

INDEPENDENT AUDITOR'S REPORT

CITY OF GERONIMO

JUNE 30, 2013

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City of Geronimo
Management Discussion and Analysis
June 30, 2013

Management’s Discussion and Analysis (“MD&A”) provides an overview of the City of Geronimo’s (“City”) activities and financial performance for the fiscal year ended June 30, 2013. Readers are encouraged to read the MD&A in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal at the beginning of this presentation, and with other portions of this financial report. All amounts have been rounded to the nearest dollar.

FINANCIAL HIGHLIGHTS

Below is the City’s comparative summary statement of net assets for the year ended June 30, 2013 and 2012:

	City of Geronimo		
	Summary Statement of Net Assets		
	For the year ended June 30,		
	2013	2012	% Change
<u>Assets</u>			
Cash and Cash Equivalents	\$ 452,405	\$ 340,418	24.75%
Investments	52,452	52,452	0.00%
Capital Assets	2,131,804	2,106,462	1.19%
Accumulated Depreciation	(871,457)	(811,519)	6.88%
Total Asset	<u>1,765,204</u>	<u>1,687,813</u>	
<u>Liabilities</u>			
Due to Depositors	57,166	52,886	7.49%
Accounts Payable	3,003	1,375	54.21%
Accrued Payroll and Related Liabilities	9,615	-	100.00%
Note Payable	113,041	135,869	-20.19%
Total Liabilities	<u>182,825</u>	<u>190,130</u>	
<u>Net Position</u>			
Invested in Capital, Net of Related Debt	1,147,306	1,220,122	-6.35%
Restricted for debt service	-	-	0.00%
Temporarily restricted for lagoon improvements	27,240	-	100.00%
Unrestricted	407,833	277,561	31.94%
Total Net Position	<u>1,582,379</u>	<u>1,497,683</u>	
Total Liabilities and Net Position	<u>\$ 1,765,204</u>	<u>\$ 1,687,813</u>	

City of Geronimo
Management Discussion and Analysis
June 30, 2013

FINANCIAL HIGHLIGHTS (CONT'D)

As noted in the “% change” column shown, there have been only minimal changes in the city’s net position from June 30, 2012 to June 30, 2013. The increase in cash and cash equivalents is a positive change for the City and indicates an improved liquidity over the prior year. The City has also reduced its debt during the year while increasing capital assets.

The capital assets account predominantly consists of the plant and equipment required for the Public Water Authority (PWA).

Next, the City’s summary statement of activities is shown, below:

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
<u>Governmental Activities</u>			
Charges for services	\$ 62,482	\$ 45,550	27.10%
Operating grants and contributions	27,566	32,485	-17.84%
(Expenses)	<u>(189,342)</u>	<u>(148,122)</u>	21.77%
Net revenue/(loss) from governmental activities	(99,294)	(70,087)	
<u>Business-type Activities</u>			
Charges for services	609,932	570,109	6.53%
Grants and contributions	27,240	-	100.00%
(Expenses)	<u>(589,049)</u>	<u>(599,527)</u>	-1.78%
Net revenue/(loss) from business-type activities	48,123	(29,418)	
<u>General Revenue</u>			
Taxes	81,616	83,994	-2.91%
Investment income	372	444	-19.35%
Miscellaneous	24,725	55,328	-123.77%
Prior period error	-	9,453	
Transfers	<u>29,154</u>	<u>(2,400)</u>	108.23%
Total general revenue	<u>135,867</u>	<u>146,819</u>	
Change in net position	\$ 84,696	\$ 47,314	
Net Position, June 30, 2012/2011	<u>1,497,683</u>	<u>1,450,369</u>	
Net Position June 30, 2013/2012	<u>\$ 1,582,379</u>	<u>\$ 1,497,683</u>	

City of Geronimo
Management Discussion and Analysis
June 30, 2013

FINANCIAL HIGHLIGHTS (CONT'D)

The reader will note that Governmental Activities – Charges for services balance is significantly higher in 2013 than in 2012. This increase resulted from the addition of manpower to the City's police force during that period and a correlating increase in fine/ticket revenue.

FUTURE PLANS

The City will need to make improvements to the PWA's infrastructure to be able to continue providing consistent service to the City's residence. In an effort to make the needed improvements, the City will pursue grants available from the State of Oklahoma during fiscal year 2014 and 2015.

A plan has also been executed to build a kennel to facilitate better animal control services for the City. The building was put into service in 2013.

CONTACT INFORMATION

For questions and concerns regarding Management's Discussion and Analysis or other sections of this report please contact Kevin Bayman, Mayor, or a member of City Council at City Hall.

Phone number: (580) 353-5511

Mailing address: 100 West Main Street, Geronimo, Oklahoma 73543

802 SW A Avenue
Lawton, Oklahoma 73501
580.353.2376 tel 580.355.7569 fax



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Geronimo, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Geronimo, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. As discussed in Note 1, the City prepares its financial statements on the modified cash basis for governmental activities and the modified accrual basis for the enterprise fund, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (modified cash basis), the business-type activities (modified accrual basis), the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Geronimo, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with bases of accounting described in Note 1.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-3 and 28-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Geronimo, Oklahoma's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Stanfeld & Brim, P.C.

Lawton, Oklahoma
June 30, 2015

City of Geronimo, Oklahoma
Statement of Net Position
(Modified Accrual Basis)
June 30, 2013

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 192,289	\$ 260,116	\$ 452,405
Investments	-	52,452	52,452
Capital Assets	100,000	2,031,804	2,131,804
Accumulated Depreciation	(100,000)	(771,457)	(871,457)
Total Asset	<u>192,289</u>	<u>1,572,915</u>	<u>1,765,204</u>
<u>Liabilities</u>			
Due to Depositors	-	57,166	57,166
Accounts Payable	3,003	-	3,003
Accrued Payroll Liabilities	4,961	4,654	9,615
Note Payable, current portion	-	-	-
Note Payable (less current portion)	-	113,041	113,041
Total Liabilities	<u>7,964</u>	<u>174,861</u>	<u>182,825</u>
<u>Net Position</u>			
Invested in Capital, Net of Related Debt	-	1,147,306	1,147,306
Restricted for debt service	-	-	-
Temporarily restricted for lagoon repairs	-	27,240	27,240
Unrestricted	184,325	223,508	407,833
Total Net Position	<u>184,325</u>	<u>1,398,054</u>	<u>1,582,379</u>
Total Liabilities and Net Position	<u>\$ 192,289</u>	<u>\$ 1,572,915</u>	<u>\$ 1,765,204</u>

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
Statement of Activities
(Modified Accrual Basis)
Year Ended June

<u>Primary Government</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
Governmental Activities:							
General Government	\$ 113,410	\$ 1,564	\$ -	\$ (111,846)	\$ -	\$ (111,846)	
Public Safety	30,018	28,467	25,652	24,101	-	24,101	
Street and Public Works	(196)	-	-	196	-	196	
Culture and Recreation	46,110	32,451	1,914	(11,745)	-	(11,745)	
Total Governmental Activities	\$ 189,342	\$ 62,482	\$ 27,566	(99,294)	-	(99,294)	
Business Type Activities:							
Water Revenue	325,630	241,666	-		(83,964)	(83,964)	
Garbage Revenue	158,338	164,704	-		6,366	6,366	
Sewer Revenue	78,004	159,412	-		81,408	81,408	
Grant Funds - Lagoon	-	-	27,240		27,240		
Equipment Rental and Other Fees	27,077	44,150	-		17,073	17,073	
Total Business Type Activities	589,049	609,932	27,240		48,123	48,123	
Total Primary Government	778,391	672,414	54,806		48,123	(51,171)	
General Revenue							
Taxes:							
				Sales & Use Taxes	49,392	-	49,392
				Franchise Taxes	18,084	-	18,084
				Alcoholic Beverage Tax	3,380	-	3,380
				Mileage Tax	8,389	-	8,389
				Gasoline Tax	2,371	-	2,371
				Investment Income	-	372	372
				Miscellaneous	24,725	-	24,725
				Reimbursements	16,290	15,264	31,554
				Transfers	(2,400)	-	(2,400)
				Total General Revenue	120,231	15,636	135,867
				Change in Net Position	20,937	63,759	84,696
				Net Position, June 2012	163,388	1,334,295	1,497,683
				Net Position, June 2013	\$ 184,325	\$ 1,398,054	\$ 1,582,379

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Balance Sheet
 (Modified Cash Basis)
 Governmental Funds
 June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 82,651	\$ 109,638	\$ 192,289
Investments	-	-	-
Total Assets	\$ 82,651	\$ 109,638	\$ 192,289
<u>Liabilities and Fund Balances</u>			
Note Payable	\$ -	\$ -	\$ -
Accounts Payable	4,961	-	4,961
Payroll Taxes Payable	3,003	-	3,003
Total Liabilities	7,964	-	7,964
Fund Balances			
Unreserved	74,687	109,638	184,325
Total Liability and Fund Balance	\$ 82,651	\$ 109,638	\$ 192,289

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Governmental Funds
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Taxes	\$ 70,856	\$ 10,760	\$ 81,616
Charges for Services	1,804	15,906	17,710
Fines and Forfeitures	19,770	-	19,770
Contributions	-	27,566	27,566
Bull Riding Revenue	-	25,532	25,532
Reimbursement	16,290	-	16,290
Rental Income	24,725	-	24,725
	<hr/>	<hr/>	<hr/>
Total Revenue	\$ 133,445	\$ 79,764	\$ 213,209
<u>Expenditures</u>			
General Government:			
General Government	88,988	-	88,988
Clerk-Treasurer	10,517	-	10,517
Municipal Court	13,905	-	13,905
Public Safety:			
Police	15,376	-	15,376
Fire	-	14,642	14,642
Street and Public Works:			
Streets	-	334	334
Culture and Recreation:			
Bull Riding Expenses	-	29,915	29,915
Nutrition Center	-	6,025	6,025
Parks	-	10,170	10,170
	<hr/>	<hr/>	<hr/>
Total Expenditures	128,786	61,086	189,872
Revenue Over(Under) Expenditures	\$ 4,659	\$ 18,678	\$ 23,337
<u>Other Financing Sources (Uses)</u>			
Transfers In	10,446	9,961	20,407
Transfers Out	(5,400)	(17,407)	(22,807)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 5,046	\$ (7,446)	\$ (2,400)
Net Changes in Fund Balance	9,705	11,232	20,937
Fund Balance, June 30, 2012	64,982	98,406	163,388
	<hr/>	<hr/>	<hr/>
Fund Balance, June 30, 2013	\$ 74,687	\$ 109,638	\$ 184,325

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
Geronimo Public Works Authority
Enterprise Fund
Statement of Net Position
(Modified Accrual Basis)
Year Ended June 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 260,116	
Investments - Money Market	52,452	
Total Current Assets		\$ 312,568

Noncurrent Assets:

Capital Assets	2,031,804	
Accumulated Depreciation	(771,457)	
Total Noncurrent Assets		1,260,347

Total Assets		\$ 1,572,915
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LIABILITIES

Current Liabilities:

Due to Depositors	\$ 57,166	
Accrued Payroll Liabilities	4,654	
Note Payable, current portion	23,628	
Total Current Liabilities		\$ 85,448

Noncurrent Liabilities:

Notes Payable, less current portion	89,413	
Total Noncurrent Liabilities		89,413

NET ASSETS

Invested in Capital Assets, Net of Related Debt, Restricted	1,147,306	
Restricted for debt service	-	
Temporarily restricted for lagoon repairs	27,240	
Unrestricted	223,508	
Total Net Position		1,398,054

Total Net Position and Liabilities		\$ 1,572,915
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Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
Geronimo Public Works Authority
Enterprise Fund
Statement of Revenue, Expenses, and Change in Fund Net Assets
(Modified Accrual Basis)
Year Ended June 30, 2013

Operating Revenue

Water Revenue	\$ 241,666	
Garbage Revenue	164,704	
Sewer Revenue	159,412	
Grant Revenue	27,240	
Reimbursements	15,264	
Equipment Rental and Other Fees	44,150	
Total Operating Revenue	\$ 652,436	

Operating Expense

Water Purchased	169,877	
Personnel Services	146,183	
Garbage Expense	53,906	
Deprecation	59,938	
Operating Expense	62,491	
Building Rent	24,000	
Legal Expenses	5,002	
Equipment & Maintenance	20,155	
Utilities	15,856	
Insurance	9,011	
Office Expense	6,646	
Other Expenses	12,314	
Total Operating Expense	585,379	

Net Operating Income (Loss) 67,057

Nonoperating Revenue (Expense)

Interest Income	372	
Interest Expense	(3,670)	
Net Nonoperating Revenue (Expense)	(3,298)	

Net Revenue (Loss) 63,759

Total Net Position, June 30, 2012 1,334,295

Total Net Position, June 30, 2013 \$ 1,398,054

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
Geronimo Public Works Authority
Statement of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
(Modified Accrual Basis)
Year Ended June 30, 2013

Cash flows from operating activities:

Cash received from customers	\$ 629,476	
Cash received from grantors	27,240	
Cash payments to suppliers	(380,633)	
Cash payments to employees	<u>(141,529)</u>	
Net cash provided by operating activities		\$ 134,554

Cash flows from capital and related financing activities

Purchases of capital assets	(25,342)	
Principal paid on capital debt	(22,828)	
Interest paid on capital debt	<u>(3,670)</u>	
Capital and Related Financing Activities		(51,840)

Cash flows from investing activities

Interest income	<u>372</u>	
Net Cash Provided (Used) by Investing Activities		<u>372</u>

Net Increase (Decrease) in Cash and Cash Equivalents 83,086

Cash and Cash Equivalents, June 30, 2012 177,030

Cash and Cash Equivalents, June 30, 2013 \$ 260,116

Reconciliation of operating income to net cash provided by operating activities

Operating Income		\$ 67,057
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		59,938
Increase (decrease) in:		
Due to depositors		4,280
Accounts payable		(1,375)
Accrued payroll liabilities		<u>4,654</u>
Net cash provided by operating activities		<u><u>\$ 134,554</u></u>

Please see accompanying notes to the financial statements.

Note 1 – Summary of Significant Accounting Policies

Basis of Accounting

City of Geronimo (the City) uses the modified cash basis of accounting for its governmental funds for preparing its financial statements. Generally accepted accounting principles would require the City to use the accrual basis of accounting and to report its assets and infrastructures in its financial statements. The City has elected not to follow the generally accepted accounting principles and to continue using the modified cash basis of accounting.

Basis of accounting refers to the time when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The accounting records of the Enterprise Funds are kept on a modified accrual basis of accounting, under which customer revenues are recorded when measurable and billable, other revenue are recorded when received, and expenses are recorded when the liability is incurred. Uncollectible accounts receivable are charged a to provision for bad debts at the time the accounts are estimated to be uncollectible, based upon an age analysis of the accounts.

If the books of the governmental fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenue would be recorded when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current fund liability is incurred. If the books of the proprietary fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recognized when earned and expenses would be recorded when the liability is incurred.

The modified cash basis of accounting is an acceptable method of accounting under the budgetary laws of the State of Oklahoma.

Reporting Entity

For financial reporting purposes the City includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent of the City's executive or legislative branches; their presentation is rendered in accordance with GASB No. 61. Control by or dependence on the City was determined on the basis of oversight responsibility, scope of public services, and special financing relationships. Oversight responsibility includes financial dependency, selections of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based on an overall evaluation of the foregoing criteria, the Geronimo Public Works Authority (the Authority) is included in the City's annual report. The Authority is a public trust created under Title 90 of the Oklahoma Statutes. The City is sole beneficiary of the trust which was organized to provide utility services to the residents of the City. The Authority is accounted for as the City's Enterprise Fund in these financial statements.

The Authority is empowered to lease, acquire or construct the properties necessary to provide and maintain these services. It is also empowered to obtain funds for these purposes and in doing so, to incur indebtedness whether unsecured or secured by all or any part of the Trust Estate and its revenues. The Authority is also permitted to transfer monies to the City for the use of the City. The members of City Council act as Trustees of the Authority.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Accounting

The accounts of the City are organized on a basis of funds and account groups, each of which is considered to be a separate accounting entity, accordance with GASB No. 54. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements and are classified as governmental, proprietary and fiduciary fund types. The following types are used by the City.

1. Governmental Fund Types

a. General Fund

The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general operating revenues not restricted as to use are recorded in the General Fund.

b. Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally or administratively restricted to expenditures for specific purposes.

The City's current Special Revenue Funds include:

- Street and Alley Fund
- Rural Fire Service Fund
- Capital Improvements
- Nutrition Center Fund
- Park and Recreation Fund
- In City Fire Service Fund
- Bull Riding Fund

2. Proprietary Fund Types

a. Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The Geronimo Public Works Authority is accounted for as the City's Enterprise Fund.

Financial Statement Amounts

Cash and Cash Equivalents – The City and the Authority considers all cash in hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Investments – Investments consist of certificate of deposits maturing beyond three months and direct obligations of the United States government and agencies. Investments are stated at cost, which approximates market value.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets – Capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital asset which are recorded at their estimated fair value at the dated of donation.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenue, Expenses, and Changes in Fund Balance, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than buildings	10-13 years
Machinery and equipment	5-10 years
Vehicles	4-6 years
Infrastructure	25-40 years

Restricted Assets – Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits and trustee accounts restricted for debt service and construction purposes.

Due to Depositor – Represents the fund received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the services.

Long-Term Debt – Long-term debt arising from cash transactions to be repaid from business-type resources are reported as liabilities in the Statement of Net Assets.

Compensated Absences – As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end), are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has not been tracked by the Authority.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications – In the proprietary fund financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets – consists of net assets with constraints placed on the use by either 1) external groups such as creditor, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provision or enabling legislation.

Temporarily restricted net assets for a purpose – consists of net assets with constraints placed on the use by the grantor for a specific purpose. The City’s temporarily restricted net assets are funds granted to the PWA for use in the development of plans for and improvements to the City’s lagoon system.

Unrestricted net asset – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first use restricted net assets prior to the use of unrestricted net assets when both restricted and unrestricted assets are available.

Operating Revenue and Expenses

The Authority’s proprietary fund distinguishes between operating and non-operating revenue and expenses. Operating revenue and expenses consist of changes for services and the cost of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as non-operating.

Use of Estimates

The preparation of financial statement in conformity with a comprehensive basis of accounting used to the Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Fixed Assets

Prior year expenditures for property and equipment of governmental fund types were recorded as fund expenditures; however, no detail fixed asset records were maintained for such assets still in service.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2013

Note 2 – Fixed Assets (Continued)

Beginning in the year 2004/2005, in accordance with Governmental Account Standards Board Statement No. 34, the City reports assets resulting from cash transactions and reports depreciation where appropriate.

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>
Balance, July 1, 2012	\$ 100,000	\$ 100,000
Additions	-	-
Total	100,000	100,000
Disposal	-	-
Balance, June 30, 2013	\$ 100,000	\$ 100,000

Depreciation rates for the City were applied as follows:

Buildings and Streets	2.50% - 5.00%
Equipment	10.0% - 20.0%

Certain fixed assets acquired by the Enterprise Fund have been capitalized as property equipment within the Fund, and contain a provision for depreciation expense. Depreciation has been provided over the estimated useful lives using the straight-line method.

Depreciation rates for the Authority were applied as follows:

Machinery and Equipment	14.0% - 25.0%
-------------------------	---------------

Depreciation for the current year was \$59,938, which was charged to current operations.

The City and Authority have adopted a capitalization policy of recording only items costing \$1,500 or more per unit for depreciation purposes.

Changes in fixed assets of the Enterprises Fund during the year ended June 30, 2013 were as follows:

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>
Balance, July 1, 2012	\$ 2,006,462	\$ 711,519
Additions	25,342	59,938
Total	2,031,804	771,457
Disposals	-	-
Balance, June 30, 2013	\$ 2,031,804	\$ 771,457

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2013

Note 3 – Deposits, Investments and Collateral

- A. Oklahoma statutes generally provide for investment of excess funds in the following:
1. Direct obligation of the United States Government
 2. Certificates of deposit of saving and loan associations, banks and trust companies when the certificates of deposit are secured by acceptable collateral.
 3. Savings accounts or savings certificates of saving and loan associations, banks, and trust companies, to the extent that the accounts or certificates are fully insured by the Federal Government.
 4. Negotiable certificates of deposits, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized in investments specified in paragraphs 1 through 3 above.
- B. Public trusts, such as the Geronimo Public Works Authority, may invest funds as directed by the trustees. The limitations noted above do not apply.
- C. The Oklahoma statues generally provide that collateral to secure deposits of public funds must be:
1. U.S. Treasury bonds, notes or certificates.
 2. State of Oklahoma bonds, notes or certificates.
 3. Bonds issued by any county in Oklahoma.
 4. Bonds issued by any school district or board of education in Oklahoma.
 5. Bonds issued by any city or town where an ad valorem tax levy is pledge to the payment
 6. A surety bond.

Note 4 – Cash and Cash Equivalent

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) to be cash equivalents.

Certificates of deposit and other time deposits with a maturity or availability date of 90 days or less are considered cash equivalents.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2013

Note 4 – Cash and Cash Equivalent (Continued)

Cash and Cash Equivalents as of June 30, 2013 are as follows:

Geronimo Public Works Authority - Checking	\$ 232,876
Geronimo Public Works Authority Grant Funds - Checking	27,240
General Fund - Checking	82,651
Rural Fire Service Fund - Checking	43,114
In Town Fire Service Fund - Checking	52,742
Parks and Recreation Fund - Checking	3,135
Bond Fund - Checking	6,060
Street and Alley Fund - Checking	9,288
Nutrition Center Fund - Checking	5,392
Capital Improvement Fund - Checking	1,649
Bull Riding Fund - Checking	<u>(11,742)</u>
Total	<u>\$ 452,405</u>

Note 5 – Investments

Investments are stated at cost which approximates market. During the year the Authority had investments held by the trustee bank as related to the requirement of their Oklahoma Water Resources Board (see Note 10) note and the restrictions of the amounts due to depositors in relation to the utility deposits.

Note 6 – Inventories

The City records materials and supplies inventory as expenditures at the time the inventory is purchased and at year-end such inventories are not considered material in amount. Therefore, no inventory balances for materials and supplies not yet consumed are reported in the basic financial statements.

Note 7 – Budgetary Accounting and Control

The City's budgetary accounting and control procedures are discussed in the notes to supplementary information.

Note 8 – FDIC Coverage

The City of Geronimo maintains its two bank accounts at IBC Bank, which has FDIC insurance coverage up to \$250,000 per depositor. At June 30, 2013, the City had deposited funds in IBC totaling \$561,989, which was in excess of FDIC insurance coverage in the amount of \$311,989. The City maintains no other securities or agreements to cover its deposits.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2013

Note 9 – Employee Pension Plan

The City and Public Works Authority provides no pension plans for its employees.

Note 10 – General Long-Term Debt

The Authority was liable under a long-term loan agreement with Oklahoma Water Resources Board.

The balance under the original contract was \$395,000 dated September 10, 2007. It was secured by revenues derived from the operation of the system and a mortgage with a variable rate, currently 3.43%. It is due to mature in September 2017. Its current balance is \$113,047.

Changes in long-term debt during the year were as follows:

Balance as of 6/30/12	\$ 135,869
Principal Payments	<u>(22,828)</u>
Balance as of 6/30/13	<u><u>\$ 113,041</u></u>

<u>Year Ending</u>	<u>Principal Due</u>
2014	23,628
2015	25,089
2016	25,956
2017	<u>38,368</u>
	<u><u>\$ 113,041</u></u>

Note 11 – Insurance and Bond Coverage of Contingencies

The City and its trusts are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City and the Authority carry the following insurance coverage as protection against possible loss contingencies:

- Worker Compensation and Employer Liability
- Comprehensive General & Auto Liability
- Building and Contents Property Damage
- Automobile Physical Damage
- Equipment Physical Damage
- Fire Equipment Liability and Physical Damage
- Fire Vehicle Liability
- Public Official Position Bonds

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2013

Note 12 – Commitments and Contingencies

Grant Programs – In the normal course of operations, the Public Works Authority participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the Public Work Authority expects such amounts, if any, to be immaterial. During the year ended June 30, 2013, the Public Works Authority received \$27,240 in Federal grant funds.

Litigation – The City of Geronimo and its public trust is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statement does not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an advalorem tax over a three-year period by a City Sinking Fund for the payment of any court-assessed judgment rendered against the City. While the outcome of the above noted proceeding cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that a settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Compensated Absences – According to the City and its public trust personnel policies, employees are granted vacation, sick leave, and compensated absences in varying amounts, however, no accumulative of this liability has been maintained by the City or the Public Works Authority.

Note 13 – Subsequent Events

Subsequent events were evaluated through June 30, 2015, which is the date the financial statements were issued. During the review for subsequent events, an event occurring during the year ended June 30, 2015 was identified which appeared to indicate incomplete accounting for revenue and expenses in a specific fund. We investigated the event and determined that similar events did not occur prior to the year ended June 30, 2014 and individuals involved did not have control of funds during the year ended June 30, 2013. As a result, we deemed the event to have no material impact on these financial statements.

Supplementary Information

City of Geronimo, Oklahoma
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Year Ended June 30, 2013

	Original/Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Taxes	\$ 66,700	\$ 70,856	\$ (4,156)
Fines	16,525	19,770	(3,245)
Building Rental Revenue	24,000	24,725	(725)
Permits	6,423	8,550	(2,127)
Reimbursements	-	16,290	(16,290)
Interest Earned	185	-	185
Fees	112	173	(61)
	113,945	140,364	(26,419)
<u>Expenditures</u>			
Town Clerk-Treasurer:			
Personal Services	9,277	10,517	(1,240)
Other Services and Charges	-	-	-
Total	9,277	10,517	(1,240)
Municipal Court:			
Personal Services	13,700	13,905	(205)
Other Services and Charges	-	-	-
Total	13,700	13,905	(205)
Police Department:			
Personal Services	2,250	2,180	70
Materials and Supplies	17,400	11,661	5,739
Repairs and Maintenance	1,600	1,535	65
Capital Outlay	-	-	-
Total	\$ 21,250	\$ 15,376	\$ 5,874
Total expenditures to p. 26	44,227	39,798	4,429

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 General Fund
 Statement of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Year Ended June 30, 2013

	Original / Final Budget	Actual	(Over) Under Budget
<u>Expenditures (Continued)</u>			
Expenditures from p. 25	\$ 44,227	\$ 39,798	\$ 4,429
General Government:			
Other Services and Charges	82,980	55,855	27,125
Personal Services	7,400	3,997	3,403
Material and Supplies	14,000	22,744	(8,744)
Repairs and Maintenance	13,000	6,196	6,804
Capital Outlay	-	-	-
Total	117,380	88,792	28,588
Total Expenditures	161,607	128,590	33,017
<u>Revenue Over/(Under) Expenditures</u>	(47,662)	11,774	(59,436)
<u>Other Financing Sources (Uses)</u>			
Transfer Out	(9,000)	(5,400)	(3,600)
Transfer In	-	3,331	(3,331)
Total Other Financing Sources (Uses)	(9,000)	(2,069)	(6,931)
<u>Revenue and Other Sources Over (Under) Expenditures and Other Uses</u>	(56,662)	9,705	(66,367)
<u>Fund Balance, June 30, 2012</u>	64,982	64,982	0
<u>Fund Balance, June 30, 2013</u>	\$ 8,320	\$ 74,687	\$ (66,367)

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
Notes to Required Supplemental Information
Year Ended June 30, 2013

Note 1 – Notes to Required Supplemental Information

The City's annual operating budget represents appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The City operates under the guidelines of the "Municipal Budget Act" which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is in the expenditure category. The expenditure required by the applicable state statutes are:

1. Personal Services
2. Materials and Supplies
3. Repairs and Maintenance
4. Other Services and Charges
5. Capital Outlay

It is the City's Policy that all appropriations lapse at the end of the fiscal year.

The City prepares an annual operating budget for its General Fund and Special Revenue Funds. The operating budget of the grants cover the period designated in the grant documents. The City prepares its annual operating budget on the modified cash basis of accounting, the same basis used to account for actual revenues and expenditures.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Balance Sheet
 (Modified Cash Basis)
 June 30, 2013

	<u>Rural Fire Service Fund</u>	<u>Street & Alley Fund</u>	<u>Capital Improvement Fund</u>	<u>Nutrition Center Fund</u>	<u>Parks & Rec Fund</u>	<u>In Town Fire Dept. Fund</u>	<u>Bull Riding Fund</u>	<u>Bond Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>									
Cash In Bank	43,114	9,288	1,649	5,392	3,135	52,742	(11,742)	6,060	109,638
Total Assets	<u>\$ 43,114</u>	<u>\$ 9,288</u>	<u>\$ 1,649</u>	<u>\$ 5,392</u>	<u>\$ 3,135</u>	<u>\$ 52,742</u>	<u>\$ (11,742)</u>	<u>\$ 6,060</u>	<u>\$ 109,638</u>
<u>Liabilities</u>	-	-	-	-	-	-	-	-	-
<u>Fund Equity</u>									
Fund Balance:									
Unreserved	43,114	9,288	1,649	5,392	3,135	52,742	(11,742)	6,060	109,638
Total Liabilities and Fund Equity	<u>\$ 43,114</u>	<u>\$ 9,288</u>	<u>\$ 1,649</u>	<u>\$ 5,392</u>	<u>\$ 3,135</u>	<u>\$ 52,742</u>	<u>\$ (11,742)</u>	<u>\$ 6,060</u>	<u>\$ 109,638</u>

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Year Ended June 30, 2013

	Rural Fire Service Fund	Street & Alley Fund	Capital Improvement Fund	Nutrition Center Fund	Parks & Rec Fund	In Town Fire Dept. Fund	Bull Riding Fund	Bond Fund	Total Nonmajor Governmental Funds
Revenue									
Fire Department Revenue	\$ 3,650	\$ -	\$ -	\$ -	\$ -	\$ 4,807	\$ -	\$ -	\$ 8,457
Donation Revenue	10,611	-	-	-	1,914	15,041	-	-	27,566
Gasoline Tax	-	10,760	-	-	-	-	-	-	10,760
Bull Riding Revenue	-	-	-	-	-	-	25,532	-	25,532
Miscellaneous Revenue	-	530	-	4,719	2,200	-	-	-	7,449
Transfers In	-	-	-	3,000	2	6,959	-	-	9,961
Total Revenue	14,261	11,290	-	7,719	4,116	26,807	25,532	-	89,725
Expenditures									
Materials and Supplies	6,573	-	-	6,025	10,170	8,069	29,915	-	60,752
Personal Services	-	334	-	-	-	-	-	-	334
Capital Outlay	-	-	-	-	-	-	-	-	-
Transfer Out	999	9,149	-	-	-	-	7,259	-	17,407
Total Expenditures	7,572	9,483	-	6,025	10,170	8,069	37,174	-	78,493
<u>Revenue Over (Under) Expenditures</u>	6,689	1,807	-	1,694	(6,054)	18,738	(11,642)	-	11,232
<u>Fund Balance, June 30, 2012</u>	36,425	7,481	1,649	3,698	9,189	34,004	(100)	6,060	98,406
<u>Fund Balance, June 30, 2013</u>	\$ 43,114	\$ 9,288	\$ 1,649	\$ 5,392	\$ 3,135	\$ 52,742	\$ (11,742)	\$ 6,060	\$ 109,638

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	Rural Fire Service Fund		
	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Contributions and Fund Raising	\$ 16,000	\$ 10,611	\$ 5,389
Fire Department Revenue	<u>2,990</u>	<u>3,650</u>	<u>(660)</u>
Total Revenue	18,990	14,261	4,729
<u>Expenditures</u>			
Materials and Supplies	30,382	6,573	23,809
Personnel Services	1,500	-	1,500
Transfer Out	<u>-</u>	<u>999</u>	<u>(999)</u>
Total Expenditures	31,882	7,572	24,310
<u>Revenue Over (Under) Expenditures</u>	(12,892)	6,689	(19,581)
<u>Fund Balance, June 30, 2012</u>	<u>36,425</u>	<u>36,425</u>	<u>-</u>
<u>Fund Balance, June 30, 2013</u>	<u><u>\$ 23,533</u></u>	<u><u>\$ 43,114</u></u>	<u><u>\$ (19,581)</u></u>

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	Street and Alley Fund		
	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Gasoline Tax	\$ 9,056	\$ 10,760	\$ (1,704)
Miscellaneous Revenue	765	530	235
Transfers In	-	-	-
Total Revenue	9,821	11,290	(1,469)
<u>Expenditures</u>			
Materials and Supplies	25,798	-	25,798
Personnel Services	-	334	(334)
Transfer Out	-	9,149	(9,149)
Total Expenditures	25,798	9,483	16,315
<u>Revenue Over (Under) Expenditures</u>	(15,977)	1,807	(17,784)
<u>Fund Balance, June 30, 2012</u>	7,481	7,481	-
<u>Fund Balance, June 30, 2013</u>	\$ (8,496)	\$ 9,288	\$ (17,784)

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	Capital Improvement Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Transfers In	\$ 3,190	\$ -	\$ 3,190
Total Revenue	3,190	-	3,190
<u>Expenditures</u>			
Capital Outlay	3,485	-	3,485
Transfer Out	-	-	-
Total Expenditures	3,485	-	3,485
<u>Revenue Over (Under) Expenditures</u>	(295)	-	(295)
<u>Fund Balance, June 30, 2012</u>	1,649	1,649	-
<u>Fund Balance, June 30, 2013</u>	\$ 1,354	\$ 1,649	\$ (295)

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	Nutrition Center Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Miscellaneous Revenue	\$ 2,850	\$ 4,719	\$ (1,869)
Transfers In	2,700	3,000	(300)
Total Revenue	5,550	7,719	(2,169)
<u>Expenditures</u>			
Supplies	7,357	6,025	1,332
Transfer Out	-	-	-
Total Expenditures	7,357	6,025	1,332
<u>Revenue Over (Under) Expenditures</u>	(1,807)	1,694	(3,501)
<u>Fund Balance, June 30, 2012</u>	3,698	3,698	-
<u>Fund Balance, June 30, 2013</u>	\$ 1,891	\$ 5,392	\$ (3,501)

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	Parks and Recreation Fund		
	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Donations	\$ 3,500	\$ 1,914	\$ 1,586
Other	3,100	2,200	900
Transfers In	-	2	(2)
Total Revenue	<u>6,600</u>	<u>4,116</u>	<u>2,484</u>
<u>Expenditures</u>			
Materials and Supplies	9,633	10,170	(537)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>9,633</u>	<u>10,170</u>	<u>(537)</u>
<u>Revenue Over (Under) Expenditure</u>	(3,033)	(6,054)	3,021
<u>Fund Balance, June 30, 2012</u>	<u>9,189</u>	<u>9,189</u>	<u>-</u>
<u>Fund Balance, June 30, 2013</u>	<u>\$ 6,156</u>	<u>\$ 3,135</u>	<u>\$ 3,021</u>

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	In Town Fire Dept. Fund		
	<u>Original / Final Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
Revenue			
Contributions and Fund Raising	\$ 10,170	\$ 15,041	\$ (4,871)
Fire Department Revenue	2,790	4,807	(2,017)
Transfers In	-	6,959	(6,959)
Total Revenue	<u>12,960</u>	<u>26,807</u>	<u>(13,847)</u>
Expenditures			
Material and Supplies	13,746	8,069	5,677
Personnel Services	500	-	500
Total Expenditures	<u>14,246</u>	<u>8,069</u>	<u>6,177</u>
<u>Revenue Over (Under) Expenditures</u>	(1,286)	18,738	(20,024)
<u>Fund Balance, June 30, 2012</u>	<u>34,004</u>	<u>34,004</u>	<u>-</u>
<u>Fund Balance, June 30, 2013</u>	<u>\$ 32,718</u>	<u>\$ 52,742</u>	<u>\$ (20,024)</u>

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	Bull Riding Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Miscellaneous Revenue	\$ 22,815	\$ 25,532	\$ (2,717)
Transfers In	-	-	-
Total Revenue	22,815	25,532	(2,717)
<u>Expenditures</u>			
Supplies	30,000	29,915	85
Personal Services	-	-	-
Transfer Out	-	7,259	(7,259)
Total Expenditures	30,000	37,174	(7,174)
<u>Revenue Over (Under) Expenditures</u>	(7,185)	(11,642)	4,457
<u>Fund Balance, June 30, 2012</u>	(100)	(100)	-
<u>Fund Balance, June 30, 2013</u>	\$ (7,285)	\$ (11,742)	\$ 4,457

Please see accompanying notes to the financial statements.

City of Geronimo, Oklahoma
 Nonmajor Governmental Funds
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 (Modified Cash Basis)
 Budget and Actual
 Year Ended June 30, 2013

	Bond Fund		
	Original / Final Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Donations	\$ -	\$ -	\$ -
Transfers In	-	-	-
Total Revenue	-	-	-
<u>Expenditures</u>			
Materials and Supplies	-	-	-
Miscellaneous Expense	-	-	-
Total Expenditures	-	-	-
<u>Revenue Over (Under) Expenditures</u>	-	-	-
<u>Fund Balance, June 30, 2012</u>	6,060	6,060	-
<u>Fund Balance, June 30, 2013</u>	\$ 6,060	\$ 6,060	\$ -

Please see accompanying notes to the financial statements.



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

To the City Council
City of Geronimo, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Geronimo, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Geronimo, Oklahoma's basic financial statements and have issued our report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (Finding 2012-01, 2012-02, 2012-05, 2013-01, and 2013-02).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Geronimo, Oklahoma's financial statements are free from 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 required to be reported under *Government Auditing Standards* and which are described in the

accompanying schedule of findings and questioned costs as items. No compliance issues were identified.

City of Geronimo, Oklahoma's Response to Findings

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

Purpose of this Report

The purpose of this report is 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.

Stanfield & Brim, P.C.

Lawton, Oklahoma
June 30, 2015

City of Geronimo

Schedule of Findings and Questioned Costs

For the year ended June 30, 2013

No questioned costs were identified during the course of the audit.

The following findings were identified during the audit for the year ended June 30, 2012 and remained unresolved in 2013:

Finding 2012-01 – Bank accounts not reconciled timely

Condition: The City and PWA cash accounts are not reconciled and balanced with the monthly bank statements.

Effect: There is a high risk of material misstatement in revenue and expense for the years not reconciled timely.

Cause: Staff members were not appropriately trained in the bank reconciliation process. They believed that they were doing reconciliations but did not understand the worksheet being used, and as a result, did not perform adequate reconciliation.

Criteria: Timely and accurate financial statements based on reconciled account balances are critical to managing operations and communicating financial position and results to interested parties.

Recommendation: We recommend that the City/PWA utilize a third party accountant to handle monthly bookkeeping and reconciliation responsibilities.

Management response: The City hired an outside accountant to prepare financial statements and reconcile bank statements on a monthly basis, beginning in fiscal 2014. The City will implement a training plan to ensure that staff records all transactions properly.

Finding 2012-02 – Period closing in accounting software

Condition: City employees are unable to retrieve prior year financial data for auditing, reporting, and review purposes once a period has been closed in the accounting software. The period under audit and the subsequent year were both closed prior to the start of the audit and all necessary reports were not generated prior to closing.

Effect: The auditor did not have all necessary reports to complete the audit, so much of the information needed had to be compiled by hand from a review of the month-by-month printouts. Additionally, audit adjustments cannot be made to the system once the audit is complete and adjustments have been approved, so the data in the accounting system will not align with the audited financials.

Cause: The author of the software made the City Clerk and Treasurer believe that it was necessary to close out each year as soon as all transactions were entered. The guidance provided by the author was inappropriate and incorrect considering the annual audit was not completed.

Criteria: The inability to produce records for reports and auditing increases the risk of material misstatement in the financials and does not allow the Council to adequately manage operations and communicate the City's financial position to interested parties.

Recommendation: Establish year-end procedures that ensure all necessary reports are printed from the system at year end and refrain from closing the year until the audit report for that year is issued.

Management response: Due to improper understanding of software and lack of training from the software engineer the City has purchased new software to ensure all financial data is retrievable. The City will establish year end procedures for all reports to ensure proper data collection. The City will allot training time for all data entry personnel to help ensure correct data entry and year end procedures.

City of Geronimo

Schedule of Findings and Questioned Costs

For the year ended June 30, 2013

2012 Findings (continued)

Finding 2012-03 – Investment of funds

Condition: The City does not have an investment policy. Currently, temporarily restricted funds are held in a money market account with very little potential of financial return on the investment.

Effect: The City may be receiving an unnecessarily low return on the temporarily restricted funds.

Cause: The City Council has not drafted an investment policy and has not determined investment goals for the City.

Criteria: The City is required to maintain liquidity sufficient to allow the PWA to disburse deposits made to the PWA within one year of account closing by State law. In general, the PWA keeps enough liquid cash in the cash account to cover this requirement, so it is not necessary to keep the temporarily restricted funds in a money market account.

Recommendation: Draft and approve an investment policy based on the City's investment goals, to be reviewed annually. Consider the cash needs of the City and PWA over the coming year to ensure State requirements can still be met.

Management response: The City will draft and approve investment policy by ordinance or resolution with the aid of the accounting firm to ensure all investments are conducted under proper regulatory guidance and in the best interests of the City. The City will review investment goals and these goals will be reviewed on an annual basis for the future.

Finding 2012-04 – Employee record retention

Condition: Employee files did not contain adequate documentation to determine pay rate, federal income withholding, or federal status for employment (Form I-9).

Effect: Potential liabilities with the IRS or other regulatory agencies could arise regarding improper withholding from employees' wages and employing individuals without employment status.

Cause: Responsibility for establishment and maintenance of employee files has not been specifically designated and there is no standard operating procedure in place for in-processing new employees.

Criteria: Employers should maintain adequate records to support reconstruction of payroll amounts for at least seven years. Adequate records consist of information supporting approved pay rate, exempt versus non-exempt employment, legal employment status in the United States, approved changes in pay, and authorization for bonuses (if applicable).

Recommendation: Assign the responsibility of maintaining employee records to a position in the City office. Draft a checklist of items that must be included in the file and periodically review files for completeness.

Management response: The City will make appropriate changes in record keeping, to include electronic backup of all files. The City will develop an accurate checklist of all files that must be maintained for the purposes of record keeping and ensure the proper filing system is in place.

City of Geronimo

Schedule of Findings and Questioned Costs

For the year ended June 30, 2013

Finding 2012-05 – Time card approval

Condition: Timecards were not reviewed and signed by a supervisor or council member.

Effect: Employees may have been over or underpaid based on the information entered but not reviewed on timecards.

Cause: The City does not have an established procedure for the approval of timecards.

Criteria: The members of Council and individuals assigned to supervisory roles have a fiduciary responsibility to the City to ensure that employees are paid correctly and that only proper expenses are paid by the City.

Recommendation: Establish a procedure that ensures timecards are reviewed prior to payment by either a supervisor or Council member. The individual approving the timecard should have direct knowledge of the individual employee's work schedule and work load. Additionally, the approver should (at least periodically) physically see that the employee is at work during the time entered on the time card.

Management response: The City will establish procedures to ensure time card review by supervisors. Time cards will be reviewed on a bi-weekly basis prior to payment to employees, this review will be conducted by at least one member of the City council the Mayor or the Mayors appointed representative.

During the audit for the year ended June 30, 2013, we identified the following additional findings:

Finding 2013-01 – Accounting for fixed assets

Condition: An accurate accounting of fixed assets added and disposed of during fiscal 2013 was not available.

Effect: The City did not have accountability of various property purchased during the year and was missing some items that were identified in our search for unrecorded fixed assets.

Cause: The City does not have an established procedure for tracking the purchase and disposal of fixed assets.

Criteria: The members of Council and City employees have a fiduciary responsibility to ensure that the City's assets are properly accounted for and adequately protected. Additionally, they are responsible to ensure that all purchases of fixed assets are appropriate and approved by the Council.

Recommendation: Establish a procedure that ensures that values and purchase dates of fixed assets are accurately captured, either through the fixed assets module available in the City's accounting software or by maintaining a spreadsheet for tracking.

Management response: The City will establish procedures to ensure purchases and disposals of fixed assets are accurately captured and that the data is maintained throughout the year. An assigned member of Council will review the list of fixed assets every six months.

City of Geronimo
Schedule of Findings and Questioned Costs
For the year ended June 30, 2013

2013 Findings (continued):

Finding 2013-02 – Support for expenditures/Approval of purchases

Condition: Appropriate and complete documentation was not readily available for all expenses incurred by the City during fiscal 2013.

Effect: The City did not have appropriate and accurate records to support all expenditures during 2013, opening up the employees of the City and members of the Council to potential liability and overspending of City resources.

Cause: The City does not have adequate processes and procedures to ensure that all purchase orders are sufficiently reviewed and approved prior to a purchase to determine the availability of funds, invoices received are not reconciled against the purchase orders, and payments made are not reconciled to the vendor invoice.

Criteria: The members of Council and City employees have a fiduciary responsibility to ensure that the City's funds are spent in accordance with the approved budget, considering the availability of funds prior to purchase. Furthermore, the Council has a duty to obtain a sufficient understanding of the purchasing process and the necessity of expenditures before approving payment.

Recommendation: Establish processes and procedures that require authorization (obligation) of funds prior to purchase by utilizing purchase orders which detail 1) the purpose of the purchase/what is to be purchased, 2) the quantity to be purchased, 3) the authorized dollar amount of the purchase and line of accounting that will be charged, 4) the individual authorized to purchase and 5) the individual authorizing the purchase. Copies of the purchase orders should be kept in a file for periodic review and stale purchase orders should be revoked and destroyed. Further, the City should establish processes and procedures which ensure that invoices received from vendors are reviewed within 3 days and traced to the related purchase order to identify any discrepancies. Prior to approving payment (signing a check), check signers should review and initial the related purchase order and invoice, then attach the check stub to the purchase order and invoice for filing.

Management response: The City will establish policies and procedures to ensure that appropriate funds are available prior to making purchases and to ensure purchases are properly reviewed and approved for payment.