
City of Davis, Oklahoma

Financial Statements

Year-End: June 30, 2014

City of Davis
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Davis, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Davis, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis of Accounting

We draw your attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters*Disclaimer of Opinion on Other Supplemental Information*

The Oklahoma Municipal Retirement Fund schedule of funding progress and the statement of revenues, expenditures, and changes in fund balance-modified cash basis- budget and actual: general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. We applied certain limited procedures to this supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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.

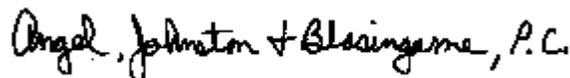
Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davis, Oklahoma basic financial statements. The combining statements for the nonmajor governmental funds and the combining statements for the general fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards that is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The statements for the nonmajor governmental funds, the combining statements for the general fund and the schedule of expenditures of federal awards are the responsibility of management, 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 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 for the nonmajor governmental funds, the combining statements for the general fund 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 Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
February 11, 2016

CITY OF DAVIS, Oklahoma
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 2,053,607	\$ 825,614	\$ 2,879,221
Restricted Cash and Cash Equivalent	6,734	67,378	74,112
Inventory	-	129,599	129,599
Total Current Assets	2,060,341	1,022,591	3,082,932
Noncurrent Assets			
Capital Assets			
Land, Land Improvements and Construction in Progress	52,042	11,336,354	11,388,396
Other Capital Assets, Net of Depreciation	1,317,195	1,873,246	3,190,441
Total Noncurrent Assets	1,369,237	13,209,600	14,578,837
Total Assets	3,429,578	14,232,191	17,661,769
LIABILITIES AND EQUITY			
Current Liabilities			
Sales Tax Payable	-	85,361	85,361
Refundable Meter Deposits	-	67,378	67,378
Capital Lease Obligations - Current	38,097	-	38,097
Notes Payable - Current	-	435,165	435,165
Total Current Liabilities	38,097	587,904	626,001
Noncurrent Liabilities			
Capital Lease Obligation	171,127	-	171,127
Notes Payable	-	9,244,245	9,244,245
Total Noncurrent Liabilities	171,127	9,244,245	9,415,372
Total Liabilities	209,224	9,832,149	10,041,373
Net Position			
Invested in Capital Assets	1,160,013	3,377,451	4,537,464
Restricted			
Debt Service	-	-	-
Cemetery	5,746	-	5,746
Unrestricted	2,054,595	1,022,591	3,077,186
Total Net Position	\$ 3,220,354	\$ 4,400,042	\$ 7,620,396

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

CITY OF DAVIS, Oklahoma
Government-Wide Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2014

	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total
<i>Functions/Programs</i>							
Primary Government							
Governmental Activities							
General Government	\$ 351,139	\$ 75,255	\$ -	\$ -	\$ (275,884)	\$ -	\$ (275,884)
Highways and Streets	213,373	-	-	-	(213,373)	-	(213,373)
Public Safety	1,059,056	67,583	4,474	43,464	(943,535)	-	(943,535)
Culture and Recreation	63,780	-	10,927	-	(52,853)	-	(52,853)
Cemetery / Parks	52,116	22,091	-	-	(30,025)	-	(30,025)
Interest	11,039	-	-	-	(11,039)	-	(11,039)
Total Governmental Activities	<u>1,750,503</u>	<u>164,929</u>	<u>15,401</u>	<u>43,464</u>	<u>(1,526,709)</u>	<u>-</u>	<u>(1,526,709)</u>
Business-Type Activities							
General Government	152,278	6	-	-	-	(152,272)	(152,272)
Water	438,717	824,453	-	-	-	385,736	385,736
Sewer	186,906	161,717	-	-	-	(25,189)	(25,189)
Garbage	406,956	429,277	-	-	-	22,321	22,321
Park Admission	1,307,085	1,990,498	-	-	-	683,413	683,413
Park Retail Sales	862,766	689,286	-	-	-	(173,480)	(173,480)
Interest Expense	232,815	-	-	-	-	(232,815)	(232,815)
Total Business Type Activities	<u>3,587,523</u>	<u>4,095,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,714</u>	<u>507,714</u>
Total Primary Government	<u>\$ 5,338,026</u>	<u>\$ 4,260,166</u>	<u>\$ 15,401</u>	<u>\$ 43,464</u>	<u>\$ (1,526,709)</u>	<u>\$ 507,714</u>	<u>\$ (1,018,995)</u>
General Revenues							
Taxes					1,417,020	-	1,417,020
Interest					6,326	3,320	9,646
Rent					-	203,180	203,180
Gain on Disposal of Assets					-	26,483	26,483
Transfers					641,981	(641,981)	-
Total General Revenues, Special Items and Transfers					<u>2,065,327</u>	<u>(408,998)</u>	<u>1,656,329</u>
Change in Net Position					538,618	98,716	637,334
Net Position - Beginning					2,681,736	4,301,326	6,983,062
Net Position - Ending					<u>\$ 3,220,354</u>	<u>\$ 4,400,042</u>	<u>\$ 7,620,396</u>

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

CITY OF DAVIS, Oklahoma
Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
Governmental Funds
June 30, 2014

	General Fund	Limited Purpose Sales Tax	Other Governmental Funds	Total
Assets				
Cash	\$ 515,574	1,538,033	\$ -	\$ 2,053,607
Restricted Cash	-	457	6,277	6,734
Total Assets	\$ 515,574	\$ 1,538,490	\$ 6,277	\$ 2,060,341
Fund Balances				
Restricted	-	743,671	5,746	749,417
Committed	-	782,027	-	782,027
Assigned	460,320	12,792	531	473,643
Unassigned	55,254	-	-	55,254
Total Fund Balances	515,574	1,538,490	6,277	2,060,341
Total Liabilities and Fund Balances	\$ 515,574	\$ 1,538,490	\$ 6,277	

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 fund.

1,369,237

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

(209,224)

Net assets of governmental activities.

\$ 3,220,354

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

CITY OF DAVIS, Oklahoma
Statement of Revenues, Expenditures and
Changes in Fund Balances – Modified Cash Basis – Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Limited Purpose Sales Tax	Other Governmental Funds	Total
REVENUE				
Taxes	\$ 1,014,076	\$ 402,932	\$ 12	\$ 1,417,020
Charges for Services	46,263	-	2,781	49,044
Interest	551	5,769	6	6,326
License and Permits	3,283	-	-	3,283
Fines	67,583	-	-	67,583
Intergovernmental	-	-	-	-
Grants	58,865	-	-	58,865
Miscellaneous	42,805	-	-	42,805
Total Revenue	<u>1,233,426</u>	<u>408,701</u>	<u>2,799</u>	<u>1,644,926</u>
EXPENDITURES				
Current				
General Government	328,015	-	580	328,595
Highways and Streets	145,276	-	-	145,276
Public Safety	984,682	-	-	984,682
Cemetery / Parks	54,475	-	-	54,475
Culture and Recreation	77,903	-	-	77,903
Capital Outlay				
General Government	33,848	-	-	33,848
Cemetery / Parks	-	-	30,803	30,803
Public Health and Welfare	5,800	-	-	5,800
Public Safety	118,997	-	-	118,997
Highways and Streets	16,266	-	-	16,266
Debt Service				
Principal	36,457	-	-	36,457
Interest	11,039	-	-	11,039
Total Expenditures	<u>1,812,758</u>	<u>-</u>	<u>31,383</u>	<u>1,844,141</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(579,332)</u>	<u>408,701</u>	<u>(28,584)</u>	<u>(199,215)</u>
Other Financing Sources				
Transfers In	883,688	246,155	26,483	1,156,326
Transfers Out	(151,098)	(362,356)	(891)	(514,345)
Total Other Financing Sources	<u>732,590</u>	<u>(116,201)</u>	<u>25,592</u>	<u>641,981</u>
Net Change in Fund Balances	153,258	292,500	(2,992)	442,766
Fund Balances - Beginning	<u>362,316</u>	<u>1,245,990</u>	<u>9,269</u>	<u>1,617,575</u>
Fund Balances - Ending	<u>\$ 515,574</u>	<u>\$ 1,538,490</u>	<u>\$ 6,277</u>	<u>\$ 2,060,341</u>

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

CITY OF DAVIS, Oklahoma
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances – Modified Cash Basis – Governmental Funds
 to the Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 442,766
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	57,181
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Net revenue of internal service fund	2,214
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>36,457</u>
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Change in net position of governmental activities.	<u><u>\$ 538,618</u></u>
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The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Statement of Assets, Liabilities, Net Position – Modified Cash Basis – Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 228,465	\$ 597,149	\$ 825,614
Restricted Cash and Cash Equivalent	67,378	-	67,378
Inventory	-	129,599	129,599
Total Current Assets	295,843	726,748	1,022,591
Noncurrent Assets			
Restricted Cash			
Capital Assets			
Capital Assets, Not Being Depreciated	10,319,354	1,017,000	11,336,354
Other Capital Assets, Net of Depreciation	996,660	876,586	1,873,246
Total Noncurrent Assets	11,316,014	1,893,586	13,209,600
Total Assets	11,611,857	2,620,334	14,232,191
LIABILITIES AND EQUITY			
Current Liabilities			
Sales Tax Payable	-	73,623	73,623
Refundable Meter Deposits	67,378	-	67,378
Notes Payable - Current	445,167	1,736	446,903
Total Current Liabilities	512,545	75,359	587,904
Noncurrent Liabilities			
Notes Payable	9,244,245	-	9,244,245
Total Noncurrent Liabilities	9,244,245	-	9,244,245
Total Liabilities	9,756,790	75,359	9,832,149
Net Position			
Invested in Capital Assets, Net of Related Debt	-	1,891,850	1,891,850
Unrestricted	1,855,067	653,125	2,508,192
Total Net Position	\$ 1,855,067	\$ 2,544,975	\$ 4,400,042

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

CITY OF DAVIS, Oklahoma
Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis – Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
Operating Revenues:			
Water	\$ 824,453	\$ -	\$ 824,453
Sewer	161,717	-	161,717
Garbage	429,277	-	429,277
Park Administration	-	1,990,498	1,990,498
Retail Sales	-	689,286	689,286
Rent	-	203,180	203,180
Miscellaneous	6	-	6
Total Operating Revenue	<u>1,415,453</u>	<u>2,882,964</u>	<u>4,298,417</u>
Operating Expenses:			
General Government	152,278	-	152,278
Sewer	186,906	-	186,906
Garbage	406,956	-	406,956
Water	436,503	-	436,503
Park Department	-	1,307,085	1,307,085
Park Retail Department	-	862,766	862,766
Total Operating Expenses	<u>1,182,643</u>	<u>2,169,851</u>	<u>3,352,494</u>
Operating Income (Loss)	<u>232,810</u>	<u>713,113</u>	<u>945,923</u>
Nonoperating Revenues (Expenses):			
Transfers In	482,840	-	482,840
Transfers Out	(473,830)	(650,991)	(1,124,821)
Gain on Disposal of Assets	26,483	-	26,483
Interest Income	307	3,013	3,320
Interest Expense	(229,784)	(3,031)	(232,815)
Total Nonoperating Revenues (Expenses)	<u>(193,984)</u>	<u>(651,009)</u>	<u>(844,993)</u>
Net Change in Net Position	38,826	62,104	100,930
Total Net Position - Beginning	<u>1,816,241</u>	<u>2,482,871</u>	<u>4,299,112</u>
Total Net Position - Ending	<u>\$ 1,855,067</u>	<u>\$ 2,544,975</u>	<u>\$ 4,400,042</u>

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

CITY OF DAVIS, Oklahoma
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,453,284	\$ 2,912,896	\$ 4,366,180
Payments to Employees for Services	(349,476)	(1,180,029)	(1,529,505)
Payments to Vendors for Goods and Services	(768,163)	(879,008)	(1,647,171)
Net Cash Provided by Operating Activities	<u>335,645</u>	<u>853,859</u>	<u>1,189,504</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Transfers from Other Funds	482,840	-	482,840
Interfund Transfers to Other Funds	(473,830)	(650,991)	(1,124,821)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,010</u>	<u>(650,991)</u>	<u>(641,981)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(3,792,691)	(125,760)	(3,918,451)
Capital Debt Proceeds	3,992,362	-	3,992,362
Capital Contributions	-	-	-
Principal Paid on Capital Debt	(303,585)	(5,369)	(308,954)
Interest Paid on Capital Debt	(229,784)	(3,031)	(232,815)
Net Cash Used by Capital Financing Activities	<u>(333,698)</u>	<u>(134,160)</u>	<u>3,450,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	<u>307</u>	<u>3,013</u>	<u>3,320</u>
Net Cash Provided by Investing Activities	<u>307</u>	<u>3,013</u>	<u>3,320</u>
Net Increase in Cash and Cash Equivalents	11,264	71,721	82,985
Cash and Cash Equivalents, Beginning of Year	284,579	525,428	810,007
Cash and Cash Equivalents, End of Year	<u>\$ 295,843</u>	<u>\$ 597,149</u>	<u>\$ 892,992</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 232,810	\$ 713,113	\$ 945,923
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	65,003	116,981	181,984
Gain (Loss)	26,483	-	26,483
Increase in Refundable Meter Deposits	11,349	-	11,349
Decrease in Inventory	-	(6,167)	(6,167)
Increase in Sales Tax Payable	-	29,932	29,932
Total Adjustments	<u>102,835</u>	<u>140,746</u>	<u>243,581</u>
Net Cash Provided by Operating Activities	<u>\$ 335,645</u>	<u>\$ 853,859</u>	<u>\$ 1,189,504</u>
Noncash Capital Financing Activities			

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

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Davis, Oklahoma, (the City) is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The accompanying financial statements present the City of Davis and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. There were no discretely presented component units.

Blended Component Unit

The Davis Municipal Authority (Authority) was created pursuant to a Trust Indenture dated May 2, 1988 as authorized by Title 60, Oklahoma statutes 1984, section 176-180.3 inclusive, and the Oklahoma Trust Act. The Authority accounts for the utility operations of the City and Turner Falls Park. The Authority serves all the citizens of the City and is governed by a board comprised of the City's elected officials. The rates for user charges and bond issuance authorization are approved by the City Council and the legal liability for the general obligation portion of the Authority for the use and benefit of the beneficiary, City of Davis, to furnish, construct, administer and finance any public works facilities or improvements debt remains with the City. The Authority is reported as two enterprise funds. The City Council of the City of Davis acts as the Board of Trustees of the Davis Municipal Authority. The rates for user charges and bond issuance authorizations are approved by the government council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is reported as an enterprise fund.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements of the City are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in each fund-type financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt are not recorded.

The City reports the following major government funds:

General Fund - is the Government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Limited Purpose Sales Tax – is a special revenue fund which accounts for sales tax restricted for water and sewer construction and debt service.

Non-major Governmental Funds are the Grant, Cemetery Care, and Debt Service funds.

The City reports the Davis Municipal Authority (DMA) and Turner Falls Park (TF) as major proprietary funds. DMA accounts for the activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations. TF accounts for the activities of the park including admissions, cabin rentals, and retail sales from the shops.

Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.
- Sales tax collected that have not been remitted to the State of Oklahoma but relate to sales receipts collected are recorded as liabilities.
- Inventory is recorded as an asset when purchased and expensed when consumed.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, liabilities, and net position or equity

1. Deposits and investments

For purposes of the statement of cash flows, the City considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Oklahoma Statutes authorize the City to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposits of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits of financial institutions located outside the state; savings accounts, and county, municipal or school district general obligation debt.

The City does not have a specific policy limiting the concentration amount that may be invested with one issuer. The City has no formal policy on managing credit risk. Public trusts created under Oklahoma Statutes Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

2. Interfund transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3. Restricted assets

Certain proceeds of the Authority's notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable loan covenants.

Customer utility deposits and debt service cash are reported as restricted cash.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net position or equity (continued)

4. *Inventory*

Inventory consists of souvenirs and grocery items at Turner Falls. Amounts are recorded at cost which approximates market, using the first-in/first-out method. The costs of inventory are recoded as expenditures when used. (consumption method).

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-40
Infrastructure	40
System infrastructure	40
Vehicles	2-10
Machinery and equipment	2-10

6. *Governmental fund balances*

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. City of Davis did not have any nonspendable resources as of June 30, 2014.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. City of Davis has restricted resources by state law and from grants as of June 30, 2014.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net position or equity (continued)

6. *Governmental fund balances (continued)*

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. City of Davis did not have any committed resources as of June 30, 2014.

Assigned: This classification includes amounts that are constrained by City of Davis's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the manager through the budgetary process. City of Davis has assigned resources of interest in special revenue funds as of June 30, 2014.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

City of Davis would typically use Restricted fund balances first, followed by Committed resources, and the Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

7. *Government-wide Net Position*

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net positions that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net positions are reported in this category.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Property Tax Revenues:

The City is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property with the City. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collections within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half of taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of the two years the owner has not done so, the purchaser is issued a deed to the property.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation of the \$1,160,013 difference between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”

Capital leases and general obligation debt	<u>\$(209,224)</u>
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Another element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Capital assets, not being depreciated	\$ 23,200
Capital assets, being depreciated	2,987,359
Less Accumulated Depreciation	<u>(1,641,322)</u>
	<u>\$ 1,369,237</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -
(continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$95,852 difference between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures.” However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 208,073
Depreciation Expense	(150,892)
	\$ 57,181

Another element of that reconciliation explains that “repayment of principal of long term debt consumes the current financial resources of governmental funds.”

Debt and capital lease principal payments	\$ <u>36,457</u>
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Finally, net change in net position for internal service funds are reported as enterprise funds at the fund level but as part of governmental activities at the government-wide level.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statues regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2014, the City had a balance of \$2,043,445 which was uncollateralized, and Davis Municipal Authority had a balance of \$712,975 which was uncollateralized.

B. Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 23,200	\$ -	\$ -	\$ 23,200
Total capital assets, not being depreciated	<u>23,200</u>	<u>-</u>	<u>-</u>	<u>23,200</u>
<i>Capital assets, being depreciated</i>				
Land Improvements	-	28,842	-	28,842
Buildings	925,915	27,778	-	953,693
Vehicles and Equipment	1,273,713	151,453	-	1,425,166
Infrastructure	579,658	-	-	579,658
Total capital assets, being depreciated	<u>2,779,286</u>	<u>208,073</u>	<u>-</u>	<u>2,987,359</u>
Less Accumulated Depreciation	<u>1,490,430</u>	<u>150,892</u>	<u>-</u>	<u>1,641,322</u>
Total capital assets, being depreciated, net	<u>1,288,856</u>	<u>57,181</u>	<u>-</u>	<u>1,346,037</u>
Governmental activities capital assets, net	<u>1,312,056</u>	<u>57,181</u>	<u>-</u>	<u>1,369,237</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS

B. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 1,017,000	\$ -	\$ -	\$ 1,017,000
Construction in Progress	6,532,507	3,786,848		10,319,355
Total capital assets, not being depreciated	<u>7,549,507</u>	<u>3,786,848</u>	<u>-</u>	<u>11,336,355</u>
<i>Capital assets, being depreciated</i>				
Buildings	667,165	23,000	-	690,165
Vehicles and Equipment	1,195,820	108,603	-	1,304,423
Water Plant Infrastructure	921,386	-	-	921,386
Sewer Plant Infrastructure	883,533	-	-	883,533
Turner Falls Infrastructure	135,259	-	-	135,259
Total capital assets, being depreciated	<u>3,803,163</u>	<u>131,603</u>	<u>-</u>	<u>3,934,766</u>
Less Accumulated Depreciation	<u>1,879,537</u>	<u>181,984</u>	<u>-</u>	<u>2,061,521</u>
Total capital assets, being depreciated, net	<u>1,923,626</u>	<u>(50,381)</u>	<u>-</u>	<u>1,873,245</u>
Business activities capital assets, net	<u>9,473,133</u>	<u>3,736,467</u>	<u>-</u>	<u>13,209,600</u>
Total Primary Government	<u>\$ 10,785,189</u>	<u>\$ 3,793,648</u>	<u>\$ -</u>	<u>\$ 14,578,837</u>

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

Government activities:	
General government	\$ 23,124
Public safety	74,374
Culture and recreation	4,597
Highways and streets	<u>48,797</u>
Total depreciation expense - governmental activities	<u>\$ 150,892</u>
Business-type activities	
Water	\$ 29,688
Garbage	10,419
Turner Falls	116,981
Sewer	<u>24,896</u>
Total depreciation expense - business-type activities	<u>\$ 181,984</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS - (continued)

C. Interfund receivables, payables, and transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to move unrestricted revenue collected to other funds to finance various programs in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To	Transfer From	Amount
Contingency	Turner Falls Park	160,631
Davis Municipal Authority	Limited Purpose Sales Tax	362,356
Davis Municipal Authority	Turner Falls Park	117,258
Davis Municipal Authority	Contingency	3,226
General Fund	Davis Municipal Authority	202,084
General Fund	Turner Falls Park	186,723
General Fund	Street Maintenance	12,738
General Fund	Contingency	129,892
Cemetery	Davis Municipal Authority	26,483
General Fund	Davis Benefit Fund	5,241
Limited Purpose Sales Tax	Sinking Fund	891
Limited Purpose Sales Tax	Davis Municipal Authority	245,264
Street Maintenance	Turner Falls Park	186,379
		<u>\$ 1,639,166</u>

	Transfers In	Transfers Out	Net
Government Funds	\$ 1,156,326	\$ (514,345)	\$ 641,981
Proprietary Funds	482,840	(1,124,821)	(641,981)
	<u>\$ 1,639,166</u>	<u>\$ (1,639,166)</u>	<u>\$ -</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS - (continued)

D. Long-term liabilities

A summary of long-term liability activity for the year ended June 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental Activities					
Capital Lease Obligations	\$ 245,681	\$ -	\$ 36,457	\$ 209,224	\$ 38,097
Business-Type Activities					
Notes Payable	<u>6,007,740</u>	<u>3,992,362</u>	<u>308,954</u>	<u>9,691,148</u>	<u>435,165</u>
	<u>\$ 6,253,421</u>	<u>\$ 3,992,362</u>	<u>\$ 345,411</u>	<u>\$ 9,900,372</u>	<u>\$ 473,262</u>

Long-term liabilities at June 30, 2014, consisted of the following:

Type of Indebtedness(purpose)	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2014</u>
Business-Type Activities					
Oklahoma Water Resources Board Note (OWRB) (financed costs of new water plant)	March 2043	3.22%	Variable	9,995,000	\$ 8,714,491
Financial Institution (financed costs of equipment)	October, 2014	3.25%	1,920	106,108	4,822
Financial Institution (financed costs of equipment)	June, 2016	4.25%	2,159	156,282	47,235
Financial Institution (financed costsof water tower painting)	December, 2012	3.00%	13,210	60,500	49,104
Financial Institution (financed costs related to Turner Falls construction)	February 2023	3.25%	Variable	1,000,000	<u>\$ 875,496</u>
					<u>\$ 9,691,148</u>

As of June 30, 2014, annual debt service requirements of the business-type activities to maturity are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2015	446,904	298,221
2016	443,901	293,641
2017	424,468	279,558
2018	428,017	265,840
2019	418,468	252,008
2020-2024	1,973,233	1,058,172
2025-2029	1,579,167	780,131
2030-2034	1,579,167	525,885
2035-2039	1,579,167	271,639
2040-2042	818,656	40,945
	<u>\$ 9,691,148</u>	<u>\$ 4,066,040</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS - (continued)

D. Long-term liabilities (continued)

Revenues generated from the Authority will be used first to meet debt service; second to pay operation and maintenance expenses of the system and third to replenish the minimum required balance of the reserve fund requirement. The Authority at all times will maintain schedules of rates and charges for services sufficient to provide funds which together with other revenues pledged will provide Net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service. The revenues are pledged as collateral on the OWRB note. The Authority is in compliance with this covenant at June 30, 2014.

Governmental Activities Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of certain equipment. The lease agreements qualify as capital leases 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 leases contain a cancellation clause which gives the City the ability to terminate the lease agreement at the end of each fiscal year.

The assets under capital lease are as follows;

Vehicles	\$ 360,000
less accumulated depreciation	<u>(108,000)</u>
	<u><u>\$ 252,000</u></u>

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30 are as follows:

	Year Ending June 30	
	<u>2015</u>	47,474
	2016	47,474
	2017	47,474
	2018	47,474
	2019	<u>47,474</u>
Present value of future minimum lease payments	\$	237,370
less: Interest		<u>(28,146)</u>
Net Minimum lease payments	\$	209,224
Current portion		<u>(38,097)</u>
Long-term portion	\$	<u><u>171,127</u></u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS - (continued)

E. Restricted Assets

Restricted cash as of June 30, 2014 is as follows:

Funds restricted for other purposes	
Meter Deposits	\$ 67,378
New Water Plant construction and debt service	457
Cemetery Care	6,277
	<u>\$ 74,112</u>

F. Pension plans

Municipal Retirement Plan

The City of Davis and its employees participate in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OMRF). All regular full-time employees, except those covered under another retirement system are eligible after ninety days of service. Employees are vested at 10 years.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at OMRF, 100 N. Broadway, Oklahoma City, OK 73102

Funding Policy: The contribution requirements of City of Davis and Davis Public Works Authority and employees are established and may be amended by the OMRF board. Employees are required to contribute 4.50 % of their annual covered salary after tax. City of Davis is required to contribute at an actuarially determined rate; the rate at June 30, 2014 is 10.21 % of covered payroll.

Annual Pension Cost: For 2013-2014, City of Davis' annual pension cost of \$97,821 was equal to the required and actual contributions. The required contribution was determined as part of the March, 2014 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 % investment rate of return, (II) projected salary increases due to inflation of 3 % compounded annually, and (III) projected salary increases due to age/seniority, compounded annually.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS - (continued)

F. Pension plans (continued)

Trend Information:

Year	Ending June 30	Contribution Rate	Cost (APC)	Contributed
2014		10.21%	\$ 97,821	100%
2013		10.82%	\$ 93,851	100%
2012		11.22%	144,695	100%

The funded status of the Plan as of January 1, 2014, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2014	1,865,713	2,520,150	654,437	74.03%	1,012,849	64.61%

The schedule of funding progress presented as supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Policemen's Retirement Plan

Police department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equals 2.5% of the average compensation of the highest 30 consecutive months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS - (continued)

F. Pension plans - (continued)

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2014. Participating members are required to contribute 8%.

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2014	\$ 289,281	\$ 60,749	\$ 37,607	\$ 23,142	\$ 32,399
2013	193,382	40,610	25,140	15,470	22,819
2012	169,590	35,614	22,047	13,567	18,897

Additional information can be obtained by writing Oklahoma Police Pension and Retirement Board, 1001 N.W. 63rd, Suite 305, Oklahoma City, OK, 73116.

Firefighters' Retirement Plan

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK, 73105.

Funding Policy. The contribution rates for the City and its employees are established by Statute. Volunteer firefighters are not required to contribute, but the City is required to contribute \$60 per volunteer per year. The City contributed \$1,380, \$1,380, and \$1,380 for the years ended June 30, 2014, 2013 and 2012, respectively.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS - (continued)

G. Contingencies and Risk Management

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2014, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

General Liability, Physical Property and Automobile Liability/Physical Damage - General liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group (OMAG) risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

Workers' Compensation - Workers' compensation is insured through CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.

CITY OF DAVIS, Oklahoma
 Supplementary Schedule
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Balance 6/30/2013	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2014
U.S. Environmental Protection Agency					
<i>Passed through Oklahoma Water Resource Board</i>					
Safe Drinking Water State Revolving Func	66.468	\$ -	\$ 1,548,048	\$ 1,548,048	\$ -
Total Expenditures of Federal Awards		\$ -	\$ 1,548,048	\$ 1,548,048	\$ -

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Davis, Oklahoma is presented on the cash basis. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

CITY OF DAVIS, Oklahoma
 Supplementary Schedule
 Oklahoma Municipal Retirement Fund
 Schedule of Funding Progress
 June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2003	762,692	848,874	\$ 86,182	89.85%	706,226	12.20%
1/1/2004	777,428	981,602	204,174	79.20%	829,181	24.62%
1/1/2005	862,266	1,066,147	203,881	80.88%	807,208	25.26%
1/1/2006	939,445	1,126,850	187,405	83.37%	802,723	23.35%
1/1/2007	1,098,305	1,315,110	216,805	83.51%	993,466	21.82%
1/1/2008	1,175,837	1,381,755	205,918	85.10%	945,411	21.78%
1/1/2009	1,182,373	1,859,450	677,077	63.59%	890,599	76.02%
1/1/2010	1,323,569	1,980,457	656,888	66.83%	951,030	69.07%
1/1/2011	1,522,614	2,213,037	690,423	68.80%	920,538	75.00%
1/1/2012	1,642,716	2,248,002	605,286	73.07%	848,919	71.30%
1/1/2013	1,703,700	2,260,640	556,940	75.36%	816,894	68.18%
1/1/2014	1,865,713	2,520,150	654,437	74.03%	1,012,849	64.61%

CITY OF DAVIS, Oklahoma
 Supplementary Schedule
 Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
 Budget to Actual
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUE				
Taxes	\$ 933,000	933,000	\$ 1,014,074	\$ 81,074
Charges for Services	40,500	40,500	46,262	5,762
Fines	23,650	23,650	67,583	43,933
License and Permits	2,800	2,800	3,283	483
Interest	875	875	87	(788)
Intergovernmental	12,000	12,000	15,401	3,401
Miscellaneous	3,200	3,200	42,810	39,610
Total Revenue	1,016,025	1,016,025	1,189,500	173,475
EXPENDITURES				
Current				
General Government	505,321	505,321	361,608	143,713
Highways and Streets	136,416	136,416	113,056	23,360
Public Safety	1,133,973	1,133,973	1,107,080	26,893
Culture and Recreation	60,396	60,396	59,184	1,212
Park & Cemetery	60,916	60,916	54,477	6,439
Public Health and Welfare	35,150	35,150	5,800	29,350
Total Expenditures	1,932,172	1,932,172	1,701,205	230,967
Excess (Deficiency) of Revenues Over Expenditures	(916,147)	(916,147)	(511,705)	404,442
Other Financing Sources (Uses)				
Transfers In	618,600	618,600	536,678	(81,922)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	618,600	618,600	536,678	(81,922)
Net Change in Fund Balances	(297,547)	(297,547)	24,973	322,520
Fund Balance - Beginning	-	-	30,281	30,281
Fund Balance - Ending	\$ (297,547)	\$ (297,547)	\$ 55,254	\$ 352,801
Funds combined for financial reporting			460,320	
Fund Balance, Ending per Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 515,574	

CITY OF DAVIS, Oklahoma
 Supplementary Schedules
 Combining Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
 Nonmajor Governmental Funds
 June 30, 2014

	<u>Grant Fund</u>	<u>Cemetery Care</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total</u>
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash	-	6,277	6,277	-	6,277
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ -	\$ 6,277	\$ 6,277	\$ -	\$ 6,277
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund Balances					
Restricted	-	5,746	5,746	-	5,746
Assigned	-	531	531	-	531
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	-	6,277	6,277	-	6,277
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ -	\$ 6,277	\$ 6,277	\$ -	\$ 6,277
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF DAVIS, Oklahoma
 Supplementary Schedules
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	<u>Grant Fund</u>	<u>Cemetery Care</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total</u>
REVENUE					
Charges for Services	\$ -	\$ 2,781	\$ 2,781	\$ -	\$ 2,781
Taxes	-	-	-	12	12
Interest	-	6	6	-	6
Total Revenue	<u>-</u>	<u>2,787</u>	<u>2,787</u>	<u>12</u>	<u>2,799</u>
EXPENDITURES					
Current					
General Government	-	580	580	-	580
Capital Outlay					
Cemetery / Parks	-	30,803	30,803	-	30,803
Total Expenditures	<u>-</u>	<u>31,383</u>	<u>31,383</u>	<u>-</u>	<u>31,383</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(28,596)</u>	<u>(28,596)</u>	<u>12</u>	<u>(28,584)</u>
Other Financing Sources					
Transfers In	-	26,483	26,483	-	26,483
Transfers Out	-	-	-	(891)	(891)
Total Other Financing Sources	<u>-</u>	<u>26,483</u>	<u>26,483</u>	<u>(891)</u>	<u>25,592</u>
Net Change in Fund Balances	-	(2,113)	(2,113)	(879)	(2,992)
Fund Balances - Beginning	-	8,390	8,390	879	9,269
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 6,277</u>	<u>\$ 6,277</u>	<u>\$ -</u>	<u>\$ 6,277</u>

CITY OF DAVIS, Oklahoma
 Supplementary Schedules
 Combining Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
 General Fund
 June 30, 2014

	General Fund	Street Maintenance Fund	Contingency Fund	Benefits Fund	Total
Assets					
Cash	\$ 55,254	\$ 334,327	\$ 125,993	\$ -	\$ 515,574
Due from Others	-	-	-	-	-
Total Assets	\$ 55,254	\$ 334,327	\$ 125,993	\$ -	\$ 515,574
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	334,327	125,993	-	460,320
Unassigned	55,254	-	-	-	55,254
Total Fund Balances	55,254	334,327	125,993	-	515,574
Total Liabilities and Fund Balances	\$ 55,254	\$ 334,327	\$ 125,993	\$ -	\$ 515,574

CITY OF DAVIS, Oklahoma
Supplementary Schedules
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Modified Cash Basis -General Fund
June 30, 2014

	General Fund	Street Maintenance Fund	Contingency Fund	Benefits Fund	Total
REVENUE					
Taxes	\$ 1,014,076	\$ -	\$ -	\$ -	\$ 1,014,076
Charges for Services	46,263	-	-	-	46,263
Interest	86	295	170	-	551
License and Permits	3,283	-	-	-	3,283
Fines	67,583	-	-	-	67,583
Intergovernmental	-	-	-	-	-
Grants	15,401	-	43,464	-	58,865
Miscellaneous	42,805	-	-	-	42,805
Total Revenue	<u>1,189,497</u>	<u>295</u>	<u>43,634</u>	<u>-</u>	<u>1,233,426</u>
EXPENDITURES					
Current					
General Government	327,761	-	-	254	328,015
Highways and Streets	113,055	32,221	-	-	145,276
Public Safety	984,682	-	-	-	984,682
Cemetery / Parks	54,475	-	-	-	54,475
Culture and Recreation	59,183	-	18,720	-	77,903
Capital Outlay					
General Government	33,848	-	-	-	33,848
Public Health and Welfare	5,800	-	-	-	5,800
Public Safety	74,902	-	44,095	-	118,997
Highways and Streets	-	-	16,266	-	16,266
Debt Service					
Principal	36,457	-	-	-	36,457
Interest	11,039	-	-	-	11,039
Total Expenditures	<u>1,701,202</u>	<u>32,221</u>	<u>79,081</u>	<u>254</u>	<u>1,812,758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(511,705)</u>	<u>(31,926)</u>	<u>(35,447)</u>	<u>(254)</u>	<u>(579,332)</u>
Other Financing Sources					
Transfers In	536,678	186,379	160,631	-	883,688
Transfers Out	-	(12,738)	(133,119)	(5,241)	(151,098)
Total Other Financing Sources	<u>536,678</u>	<u>173,641</u>	<u>27,512</u>	<u>(5,241)</u>	<u>732,590</u>
Net Change in Fund Balances	24,973	141,715	(7,935)	(5,495)	153,258
Fund Balances - Beginning	<u>30,281</u>	<u>192,612</u>	<u>133,928</u>	<u>5,495</u>	<u>362,316</u>
Fund Balances - Ending	<u>\$ 55,254</u>	<u>\$ 334,327</u>	<u>\$ 125,993</u>	<u>\$ -</u>	<u>\$ 515,574</u>



CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council
City of Davis, Oklahoma

We have audited, 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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 11, 2016. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America. The auditors' opinion on the financial statements was qualified for because the financial statement general ledger detail for the first two months was not available due to a change in accounting software. The lack of documented detail affected our ability to verify the proper classification of revenue and expenses for this time frame on the government-wide statements and fund statements for the City of Davis for the year ending June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedure 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

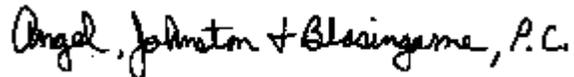
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 14-1, 14-2, 14-3, 14-4, 14-5, 14-6, 14-7 and 14-8.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 14-1, 14-2, 14-3, 14-6 and 14-8.

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.



Chickasha, Oklahoma
February 11, 2016

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the City Council
City of Davis, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited City of Davis's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the compliance for each major program. Our audit does not provide a legal determination of the City's compliance.

Unmodified Opinion on the Environmental Protection Agency's Safe Drinking Water State Revolving Fund Grant

In our opinion, the City of Davis, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Environmental Protection Agency's Safe Drinking Water State Revolving Fund Grant.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 14-8. Our opinion on the major federal program is not modified with respect to this matter.

City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-8 to be a significant deficiency.

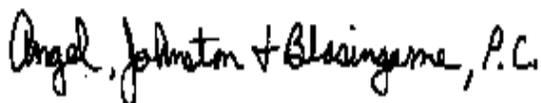
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control or compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma
February 11, 2016

**CITY OF DAVIS, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

66.468

Safe Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A or Type B programs:

\$300,000

5. Auditee qualified as low-risk auditee?

No

**CITY OF DAVIS, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section 2

Findings-Financial Statement Audit

SIGNIFICANT DEFICIENCY

- 14-1. Criteria - State statutes and proper protection of bank deposits requires bank accounts to be insured or collateralized.

Condition – At yearend deposits at one institution was under-collateralized by more than two million.

Context – The City finance officials need to have proper procedures implemented.

Effect – The City was exposed to loss of assets if the banking institution failed.

Cause – The City did not have a monitoring function in place to ensure compliance.

Recommendation – Establish procedures and monitor them on a timely basis.

Management response – Management agrees.

- 14-2. Criteria – State statute requires daily deposit of cash collections.

Condition – Deposits are not always being made on a daily basis.

Context – In October we noticed on five different days there were no deposits.

Effect – Statute was not followed. Also this increases the risk of funds not being secured by bank custody.

Cause – Procedures were not established and/or followed.

Recommendation – Establish procedure and train employees.

Management response – Management agrees.

- 14-3. Criteria – Records should be retained for inspection and verification of City transaction and finance.

Condition – The City was not able to locate all records.

Context – For four months we were not able to locate the monthly utility reports. Also the several bank statements could not be located.

Effect – The City cannot document all its activity during the 2013-14 fiscal year.

Cause – The City was in transition with personnel and changing of locations for records.

CITY OF DAVIS, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Recommendation – Establish record retention procedures and establish a clear understanding as to the importance of proper record retention.

Management response – Management agrees.

14-4. Criteria –All bank accounts should be reflected in the City’s financial records.

Condition – Not all of the bank accounts are reflected in the City’s internal financial system.

Context – The DMA OWRB 2012 bank account is not in the financial system. The activity in this account was added by journal entry. However, the account balance was not reflected in the City’s records.

Effect – The internal financial records were not complete. This increases the likelihood of missing account activity.

Cause – The account was never established in the financial system.

Recommendation – Add the account to the financial system, reconcile the account and record all the activity in this account on a timely basis.

Management response – Management agrees.

14-5. Criteria –Bank accounts should be reconciled monthly and on a timely basis.

Condition – Not all accounts were reconciled monthly.

Context – We performed the audit of the financial statement over a year after end of the fiscal year. At that time the Payroll Account still had not been reconciled.

Effect – When the bank account was reconciled the financial statement bank balance was off over \$50,000.

Cause – The financial system recording and the bank reconciliations were not performed in a timely manner.

Recommendation – Financial system recording of transactions and bank reconciliations need to be performed in a timely manner.

Management response – Management agrees.

CITY OF DAVIS, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

14-6. Criteria – Proper purchasing procedures are required to comply with state statutes.

Condition – Some invoices and purchase orders were missing and some purchase orders were dated after the invoice date. The purchase orders are required to be the first document executed during the purchasing process. Also some purchase orders were no signed.

Context – We made 36 compliance selections. On two selections no documentation could be found. Four purchase orders were dated after the invoice date. Three purchase orders were not signed. And one selection had a purchase order but no invoice attached.

Effect – State statues were not followed. Also it increases the likelihood that budgets could be exceeded and improper purchases could be made.

Cause – Lack of proper filing of expenditure documentation and lack of state statue compliance procedures.

Recommendation – Clearly establish procedures and understanding of the importance of proper processing of purchases and payments.

Management response – Management agrees.

14-7. Criteria – Good control over the utility billing and collection process requires monthly reconciliation of activity.

Condition – There is no monthly reconciliation of utility receivables.

Context – Proper monthly reconciliations were not in place. This is required to make sure all activities in customers' accounts are properly recorded

Effect – Improper adjustments to customers' accounts could occur and not be identified.

Cause – Lack of established procedures.

Recommendation – Establish reconciliation procedures to ensure all cash receipts are recorded and that all adjustments are appropriate.

Management response – Management agrees.

CITY OF DAVIS, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Section 3

Findings and Question Costs-Major Federal Award Programs Audit

14-8. Criteria – Federal and state grants need to be identified and monitored so proper financial reporting will be assured.

Condition – The grant money received and expended was not clearly identified in the financial records.

Context – The fire operations grant was coded to reimbursements, a donation from the Chickasaw Nation was identified as a CDBG grant and the federal financial assistance portion of the OWRB loan was not identified. The OWRB federal financial assistance portion was over \$1.5 million. This level of funding adds a new level of compliance requirements and auditing requirements

Effect – Without proper identification then proper reporting and compliance could be missed.

Cause – This is most likely financial personnel turnover and lack of timely financial statement recording.

Recommendation – Identify and properly record all federal and state assistance payments and expenditures.

Management response – Management agrees.

CITY OF DAVIS, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2014

Deficiencies of Internal Control, Compliance and Other Matters

- 13-1. Criteria – Identification and documentation of grants for financial statement presentation and compliance is required.

Condition – Not all the grant income was identified separately in the financial records. Also on three grants documentation could not be located. We had to obtain documentation directly from the granting agency.

Disposition – This continued to be a finding in 2013-14.

- 13-2. Criteria – Documentation supporting City transactions should be retained.

Condition – Some of the monthly utility billing reports could not located.

Disposition – This continued to be a finding in 2013-14.

- 13-3. Criteria – All utility adjustments should be accounted for and have independent approval.

Condition – Adjustments have independent approval but there is not a monthly reconciliation procedure to insure that all adjustments are accounted for.

Disposition – This continued to be a finding in 2013-14.

- 13-4. Criteria – Inventory should be carried at cost.

Condition – The current and prior inventory was carried at retail.

Disposition – This continued to be a finding in 2013-14.