

TOWN OF CROWDER, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Crowder, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Crowder's basic financial statements.

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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Crowder as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

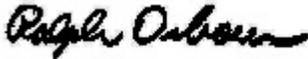
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Crowder, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related 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 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated September 12, 2016 on my consideration of Town of Crowder's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 12, 2016

TOWN OF CROWDER, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 63,273	\$ 18,219	\$ 81,492
Investments -unrestricted	-	45,229	45,229
Taxes receivable	8,624	-	8,624
Accounts receivable	-	9,664	9,664
Due from other funds	(2,512)	2,512	-
Restricted:			
Investments - Cemetery	12,500	-	12,500
Investments - Debt service	-	34,764	34,764
Total current assets	<u>81,885</u>	<u>110,388</u>	<u>192,273</u>
Non-current assets:			
Capital assets			
Land	-	-	-
Other capital assets net of accumulated depreciation	<u>12,810</u>	<u>1,372,440</u>	<u>1,385,250</u>
Total non-current assets	<u>12,810</u>	<u>1,372,440</u>	<u>1,385,250</u>
Total assets	<u>94,695</u>	<u>1,482,828</u>	<u>1,577,523</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,748	588	2,336
Payroll liabilities	244	6	250
Accrued interest payable	-	1,187	1,187
Lease obligation, current	4,937	-	4,937
Notes payable, current	-	17,827	17,827
Total current liabilities	<u>6,929</u>	<u>19,608</u>	<u>26,537</u>
Non-current liabilities:			
Notes payable, non-current	-	345,890	345,890
Total non-current liabilities	<u>-</u>	<u>345,890</u>	<u>345,890</u>
Total liabilities	<u>6,929</u>	<u>365,498</u>	<u>372,427</u>
NET POSITION			
Capital assets, net of related debt	7,873	1,008,723	1,016,596
Restricted for			
Debt service	-	34,764	34,764
Cemetery	12,500	-	12,500
Unrestricted	67,393	73,843	141,236
Total net Position	<u>\$ 87,766</u>	<u>\$ 1,117,330</u>	<u>\$ 1,205,096</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenue</u>			<u>(Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Function/Programs					
Governmental activities					
General government	\$ 13,308	\$ 2,877	\$ 3,011	\$ -	\$ (7,420)
Public safety	13,433	115	-	-	(13,318)
Parks and recreation	52,212	48,844	-	-	(3,368)
Street	12,515	-	2,995	-	(9,520)
Cemetery	33	-	-	-	(33)
Total governmental activities	<u>91,501</u>	<u>51,836</u>	<u>6,006</u>	<u>-</u>	<u>(33,659)</u>
Business-type activities					
Public Works	<u>151,633</u>	<u>109,043</u>	<u>-</u>	<u>-</u>	<u>(42,590)</u>
Total business-type activities	<u>151,633</u>	<u>109,043</u>	<u>-</u>	<u>-</u>	<u>(42,590)</u>
Total primary government	<u>\$ 243,134</u>	<u>\$ 160,879</u>	<u>\$ 6,006</u>	<u>\$ -</u>	<u>\$ (76,249)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net Position:			
Net (expense) revenue	\$ (33,659)	\$ (42,590)	\$ (76,249)
General revenues			
Taxes			
Sales tax	34,159	-	34,159
Use tax	3,023	-	3,023
Franchise	8,655	-	8,655
Other tax	1,179	-	1,179
Donations	2,000	-	2,000
Other	26,532	3,120	29,652
Interest	128	392	520
Transfers, net	(9,578)	9,578	-
Total general revenue and transfer	<u>66,098</u>	<u>13,090</u>	<u>79,188</u>
Change in net Position	32,439	(29,500)	2,939
Net position - beginning	<u>55,327</u>	<u>1,146,830</u>	<u>1,202,157</u>
Net position - ending	<u>\$ 87,766</u>	<u>\$ 1,117,330</u>	<u>\$ 1,205,096</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Total Governmental Fund</u>
ASSETS		
Cash and cash equivalents	\$ 63,273	\$ 63,273
Taxes receivable	8,624	8,624
Restricted:		
Investment - Cemetery	<u>12,500</u>	<u>12,500</u>
TOTAL ASSETS	<u>\$ 84,397</u>	<u>\$ 84,397</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 1,748	\$ 1,748
Payroll liabilities	244	244
Due to other funds	<u>2,512</u>	<u>2,512</u>
TOTAL LIABILITIES	<u>4,504</u>	<u>4,504</u>
FUND BALANCES		
Restricted for Cemetery	12,500	12,500
Unrestricted	<u>67,393</u>	<u>67,393</u>
TOTAL FUND BALANCES	<u>79,893</u>	<u>79,893</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 84,397</u>	

Reconciliation of Balance Sheet - Governmental funds
with the Statement of Net Position:

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

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

Capital assets	129,452	
Accumulated depreciation	<u>(116,642)</u>	12,810

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

Lease obligation		<u>(4,937)</u>
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Total net position		<u>\$ 87,766</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Total Governmental Fund
Revenue		
Sales tax	\$ 34,159	\$ 34,159
Use tax	3,023	3,023
Cigarette tax	400	400
Franchise tax	8,655	8,655
Gasoline tax	779	779
Motor vehicle tax	2,995	2,995
Alcoholic beverage tax	3,011	3,011
Lease income	2,877	2,877
Rental income	48,844	48,844
FEMA	24,923	24,923
Reimbursements	1,609	1,609
Fines and forfeitures	115	115
Donations	2,000	2,000
Interest	128	128
	<u>133,518</u>	<u>133,518</u>
Total revenue		
Expenditures		
Current		
General government	15,767	15,767
Fire department	13,433	13,433
Parks and recreation	51,662	51,662
Street	12,515	12,515
Cemetery	33	33
	<u>93,410</u>	<u>93,410</u>
Total expenditures		
Excess (deficiency) of revenue over (under) expenditures	<u>40,108</u>	<u>40,108</u>
Other financing sources (uses)		
Transfer from other funds	3,382	3,382
Transfer to other funds	<u>(12,960)</u>	<u>(12,960)</u>
Net other financing sources (uses)	<u>(9,578)</u>	<u>(9,578)</u>
Net changes in fund balances	30,530	30,530
Fund balances, beginning	<u>49,363</u>	<u>49,363</u>
Fund balances, ending	<u>\$ 79,893</u>	<u>\$ 79,893</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - total governmental funds \$ 30,530

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

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

Depreciation expense	(2,790)	
Capital outlay	<u>-</u>	(2,790)

The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bonds and lease obligation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activity. This is the amount by which debt proceeds exceeds debt payments.

Lease obligation principal payments		<u>4,699</u>
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Change in net position		<u>\$ 32,439</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 18,219
Investments	45,229
Accounts receivable	9,664
Due from other funds	2,512
Restricted:	
Investments - Debt service	<u>34,764</u>
Total current assets	<u>110,388</u>
Non-current assets	
Capital assets:	
Land	-
Other capital assets, net of accumulated depreciation	<u>1,372,440</u>
Total non-current assets	<u>1,372,440</u>
Total assets	<u>1,482,828</u>
LIABILITIES	
Current liabilities:	
Accounts Payable	588
Payroll liabilities	6
Accrued interest	1,187
Note payable, current	<u>17,827</u>
Total current liabilities	<u>19,608</u>
Non-current liabilities:	
Notes payable, non-current	<u>345,890</u>
Total non-current liabilities	<u>345,890</u>
Total liabilities	<u>365,498</u>
NET POSITION	
Capital assets, net of related debt	1,008,723
Restricted for:	
Debt service	34,764
Unrestricted	<u>73,843</u>
Net position of business-type activities	<u>\$ 1,117,330</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Wastewater charges	\$ 60,434
Sanitation charges	48,609
Other revenues - Oil and gas lease	680
Other revenues	<u>2,440</u>
Total operating revenues	<u>112,163</u>
 <u>OPERATING EXPENSES</u>	
Personal services	8,581
Payroll tax and benefits	5,156
Sanitation contractor	36,704
Repair and Maintenance	1,541
Materials and supplies	15,429
Fuel	418
Utilities and telephone	6,138
Test, licenses, and fees	9,647
Insurance	3,002
Miscellaneous	-
Depreciation	<u>47,292</u>
Total operating expenses	<u>133,908</u>
 Operating income (loss)	 <u>(21,745)</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest revenue	392
Interest on notes payable and fees	<u>(17,725)</u>
Total non-operating revenue (expenses)	<u>(17,333)</u>
 Income (loss) before transfer	 <u>(39,077)</u>
 Transfer from other funds	 12,960
Transfer from other funds	<u>(3,382)</u>
Total Transfers	<u>9,578</u>
 Change in net position	 (29,500)
 Total net position, beginning	 <u>1,146,830</u>
 Total net position, ending	 <u>\$ 1,117,330</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2016

	Public Works
Cash flows from operating activities	
Cash received from customers	\$ 111,562
Cash payments to employees	(13,972)
Cash payments to suppliers for goods and services	(73,774)
Net cash provided (used) by operating activities	23,816
Cash flows from non-capital financing activities	
Transfer from other funds (net)	9,578
(Increase)/Decrease in due from other funds	(762)
Cash used by non-capital financing activities	8,816
Cash flows from capital and related financing activities	
Interest paid on notes payable and fiscal fees	(17,004)
Principal paid on notes payable	(17,760)
Net cash used for capital and related financing activities	(34,764)
Cash flows from investing activities	
Interest revenue	392
Net cash provided by investing activities	392
Net change in cash and investments	(1,740)
Cash and cash equivalents, beginning	19,959
Cash and cash equivalents, ending	\$ 18,219
Reconciliation of operating income (loss) to net cash provided/(used) by operating activities:	
Operating income (loss)	\$ (21,745)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:	
Depreciation	47,292
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	(601)
Increase/(decrease) in accounts payable	(895)
Increase/(decrease) in payroll liabilities	(235)
Net cash provided/(used) by operating activities	\$ 23,816

The accompanying notes are an integral part of these financial statements.

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Crowder Public Works Authority was created under the provisions of Title 60 Oklahoma Statutes Sections 176 to 180. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates sanitation and sewer services for the Town of Crowder. The Authority is reported as a proprietary fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

Government-Wide and Fund Financial Statements

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

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, if any, are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

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

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

Crowder Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

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

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

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances 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 issued. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2016 is not believed to be material.

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

Capital Assets, Depreciation, and Amortization

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

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

The Town does not have a paid leave policy and therefore, does not report accruals for compensated absences.

Reserves and Designations

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2016, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$173,985 at June 30, 2016. The bank balance of the deposits at June 30, 2016 was approximately \$180,485.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2016.

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2016, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Authority records the total due on utility accounts owed the proprietary fund for services unpaid at June 30. No allowance for bad debt is recorded as all accounts are considered collectible.

The governmental funds have accrued sales tax, use tax, gasoline excise tax, and cigarette tax to be received in July and August. Franchise tax, alcoholic beverage tax, and motor vehicle excise tax are accrued for amounts to be received in July.

NOTE D - RESTRICTED CASH AND INVESTMENTS

The Town serves as a trust agent for fund donated to the Crowder Cemetery. The funds in the amount of \$12,500 are to be used exclusively for the Crowder Cemetery and are to be invested by the Town for a period of 200 years from the date of the agreement. Per the agreement, if the cemetery or the Town should cease to exist, the funds must be used as the donor's descendant desires. Currently, the interest income from the certificate of deposit is transferred to the Crowder Cemetery on an annual basis.

The Crowder Public Works Authority has reported the following restricted cash and investments:

Rural Development Reserve	\$ 34,764
Total Restricted	<u>\$ 34,764</u>

NOTE E - CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2016:

	Notes Payable	Capital Lease Obligation	Total
Balance, July 1, 2014	\$ 380,721	\$ 9,636	\$ 390,357
Additions	-	-	-
Retirements	(17,004)	(4,699)	(21,703)
Balance, June 30, 2016	<u>\$ 363,717</u>	<u>\$ 4,937</u>	<u>\$ 368,654</u>

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - LEASE OBLIGATIONS GOVERNMENTAL FUNDS

The Town has entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending June 30</u>	<u>Tractor</u>	<u>Total</u>
2017	\$ 5,076	\$ 5,076
Total minimum lease payments	5,076	5,076
Less: Amount representing interest	139	139
Present value of future minimum lease payments	<u>\$ 4,937</u>	<u>\$ 4,937</u>

NOTE G - NOTES PAYABLE PROPRIETARY FUND

The Authority has incurred indebtedness for the expansion of system facilities. The following is a summary of note payable transactions for the year ended June 30, 2016.

	<u>Payable at</u> <u>July 1, 2014</u>	<u>Addition/</u> <u>Retirements</u>	<u>Balance at</u> <u>June 30, 2016</u>
Rural Development 1981	\$ 19,901	\$ (8,031)	\$ 11,870
Rural Development 1999	281,839	(7,093)	274,746
Rural Development 1999	<u>78,981</u>	<u>(1,880)</u>	<u>77,101</u>
	<u>\$ 380,721</u>	<u>\$ (17,004)</u>	<u>\$ 363,717</u>

A brief description of the outstanding notes payable at June 30, 2016 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
Rural Development loan dated January 26, 1981, original loan amount of \$148,883, interest rate 5.00%, payable in monthly installments of \$737.	11,870
Rural Development loan dated February 4, 1999, original loan amount of \$363,500, interest rate 4.75%, payable in monthly installments of \$1,694.	274,746
Rural Development loan dated February 4, 1999, original loan amount of \$100,000, interest rate 4.75%, payable in monthly installments of \$466.	<u>77,101</u>
Total	<u>\$ 363,717</u>

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The annual principal payments due over the next five years and thereafter are as follows. Actual debt service requirements will vary depending on the variable interest rate in effect at the time of payment.

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 17,827	\$ 16,937	\$ 34,764
2018	13,352	16,253	29,605
2019	10,342	15,578	25,920
2020	10,844	15,076	25,920
2021	11,370	14,550	25,920
2022-2026	65,686	63,914	129,600
2027-2031	83,256	46,344	129,600
2032-2036	105,526	24,074	129,600
2037-2039	45,514	4,040	49,554
Total	<u>\$ 363,717</u>	<u>\$ 216,766</u>	<u>\$ 580,483</u>

The Authority incurred interest of \$17,725 on long-term debt during the year.

NOTE H - CAPITAL ASSETS

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2014	\$ -	\$ 31,856	\$ 97,595	\$ 129,451	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2016	-	31,856	97,595	129,451	-
Accum. Deprec.					
Balance, June 30, 2014	-	27,456	86,396	113,852	-
Increase	-	550	2,240	2,790	-
Decreases	-	-	-	-	-
Balance, June 30, 2016	-	28,006	88,636	116,642	-
Governmental activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 3,850</u>	<u>\$ 8,960</u>	<u>\$ 12,810</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2014	\$ -	\$ 2,068,066	\$ 9,056	\$ 2,077,122	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2016	-	2,068,066	9,056	2,077,122	-
Accum. Deprec.					
Balance, June 30, 2014	-	648,334	9,056	657,390	-
Increase	-	47,292	-	47,292	-
Decreases	-	-	-	-	-
Balance, June 30, 2016	-	695,626	9,056	704,682	-
Business-type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,372,440</u>	<u>\$ -</u>	<u>\$ 1,372,440</u>	<u>\$ -</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,376,290</u>	<u>\$ 8,960</u>	<u>\$ 1,385,250</u>	<u>\$ -</u>

TOWN OF CROWDER, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

DEPRECIATION EXPENSE

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

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General government	\$ 2,240	Utilities	\$ 47,292
Park	550		

NOTE I - PENSION OBLIGATIONS

Oklahoma Firefighter's Pension and Retirement System

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

Oklahoma Firefighter's Pension
 And Retirement System

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

Contributions required by State Statute:

Fiscal <u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2016	\$ 1,140	100%
2015	1,320	100%
2014	1,020	100%

TOWN OF CROWDER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - RISK MANAGEMENT

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

NOTE K - FEDERAL AND STATE GRANTS

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

NOTE L - RELATED ORGANIZATIONS

The Town has contracts with Pittsburg County Public Works Authority for billing and collections of sewer and trash service fees. Pittsburg County Public Works Authority provides these services for other communities as well. The Pittsburg County Public Works Authority is a Title 60 trust under Oklahoma Statutes whose beneficiary is the County of Pittsburg. Monthly compiled financial statements and annual audit reports for the Pittsburg County Public Works Authority can be obtained by contacting them directly.

NOTE M - SUBSEQUENT EVENTS

The Town evaluated subsequent events through September 12, 2016 the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

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

To the Honorable Mayor and Members of the Board of Trustees
Town of Crowder
Crowder, Oklahoma

I 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, and the aggregate remaining fund information of Town of Crowder, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Crowder's basic financial statements and have issued my report thereon dated September 12, 2016 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 identified deficiencies in internal control that I consider to be material weaknesses. I consider lack of segregation of duties and failure to utilize a purchase order system of controls to be a material weakness.

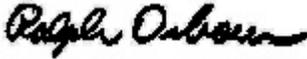
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Crowder, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The general fund actual expenses exceeded the approved expenditure budget. The town failed to approve a supplemental budget for the additional expenditures when they had sufficient revenue to do so.

Purpose of the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 12, 2016