Debt Service Requirements:	
Maximum annual debt service	<u>\$ 46,111</u>
Coverage	<u>8.47</u>
Coverage requirement	<u>1.25</u>

Town of Calumet, Oklahoma  
 Schedule of Expenditures of State Awards  
 For the Year Ended June 30, 2015

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	<u>STATE EXPENDITURES</u>
<b>STATE ASSISTANCE</b>	
<u>State of Oklahoma</u>	
Passed through the Oklahoma Dept. of Agriculture, Food and Forestry Services :	
Rural Fire Defense Program	\$ <u>4,484</u>
Total State of Oklahoma	<u>4,484</u>
Total State Assistance	\$ <u><u>4,484</u></u>

Note A - This schedule was prepared on the modified cash basis of accounting consistent with the preparation of the basic financial statements.

# DILLON & ASSOCIATES, P.C.

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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

### INDEPENDENT AUDITOR'S REPORT

To the Users of the Calumet, Oklahoma, Annual Financial Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund of the Town of Calumet, Oklahoma (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Calumet's basic financial statements and have issued our report thereon dated July 27, 2015. Our report includes an explanatory paragraph which noted that the financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our report also includes an explanatory paragraph stating management's discussion and analysis was not presented and a disclaimer of opinion on the budgetary comparison information - modified cash basis.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting 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 reportable findings and responses that we consider to be significant deficiencies, referred to as Findings 2015-01 and 2015-02.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town's financial statements are free of 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*.

### **Town's Response to Findings**

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
July 27, 2015

**TOWN OF CALUMET, OKLAHOMA  
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**Finding 2015-01 - Internal Control - Financial Statements (Repeat Finding)**

*Criteria* - The Town's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Town's annual financial statements in accordance with GAAP. The presentation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). Professional standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

*Condition* - As is the case with many smaller and medium-sized entities, the Town has relied on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the Town's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its external auditors, who cannot by definition be considered a part of the Town's internal controls. However, as required by professional standards the Town has provided safeguards by designating a management level individual with suitable skill, knowledge and/or experience to oversee the services performed by our engagement, make all management decisions (e.g., determining or approving account classifications, adjusting journal entries, etc.) evaluate and monitor the performance and adequacy of the services, and take responsibility for the books, records and related financial statements.

*Cause* - Management has elected to use outside assistance from the external auditors to assist in meeting its responsibilities relative to preparing its annual financial statements. Although the Town's management may lack certain expertise relative to preparing GAAP financial statements, professional standards do not require that the management or individual possess the expertise to perform or re-perform all such services. The auditor has explained all proposed audit adjustments and their effect on the financial statements and the related note disclosures to management who has affirmed their understanding and agreement as required by professional standards.

*Effect or Potential Effect* - Although management has reviewed the financial statements drafted by the auditor and accepted full responsibility for them, the auditor could be placed in a questionable position regarding auditor independence as a result of potentially performing part of management's functions if management or its representative is unable to understand the nature of the services, evaluate its adequacy and accept responsibility for its results.

*Recommendation* - We recommend that the Town consider designing and implementing further internal controls over financial reporting by obtaining additional expertise to process and summarize accounting data and prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

**TOWN OF CALUMET, OKLAHOMA  
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**Finding 2015-01 - Internal Control - Financial Statements (Repeat Finding)**

*Responsible Official's Response* - The Town concurs with the recommendation, and will strive to process and summarize accounting data and further understand the presentation and disclosure requirements of the financial statements.

**Finding 2015-02 - Internal Control - Segregation of Duties (Repeat Finding)**

*Criteria* - The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

*Condition* - Presently the same individual is responsible for issuing purchase orders, writing checks, making deposits, posting transactions and reconciling the monthly bank statements.

*Cause* - The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

*Effect or Potential Effect* - Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and deposit activities, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation* - We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of control duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the Town might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

*Responsible Official's Response* - The Town concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Town will strive to make changes in procedures that will improve the overall lack of segregation of duties.