

TOWN OF CROMWELL
Cromwell, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2015

AUDITED BY

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

TOWN OF CROMWELL
Cromwell, Oklahoma

CONTENTS

	<u>Page No.</u>
Table of Contents	2-3
Independent Auditors' Report	4-6
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets-Modified Cash Basis	7
Statement of Activities and Changes in Net Assets-Modified Cash Basis	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds-Modified Cash Basis	9
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets-Modified Cash Basis	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds-Modified Cash Basis	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets-Modified Cash Basis	12
Statement of Net Assets – Proprietary Funds-Modified Cash Basis	13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds-Modified Cash Basis	14
Statement of Cash Flows – Proprietary Funds-Modified Cash Basis	15
Notes to the Basic Financial Statements	16-25
 Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	27

**TOWN OF CROMWELL
CROMWELL, Oklahoma**

CONTENTS

	<u>Page No.</u>
Reports Required by <i>Government Auditing Standards</i>:	
Independent Auditors' Report Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	28-29
Schedule of Findings and Questioned Costs	30
Summary Schedule of Prior Audit Findings	31

WILSON, DOTSON & ASSOCIATES, P.L.L.C.
Certified Public Accountants

American Institute of Certified Public Accountants
Members
Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

December 22, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Cromwell, Oklahoma (Town) as of and for the 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Town of Cromwell
June 10, 2015

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

Basis for Qualified Opinions

As discussed in Note 1 to the financial statements, the Town has not maintained complete 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 our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Cromwell, Oklahoma, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the Town of Cromwell, Oklahoma, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of

Town of Cromwell
June 10, 2015

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements 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. Such 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Wilson, Dotson & Associates

Wilson, Dotson & Associates, P.L.L.C.

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENT OF NET ASSETS-MODIFIED CASH BASIS
JUNE 30, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments			
Cash and cash equivalents	\$ 74,797	11,248	86,045
CAPITAL ASSETS			
Depreciable buildings, property and equipment net of depreciation	67,063	-	67,063
TOTAL ASSETS	<u>\$ 141,860</u>	<u>11,248</u>	<u>153,108</u>
NET ASSETS			
Restricted	24,631	-	24,631
Unassigned	117,229	11,248	128,477
TOTAL NET ASSETS	<u>\$ 141,860</u>	<u>11,248</u>	<u>153,108</u>

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

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 54,398	-	-	-	(54,398)
Total Governmental Activities	<u>54,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,398)</u>
Business-Type Activities:					
Landfill	22,384	26,464	-	-	4,080
Totals	<u>\$ 76,782</u>	<u>26,464</u>	<u>-</u>	<u>-</u>	<u>(50,318)</u>

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	Net (Expense)/Revenue	\$ (54,398)	4,080
General Revenues			
Taxes	47,136	-	47,136
Intergovernmental	4,414	-	4,414
Rents	1,338	-	1,338
Fines and forfeitures	443	-	443
Miscellaneous	19,428	-	19,428
Transfers out	3,453	(3,453)	-
Total general revenues and transfers	<u>76,212</u>	<u>(3,453)</u>	<u>72,759</u>
Change in Net Assets	21,814	627	22,441
Net Assets-beginning of year	<u>120,046</u>	<u>10,621</u>	<u>130,667</u>
Net Assets-end of year	<u>\$ 141,860</u>	<u>11,248</u>	<u>153,108</u>

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

TOWN OF CROMWELL
Cromwell, Oklahoma

BALANCE SHEET - MODIFIED CASH GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	COURT FUND	FIRE FUND	TOTAL
ASSETS				
Cash and investments				
Cash & cash equivalents	\$ 61,527	1,193	12,077	74,797
TOTAL ASSETS	\$ 61,527	1,193	12,077	74,797
FUND EQUITY				
Fund balances				
Restricted	11,361	1,193	12,077	24,631
Unassigned	50,166	-	-	50,166
Total Fund Equity	\$ 61,527	1,193	12,077	74,797

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

TOWN OF CROMWELL
Cromwell, Oklahoma

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2015**

Total Fund Balances - Total Governmental Funds	\$ 74,797
--	-----------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Depreciable buildings, property and equipment	<u>67,063</u>
---	---------------

Net Assets of Governmental Activities	<u>\$ 141,860</u>
---------------------------------------	-------------------

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

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015

	GENERAL FUND	COURT FUND	FIRE FUND	TOTAL
REVENUES				
Taxes	\$ 47,136	-	-	47,136
Intergovernmental programs	4,414	-	-	4,414
Fines and forfeitures	-	443	-	443
Rents	1,338	-	-	1,338
All other	5,511	-	13,916	19,427
Total Revenues	<u>58,399</u>	<u>443</u>	<u>13,916</u>	<u>72,758</u>
EXPENDITURES				
Current				
General government				
Personal services	16,982	-	-	16,982
Maintenance & operations	30,309	6	7,101	37,416
Total Expenditures	<u>47,291</u>	<u>6</u>	<u>7,101</u>	<u>54,398</u>
Net changes in fund balance	11,108	437	6,815	18,360
Other financing sources uses				
Operating transfers in	3,440	13	-	3,453
Operating transfers out	-	-	-	-
	<u>3,440</u>	<u>13</u>	<u>-</u>	<u>3,453</u>
Net changes in fund balances & other financing sources and (uses)	14,548	450	6,815	21,813
Fund Balance - beginning of year	<u>46,978</u>	<u>743</u>	<u>5,262</u>	<u>52,983</u>
Fund Balance - end of year	<u>\$ 61,526</u>	<u>1,193</u>	<u>12,077</u>	<u>74,796</u>

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

**TOWN OF CROMWELL
Cromwell, Oklahoma**

**RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ <u>21,813</u>
Change in Net Assets of Governmental Activities	\$ <u>21,813</u>

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

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF NET ASSETS - PROPRIETARY FUNDS-MODIFIED CASH BASIS
JUNE 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u> <u>LANDFILL</u>
ASSETS	
Cash and investments	
Cash & cash equivalents	\$ <u>11,248</u>
 TOTAL ASSETS	 \$ <u>11,248</u>
 NET ASSETS	
Unassigned	\$ <u>11,248</u>
 TOTAL NET ASSETS	 \$ <u>11,248</u>

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

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS-
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS LANDFILL</u>
REVENUES	
Landfill charges	\$ <u>26,464</u>
OPERATIONS EXPENSE	
Maintenance and operations	<u>22,384</u>
INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS	4,080
OTHER FINANCING SOURCES AND (USES)	
Operating transfers out	<u>(3,453)</u>
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(3,453)</u>
NET INCOME	627
RETAINED EARNINGS, BEGINNING OF THE YEAR	<u>10,621</u>
RETAINED EARNINGS, END OF THE YEAR	<u>\$ 11,248</u>

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

TOWN OF CROMWELL
Cromwell, Oklahoma

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2015

		BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
		<u>LANDFILL</u>
Cash flows from operating activities:		
Cash received from customers & service users	\$	26,464
Cash payments for goods & services & employees		<u>(22,384)</u>
Net cash provided by operating activities		<u>4,080</u>
Cash flows from financing activities		
Transfer outs		<u>(3,453)</u>
Net cash provided by financing activities		<u>(3,453)</u>
Net increase (decrease) in cash & cash equivalents		627
Cash & cash equivalents - beginning of year		<u>10,621</u>
Cash & cash equivalents - end of year	\$	<u><u>11,248</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	<u>4,080</u>
Net cash provided by operating activities	\$	<u><u>4,080</u></u>

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

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units and trusts, entities for which the Town is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

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

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

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

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The following are the Town's major governmental funds:

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

Court Fund – this fund used for collecting prior year municipal fines and bonds. The Town no longer operates a police department.

Fire Fund – this fund is used to collect membership fees and contributions and it is expended for the fire department.

The following is the only proprietary fund:

Cromwell Municipal Authority – is the fund used for collecting and expending for water, wastewater and sanitation utility operations.

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

2. Fair Value of Financial Instruments

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

3. Estimates

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

4. Receivables and Payables

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

5. Inventories

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

6. Capital Assets

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

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

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

7. Compensated Absences

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

8. Long-term Obligations

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

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

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Net Assets

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and note receivables, or items that are legally required to be maintained intact (such as corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned or unassigned*, as appropriate.

Restricted Fund Balance – The fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The fund balance should be reported as committed for amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned Fund Balance – The fund balance should be reported as assigned for amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purposes in accordance with the provisions of the standard.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Accounting and Control

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

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

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end. The Town did exceed the available appropriations for the line item for personal services in the General Fund but did not exceed total appropriations.

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

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

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

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

The Town's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and schools in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 2 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2015 the Town held deposits of approximately \$86,045 at financial institutions. The Town's cash deposits, including interest-bearing accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name. Therefore, the Town was not exposed to custodial credit risk as defined above.

TOWN OF CROMWELL
Cromwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

Investment Credit Risk

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

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

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

The Town had no investment credit risk as of June 30, 2015, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town had no investment interest rate risk as defined above.

**TOWN OF CROMWELL
Cromwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

Concentration of Investment Credit Risk

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

At June 30, 2015, the Town had no concentration of credit risk as defined above.

4. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 22, 2015, which is the date the financial statements were available to be issued.

TOWN OF CROMWELL
Cromwell, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2015

TOWN OF CROMWELL
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL GOVERNMENTAL FUNDS
 Year Ended June 30, 2015

GENERAL FUND

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues				
Sales Tax	\$ 28,000	28,000	37,336	9,336
Cigar Tax	426	426	582	156
Franchise Tax	9,003	9,003	8,677	(326)
Alcoholic Beverage	3,000	3,000	2,236	(764)
Motor Vehicle	1,000	1,000	2,178	1,178
Gasoline Tax	1,500	1,500	541	(959)
Rents	1,565	1,565	1,338	(227)
Grants	-	-	2,418	2,418
Reimbursement	-	-	290	290
Miscellaneous	5,035	5,035	2,803	(2,232)
Total revenues	<u>49,529</u>	<u>49,529</u>	<u>58,399</u>	<u>8,870</u>
Expenditures:				
Current				
Personal Services	12,500	12,500	16,982	4,482
Maintenance & Operations	54,727	54,727	30,309	(24,418)
Capital outlay	5,802	5,802	-	(5,802)
Total expenditures	<u>73,029</u>	<u>73,029</u>	<u>47,291</u>	<u>(25,738)</u>
Excess of revenues over (under) expenditures	(23,500)	(23,500)	11,108	(16,868)
Other financing sources & (uses)				
Operating transfers in	8,500	8,500	3,440	-
Excess of revenues over (under) and other financing sources & (uses)	(15,000)	(15,000)	14,548	(16,868)
Fund balance at beginning of year	<u>15,000</u>	<u>15,000</u>	<u>46,978</u>	<u>31,978</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>61,526</u>	<u>15,110</u>

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

Certified Public Accountants

American Institute of Certified Public Accountants

Members

Oklahoma Society of Certified Public Accountants

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

December 22, 2015

Honorable Mayor and Town Council Members
Town of Cromwell
Cromwell, 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, the modified cash financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cromwell, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Cromwell, Oklahoma's basic financial statements and have issued our report thereon dated December 22, 2015, which was qualified for improper capital asset recordkeeping.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Standard*.

Purpose of this Report

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

Wilson, Dotson & Associates

Wilson, Dotson & Associates, PLLC
Certified Public Accountants

**TOWN OF CROMWELL
Cromwell, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2015**

None

**TOWN OF CROMWELL
Cromwell, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015**

None