Annual Financial Report
Town of Indianola

FINANCIAL STATEMENTS
As of June 30, 2015
With Independent Auditors Report Thereon

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Dwight Bomer
Certified Public Accountant

Town of Indianola
Town Officials
June 30, 2015

Board of Trustees
Mayor Harold Lusk
TrusteeJerry Grubb
April Johnston

City Clerk
Billie Davenport

Town of Indianola
June 30, 2015

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DWIGHT BOMER
Certified Public Accountant

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Independent Auditor's Report

Honorable Mayor and City Council
Town of Indianola
Indianola, 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 the Town of Indianola, Oklahoma (the "Town") as of and for the fiscal year ended June 30, 2015, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

This audit was conducted 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that this audit provides a reasonable basis for my opinion.

As discussed in Note 5 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental activities is not readily determinable.

In my opinion, based on this audit, except for the effects if any on the financial statements of improper capital asset record keeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the Town of Indianola, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* I have also issued my report dated August 26, 2015 on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 this audit.

The Town of Indianola has not presented a Management's Discussion and Analysis as required by GASB Statement No. 34, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the basic financial statements.

This audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Indianola, Oklahoma's financial statements as a whole. The supplementary information as listed in the table of contents is the responsibility of management and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Dwight Bomer
Certified Public Accountant

August 26, 2015

Town of Indianola
Statement of Net Assets
For Fiscal Year Ended June 30, 2015

		Governmental Activities
Assets		
Cash and cash equivalents	$	166,434
Due from other governments	$	2,148
Total Assets	$	168,582
Liabilities		
Accounts Payable	$	1,419
Total Liabilities	$	1,419
Net Assets		
Unrestricted	$	167,163

Town of Indianola
Statement of Revenues, Expenses and Changes in Net Assets
For Fiscal Year Ended June 30, 2015

Operating Revenues:		
Sales Tax Revenue	$	10,765
Alcoholic Beverage Tax	$	-
Cigarette Tax	$	135
Motor Vehicle Tax	$	2,412
Gasoline Tax	$	294
Franchise Fees	$	3,698
Other Income	$	904
Total Operating Revenues	**$**	**18,209**
Operating Expenses:		
Administrative	$	1,082
Utilities	$	2,274
Waste Disposal	$	8,464
City Clerk	$	720
Insurance	$	1,500
Total Operating Expenses	**$**	**14,040**
Net Operating Income (Loss)	$	4,169
Non-Operating Revenues (Expenses)		
Interest Income	$	5,326
Royalty Income	$	85
Cash Invested	$	-
Investment Expense	$	(3,052)
Bonds	$	-
Rental Income	$	2,520
Cemetery Fund	$	(2,989)
Total Non-Operating Revenue (Expense)	**$**	**1,890**
Change in Net Assets	$	6,059
Total Net Assets- Beginning	$	161,104
Total Net Assets- Ending	$	167,163

Town of Indianola
Statement of Cash Flows
For Fiscal Year Ended June 30, 2015

Cash flows from operating activities:		
Rent and other income	$	20,729
Operational costs	$	14,040
Net cash provided by operating activities	$	6,689
Cash flows from capital and related financing activities:		
Cemetery fund	$	(2,989)
Net cash (used in)capital and related financing activities	$	(2,989)
Cash flows from investing activities:		
Interest, royalty and rental income	$	5,410
Cash Invested	$	-
Investment Expense	$	(3,052)
Bonds	$	-
Net provided by investing activities	$	2,358
Net increase in cash and cash equivalents	$	6,059
Cash and cash equivalents, beginning of year	$	161,104
Cash and cash equivalents, end of year	$	167,163

Note 1 Summary of Accounting Policies

The Town of Indianola, Oklahoma is a Statutory Town under Title II, Chapter 12 of Oklahoma Statutes. The Town is governed by a Board of Trustees who elects among each other a mayor.

In June 1999, the Government Accounting Standards (GASB) issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This statement, known as the Reporting Model, provides for the most significant change in financial reporting for state and local governments in over 20 years and affects the way the Town prepares and presents financial information, the statement was adopted as of July 1, 2004. In addition to this statement, GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" have been adopted and are reflected in these financial statements.

As part of this Statement, there is a new reporting requirement regarding the capitalization of local government infrastructure (roads, bridges, traffic signals, etc.). This requirement permits and optional four-year delay for implementation to fiscal year 2006. The town has elected to delay the capitalization of infrastructure.

The following is a summary of the significant accounting policies of the Town of Indianola, Oklahoma:

A. Financial Reporting Entity

1. Component Units

As defined by accounting principles generally accepted in the United State of America, the financial reporting entity consists of the primary government (Town of Indianola), as well as it component units which are legally separate organizations for which the Town Council is financially accountable.

The accompanying financial statements represent the Town of Indianola and its component units. The financial data of the component units are included in the Town's reporting entity because of the significance of their operational or financial relationship with the Town of Indianola.

Discretely presented component units are entities that are legally separate from the Town, but for which the Town is primarily accountable, or whose relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the Town based upon the criteria listed above the Town of Indianola does not have any component units.

Note 1 **Summary of Accounting Policies (Continued)**

B. **Basic Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain town functions or activities.

Both the government-wide and fund financial statements categorize activities as governmental activities. In the government-wide Statement of Net Assets, only governmental activities are shown, as the Town has no activities considered business-type activities. These activities are reflected on a full accrual, economic resources basis which incorporates long-term assets and receivables.

The government-wide Statement of Activities reflects both the gross and net cost per functional category) public safety, general government), which are otherwise being supported by general government revenues (sales taxes, fines, etc.) The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. The program revenues must be directly associated with the function.

C. **Basis of Accounting and Presentation**

The **General Fund** is the Towns primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund. Revenues are derived primarily from sales and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operation of the Town of Indianola, Oklahoma.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1) Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: sales and use taxes, licenses, fees and permits, charges for services, penalties, and interest.

2) Expenditures are recorded when the related fund liability is incurred.

Note 1 **Summary of Accounting Policies (Continued)**

3) Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate: 1) demonstrate legal and convenient compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Town's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis for the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. **Budgets and Budgetary Accounting**

Each Year, the town board of trustees must make a financial statement, showing the true fiscal condition of the Town as of the close of the previous fiscal year ended June 30, along with an itemized statement of needs and probable income from all sources for the fiscal year.

A budget is legally adopted by the Board of Trustees for the General Fund of the Town.

Under Oklahoma Law, unencumbered appropriations lapse at the end of the year.

E. **Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town. Investments are stated at cost, which approximates market unless otherwise indicated.

Note 1 **Summary of Accounting Policies (Continued)**

F. Capital Assets

Capital assets, which include property, plant, equipment, are recorded in the applicable governmental activities columns in the government-wide financial statements. Assets are defined by the Town as assets with and initial, individual cost of $1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	40
Vehicles	5-10
Machinery and equipment	10-20

Note 2 **Accounts Receivable**

The accounts receivable for the town as of June 30, 2015 were $2,148.

Note 3 **Cash and Investments**

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificate of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies; Collateral is required for demand deposits and certificates of deposits for all amounts not covered by Federal Deposit Insurance.

Deposits- The Town's cash deposits at June 30, 2015, are categorized to give an indication of the level of risk assumed by the Town at year end as follows:

A. Insured or collateralized with FDIC Insurance
B. Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
C. Uncollateralized

Note 3 **Cash and Investments (Continued)**

The town's Deposits and investments are in various financial institutions as follows:

Category	Cash	Investments	Total
(A)	$ 64,237	$ -	$ 64,237
(B)	$ -	$ 102,197	$ 102,197
(C)	$ -	$ -	$ -
Total	$ 64,237	$ 102,197	$ 166,434

The Town's deposits up to $250,000 in each financial institution are considered category "A". The Town had investments secured by bonds in category B. The town had no accounts in category C.

Note 4 **Interfund Transaction**

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund, or expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Note 5 **Capital Assets**

The Town has not maintained a general fixed assets ledger. The financial statements do not include fixed assets. The amount which should be recorded in accordance with generally accepted accounting principles for fixed assets is not known.

Note 6 **Litigation**

The Town is contingently liable for lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Town at June 30, 2015.

Note 7 **Subsequent Events**

The Town has evaluated subsequent events through September 26, 2015, the date the financial statements were issued. The Town notes that there were no material subsequent events.