

**City of Oilton**  
Oilton, Oklahoma

Audit Report  
Year Ended June 30, 2014

**City of Oilton  
Oilton, Oklahoma**

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**Independent Auditor's Report**

The Board of City Commissioners  
City of Oilton  
PO Box 400  
Oilton, Oklahoma 74052

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Oilton, State of Oklahoma, as of and for the year ended June 30, 2014, 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.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* as issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Basis for Qualified Opinion**

As discussed in Note 1 to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles general accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. Also, the City has elected not to

report depreciation on these capital assets. The amount by which this departure would affect the assets, net assets, and expenses of the governmental and business-type Activities is not readily determinable.

### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the City of Oilton, State of Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental and the aggregate remaining governmental fund information of the City of Oilton, State of Oklahoma, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 28 and the notes on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The City has omitted Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although no a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

*Other Information*

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

The schedule of expenditures of federal awards is the responsibility of management and was 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 my opinion, the schedule of expenditures of federal awards is 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*, I have also issued my reported dated, April 8, 2015 on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and 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.

*Linda S. Woodruff, CPA, P.C.*

Linda S Woodruff CPA, PC  
Oklahoma City, Oklahoma City

**City of Oilton**  
Oilton, Oklahoma

Basic Financial Statements  
for the year ended June 30, 2014

**City of Oilton**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 334,988	\$ 1,104,291	\$ 1,439,279
Investments	261,249	99,677	360,926
Receivables	82,909	52,614	135,523
Inventories	-	-	-
Prepaid Expenses	6,111	-	6,111
<b>Capital Assets</b>			
Land and improvements not being depreciated	180,446	1,998	182,444
Infrastructure and infrastructure in progress	-	3,119,595	3,119,595
Buildings	-	106,728	106,728
Equipment and Furniture	1,008,675	160,555	1,169,230
Other Capital Assets	-	-	-
Less: Accumulated Depreciation	<u>(595,883)</u>	<u>(1,199,692)</u>	<u>(1,795,575)</u>
Total Capital Assets (net of depreciation)	<u>593,238</u>	<u>2,189,184</u>	<u>2,782,422</u>
Total Assets	<u><u>1,278,495</u></u>	<u><u>3,445,766</u></u>	<u><u>4,724,261</u></u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	23,254	49,471	72,725
Due to Oilton Schools	14,931	-	14,931
Deferred Revenues	-	-	-
<b>Long-term liabilities</b>			
Due within one year			
Compensated absences	2,279	2,482	4,761
Due in more than one year			
Bonds, capital leases and contracts	-	2,020,794	2,020,794
Accrued interest	-	-	-
Compensated absences	-	-	-
Claims and judgments	-	-	-
Total liabilities	<u>40,464</u>	<u>2,072,747</u>	<u>2,113,211</u>
<b>NET POSITION</b>			
Prior Period Adjustments	1,160	-	1,160
Invested in capital assets, net of related debt	593,238	2,189,184	2,782,422
<b>Restricted for:</b>			
Roads	103,461	-	103,461
Cemetery Perpetual Care	67,021	-	67,021
Meter Reserve	-	42,651	42,651
Unrestricted	<u>475,471</u>	<u>(858,816)</u>	<u>(383,345)</u>
Total net position	<u><u>\$ 1,239,191</u></u>	<u><u>\$ 1,373,019</u></u>	<u><u>\$ 2,612,210</u></u>

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Statement of Net Activities and Changes in Net Position**  
**Year Ended June 30, 2014**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary government</b>						
Governmental Activities			Capital Grants and Contributions			
General Government	\$ 161,761	\$ 19,240	\$ -	\$ (142,521)	\$ -	\$ (142,521)
Public Safety	273,822	51,744	4,474	(217,604)	-	(217,604)
Health, Welfare and Sanitation	10,414	9,925	-	(489)	-	(489)
Culture and Recreation	1,802	800	-	(1,002)	-	(1,002)
Street and Alley	36,071	-	39,500	3,429	-	3,429
Unallocated Depreciation	46,771	-	-	(46,771)	-	(46,771)
Total governmental activities	530,641	81,709	43,974	(404,958)	-	(404,958)
<b>Business-type activities</b>						
Oilton Public Works Authority	576,790	697,610	-	-	120,820	120,820
Oilton Industrial and Redevelopment Authority	4,021	5,087	-	-	1,066	1,066
Depreciation Expense	89,360	-	-	-	(89,360)	(89,360)
Total business-type activities	580,811	702,697	-	-	32,526	32,526
Total primary government	1,111,452	784,406	43,974	(404,958)	32,526	(372,432)
<b>General revenues:</b>						
Taxes:						
Property taxes, levied for general purposes				-	-	-
Property taxes, levied for debt service				-	-	-
Franchise taxes				43,465	-	43,465
Public service taxes				496,865	-	496,865
Grants and contributions not restricted to specific programs				-	-	-
Unrestricted investment earnings				3,021	1,120	4,141
Special item - gain on sale of asset				-	-	-
Transfers				-	-	-
Total general revenues, special items, and transfers				543,351	1,120	544,471
Change in net assets				138,393	33,646	172,039
Net position - beginning				1,100,798	1,339,373	2,440,171
Net position - ending				\$ 1,239,191	\$ 1,373,019	\$ 2,612,210

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Balance Sheet - Governmental Funds**  
as of June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	334,988	\$ -	\$ 334,988
Investments	261,249	-	261,249
Taxes receivable, net	82,909	-	82,909
Receivable from other governments	-	-	-
Inventories	-	-	-
Prepaid expenses	6,111	-	6,111
Total assets	<u>685,257</u>	<u>-</u>	<u>685,257</u>
Deferred Outflows of Resources			
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	23,254	-	23,254
Due to other funds	-	-	-
Due to Oilton Schools	14,931	-	14,931
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	2,279	-	2,279
Total liabilities	<u>40,464</u>	<u>-</u>	<u>40,464</u>
Deferred Inflows of Resources			
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Non-spendable:			
Inventories	-	-	-
Prepaid expenses	6,111	-	6,111
Prior Period Adjustment	1,160	-	1,160
Restricted	170,482	-	170,482
Committed	-	-	-
Assigned	-	-	-
Unreserved	468,200	-	468,200
Total fund balance	<u>645,953</u>	<u>-</u>	<u>645,953</u>
Total liabilities and fund balance	<u>\$ 685,257</u>	<u>\$ -</u>	<u>\$ 685,257</u>

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position**  
**June 30, 2014**

Total fund balance, governmental funds	\$ 645,953
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	640,009
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	
Depreciation expense on capital assets is reported on Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in Government Funds.	(46,771)
Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>1,239,191</u></u>

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	540,330	-	540,330
Fees and fines	50,294	-	50,294
Licenses and permits	462	-	462
Intergovernmental	-	-	-
Charges for services	10,400	-	10,400
Investment earnings	3,021	-	3,021
Miscellaneous	59,303	-	59,303
Grants	4,474	-	4,474
Total revenues	<u>668,284</u>	<u>-</u>	<u>668,284</u>
<b>EXPENDITURES</b>			
Current:			
General government	161,761	-	161,761
Public Safety	273,822	-	273,822
Public Works	-	-	-
Health and sanitation	10,414	-	10,414
Culture and recreation	1,052	-	1,052
Education	-	-	-
Streets & Highways	36,071	-	36,071
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	221,419	-	221,419
Total Expenditures	<u>704,539</u>	<u>-</u>	<u>704,539</u>
Revenue over (under) expenditures	<u>(36,255)</u>	<u>-</u>	<u>(36,255)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	76,763	-	76,763
Transfers out	(76,763)	-	(76,763)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(36,255)	-	(36,255)
Fund balance - beginning	675,981	-	675,981
Fund balance - ending	<u>\$ 639,726</u>	<u>\$ -</u>	<u>\$ 645,953</u>

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities and Changes in Net Position**  
**Year Ended June 30, 2014**

Net change in fund balances - total governmental funds:	\$	(36,255)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$221,419 exceeded depreciation \$46,771 in the current period.

174,648

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in net assets of governmental activities

	\$	138,393
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The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Statement of Net Position - Proprietary Funds**  
**as of June 30, 2014**

	<b>Enterprise Funds</b>		
	<b>Oilton Public Works Authority</b>	<b>and Redevelopment Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,089,047	\$ 15,244	\$ 1,104,291
Investments	15,145	84,532	99,677
Accounts Receivable, net	52,614	-	52,614
Receivables from other governments	-	-	-
Inventories	-	-	-
Prepaid Expenses	-	-	-
Total current assets	<u>1,156,806</u>	<u>99,776</u>	<u>1,256,582</u>
Non-current assets:			
Capital Assets:			
Land and improvements	-	1,998	1,998
Infrastructure	3,119,595	-	3,119,595
Utility System	-	-	-
Construction in Progress	-	-	-
Buildings	-	106,728	106,728
Equipment and Furniture	160,555	-	160,555
Less Accumulated depreciation	<u>(1,123,725)</u>	<u>(75,967)</u>	<u>(1,199,692)</u>
Total non-current assets (net of depreciation)	<u>2,156,425</u>	<u>32,759</u>	<u>2,189,184</u>
Total assets	<u><u>3,313,231</u></u>	<u><u>132,535</u></u>	<u><u>3,445,766</u></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	49,471	-	49,471
Due to other funds	-	-	-
Payable to other governments	-	-	-
Other accrued expenses	-	-	-
Deferred revenue	-	-	-
Compensated absences	2,482	-	2,482
Total current liabilities	<u>51,953</u>	<u>-</u>	<u>51,953</u>
Non-current liabilities:			
Capital lease obligation	-	-	-
Bonds, notes and loans payable	2,020,794	-	2,020,794
Total non-current liabilities	<u>2,020,794</u>	<u>-</u>	<u>2,020,794</u>
Total liabilities	<u><u>2,072,747</u></u>	<u><u>-</u></u>	<u><u>2,072,747</u></u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,156,425	32,759	2,189,184
Restricted for Meter Reserve	45,238	-	45,238
Unrestricted	(961,179)	99,776	(861,403)
Total net position	<u><u>\$ 1,240,484</u></u>	<u><u>\$ 132,535</u></u>	<u><u>\$ 1,373,019</u></u>

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Funds**  
**Year Ended June 30, 2014**

	<b>Enterprise Funds</b>		
	<b>Oilton Public Works Authority</b>	<b>and Redevelopment Authority</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 697,608	\$ 5,087	\$ 702,695
Miscellaneous	-	-	-
Total operating revenues	<u>697,608</u>	<u>5,087</u>	<u>702,695</u>
<b>OPERATING EXPENSES</b>			
Personal services	197,372	-	197,372
Contractual services	105,339	2,527	107,866
Utilities	15,434	-	15,434
Repairs and maintenance	2,085	697	2,782
Other supplies and expenses	256,559	797	257,356
Insurance claims and expenses	-	-	-
Depreciation	83,510	5,850	89,360
Total Operating Expenses	<u>660,299</u>	<u>9,871</u>	<u>670,170</u>
Operating income (loss)	<u>37,309</u>	<u>(4,784)</u>	<u>32,525</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	882	239	1,121
Miscellaneous revenue	-	-	-
Operating grants and contributions	-	-	-
Interest expense	-	-	-
Miscellaneous expenses	-	-	-
Total non-operating revenue (expenses)	<u>882</u>	<u>239</u>	<u>1,121</u>
Income (loss) before contributions and transfers	<u>38,191</u>	<u>(4,545)</u>	<u>33,646</u>
Capital contributions	-	-	-
Transfers in	145,434	-	145,434
Transfers out	(145,434)	-	(145,434)
Special item - gain (loss) on sale of land	-	-	-
Change in net position	<u>38,191</u>	<u>(4,545)</u>	<u>33,646</u>
Total net position - beginning	1,202,293	137,080	1,339,373
Total net position - ending	<u>\$ 1,240,484</u>	<u>\$ 132,535</u>	<u>\$ 1,373,019</u>

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2014**

	<b>Business-type activities - Enterprise funds</b>		
	<b>Oilton Public Works Authority</b>	<b>Oilton Industrial Authority and Redevelopment</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers and service users	\$ 663,765	\$ 7,200	\$ 670,965
Cash payments for goods and services and employees	(545,159)	(1,666)	(546,825)
<b>Net cash provided by operating activities</b>	<u>118,606</u>	<u>5,534</u>	<u>124,140</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating transfers in (out) to other funds	100,000	-	100,000
Prior period adjustment	(112,059)	-	(112,059)
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(12,059)</u>	<u>-</u>	<u>(12,059)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(20,730)	-	(20,730)
Decrease in meter deposits	(12,266)	-	(12,266)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(32,996)</u>	<u>-</u>	<u>(32,996)</u>
<b>Cash flow from investing activities:</b>			
Interest on investments	1,172	398	1,570
<b>Net cash provided by investing activities</b>	<u>1,172</u>	<u>398</u>	<u>1,570</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	74,723	5,932	80,655
<b>Cash and cash equivalents - beginning</b>	<u>331,459</u>	<u>92,540</u>	<u>423,999</u>
<b>Cash and cash equivalents - end</b>	<u><u>406,182</u></u>	<u><u>98,472</u></u>	<u><u>504,654</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	70,238	(316)	69,922
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	48,004	5,850	53,854
Change in assets and liabilities			
(Increase) decrease in prepaid insurance	4,635	-	4,635
(Increase) decrease in accounts receivable	(7,142)	-	(7,142)
Increase (decrease) in compensated absences	(478)	-	(478)
Increase (decrease) in accounts payable	3,349	-	3,349
<b>Total adjustments</b>	<u>48,368</u>	<u>5,850</u>	<u>54,218</u>
<b>Net cash provided by operating activities</b>	<u>\$ 118,606</u>	<u>\$ 5,534</u>	<u>\$ 124,140</u>

The accompanying notes are an integral part of the basic financial statement.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Account Policies**

The City of Oilton, State of Oklahoma, (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

The City of Oilton, State of Oklahoma, was organized under the statutes of the State of Oklahoma. The City provides the following services as authorized by state statutes: general government, public safety (fire and police), streets, public works, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Oilton, State of Oklahoma.

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

**Blended Component Units** – In evaluating how to define the City of Oilton, State of Oklahoma, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. A discretely presented component in it is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

The City has no blended component units.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Account Policies (Continued)**

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

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

**Government-Wide Financial Statements** – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category and is at least 5% of the corresponding element total for *all* governmental and enterprise funds combined or is a fund that the government believes is important *enough* for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Account Policies (Continued)**

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

**Governmental Funds** – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

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

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds - accounts for revenue sources that are designated to expenditures for specific purposes (not including major capital projects). No special revenue funds are included.

**Proprietary Funds** – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Account Policies (Continued)**

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

**Enterprise Funds** – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following are the City's major enterprise funds:

Public Works Authority – accounts for the operations of providing public works to the City.

Industrial Development Authority – accounts for the operations of the real estate owned by the Authority.

**Fiduciary Funds** – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

The City does not have a fiduciary fund.

**C. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

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

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

**2. Fair Value of Financial Instruments**

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

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Account Policies (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

3. Estimates

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

4. Inventories

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

5. Restricted Assets

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to the final bill), of \$42,651; the governmental fund for road repair totaling \$103,461; and the cemetery perpetual fund totaling \$67,021.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**6. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500. The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings & Improvements	40 - 100 years	40 - 100 years
Plants & Facilities	40 - 100 years	40 - 100 years
Furniture & Major Movable Equipment	10 - 40 years	10 - 40 years
Distribution systems	10 - 40 years	10 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

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

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**6. Capital Assets (Continued)**

Primary Government capital asset activity for the year ended is as follows:

	Balance 6/30/2012	Additions	Disposals	Balance 6/30/2013
<b>Governmental Activities</b>				
Nondepreciable Assets				
Land	\$ 39,003	\$ -	\$ 6,226	\$ 32,777
Total Nondepreciable Assets	39,003	-	6,226	32,777
Depreciable Assets				
Fire Department Assets	286,456	2,468	-	288,924
Police Department Assets	81,532	44,875	-	126,407
Park Department Assets	129,363	-	-	129,363
Street Department Assets	175,768	160,125	-	335,893
General Assets	261,807	13,950	-	275,757
Total Depreciable Assets	934,926	221,418	-	1,156,344
Less Accumulated Depreciation				
Fire Department Assets	(191,575)	(11,699)	-	(203,274)
Police Department Assets	(42,640)	(6,135)	-	(48,775)
Park Department Assets	(42,528)	(5,568)	-	(48,096)
Street Department Assets	(124,043)	(12,735)	-	(136,778)
General Assets	(148,325)	(10,634)	-	(158,959)
Total Accumulated Depreciation	(549,111)	(46,771)	-	(595,882)
<b>Business-type Activities</b>				
Nondepreciable Assets				
Land	1,998	-	-	1,998
Total Nondepreciable Assets	1,998	-	-	1,998
Depreciable Assets				
Buildings	106,728	-	-	106,728
Office Equipment	29,667	8,484	-	38,151
Vehicles	91,731	-	-	91,731
Gas System	181,372	8,500	-	189,872
Water System	1,018,578	1,352,022	-	2,370,600
Sewer System	547,244	42,552	-	589,796
Total Depreciable Assets	1,975,320	1,411,558	-	3,386,878
Less Accumulated Depreciation				
Buildings	(70,118)	(5,850)	-	(75,968)
Office Equipment	(22,746)	(1,486)	-	(24,232)
Vehicles	(91,731)	-	-	(91,731)
Gas System	(158,886)	(5,218)	-	(164,104)
Water System	(480,439)	(63,023)	-	(543,462)
Sewer System	(288,370)	(13,783)	-	(302,153)
Total Accumulated Depreciation	(1,112,290)	(89,360)	-	(1,201,650)
Net Depreciable Assets	863,030	1,322,198	-	2,185,228
<b>Net Business-type Activities Capital Assets</b>	<b>\$ 865,028</b>	<b>\$ 1,322,198</b>	<b>\$ -</b>	<b>\$ 2,187,226</b>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Assets, Liabilities, and Equity (Continued)**

**7. Long-Term Obligations**

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

**8. Net Position/Fund Balance**

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

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

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amount that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Assets, Liabilities, and Equity (Continued)**

**8. Net Position/Fund Balance (Continued)**

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

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**9. Resource Use Policy**

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**2. Detailed Notes Concerning the Funds**

**A. Deposits and Investments**

**Custodial Credit Risk** – At June 30, 2014, the City held deposits of approximately \$1,800,205 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

**Investment Interest Rate Risk** – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**2. Detailed Notes Concerning the Funds**

**A. Deposits and Investments**

Investment Credit Risk – The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2014 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of Deposits		\$ 360,926	\$ 360,926
Total Investments		<u>\$ 360,926</u>	<u>\$ 360,926</u>

Reconciliation to Statement of Net Assets	
Governmental Activities	\$ 261,249
Business-Type Activities	<u>99,677</u>
	<u>360,926</u>

The City places no limit on the amount it may invest in any one issuer. The City has the following credit risk: 100% in certificates in deposit.

**City of Oilton  
Oilton, Oklahoma**

**Notes to the Basic Financial Statements  
June 30, 2014**

**3. Note (Mortgage) Payable**

During the fiscal year, the City obtained funding through the Oklahoma Water Resources Board for a water improvement project. The terms of the Clean Water SRF loan dated October 1, 2013 are as follows:

Loan Amount: \$2,850,000

Term: Annual Renewal

Repayment: Based on proceeds of a two-cent sales tax and any hereafter acquired proceeds, franchise fees, licenses, etc. in connection with the water and waste water system.

On June 30, 2014, the project was approximately 76% complete and \$2,020,794 loan proceeds had been received. Repayment is not required until sales tax proceeds are received; therefore, during the fiscal year, no payments have been applied to the indebtedness. The mortgage is collateralized by the waste water treatment facility, water tower site, and four wells.

**4. Other Information**

Risk Management – The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. The Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**5. Subsequent Events**

Management has evaluated subsequent events through , which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**City of Oilton**  
Oilton, Oklahoma

Required Supplemental Information  
for the year ended June 30, 2014

**City of Oilton**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (GAAP Budgetary Basis) and Actual**  
**Governmental Funds**  
**Year Ended June 30, 2014**  
**(unaudited)**

	General Fund		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Budgeted Amounts			
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	352,000	352,000	540,330	188,330
Fees and fines	28,000	28,000	50,294	22,294
Licenses and permits	200	200	462	262
Intergovernmental	75,000	75,000	-	(75,000)
Charges for services	20,500	20,500	10,400	(10,100)
Investment earnings	2,800	2,800	3,021	221
Miscellaneous	6,000	6,000	59,303	53,303
Total revenues	<u>484,500</u>	<u>484,500</u>	<u>663,810</u>	<u>179,310</u>
<b>EXPENDITURES</b>				
Current:				
General government	126,600	126,600	161,761	(35,161)
Public Safety	190,250	190,250	273,822	(83,572)
Highways and roads	105,165	105,165	-	105,165
Health and sanitation	12,226	12,226	10,414	1,812
Culture and recreation	1,900	1,900	1,052	848
Education	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	25,000	25,000	221,419	(196,419)
Total Expenditures	<u>461,141</u>	<u>461,141</u>	<u>668,468</u>	<u>(207,327)</u>
Excess (deficiency) of revenues over expenditures	<u>23,359</u>	<u>23,359</u>	<u>(4,658)</u>	<u>(28,017)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	-	-
Transfers in	91,000	91,000	76,763	(14,237)
Transfers out	-	-	(76,763)	(76,763)
Total other financing sources and uses	<u>91,000</u>	<u>91,000</u>	<u>-</u>	<u>(91,000)</u>
<b>SPECIAL ITEM</b>				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	114,359	114,359	(4,658)	(119,017)
Fund balances - beginning	323,517	232,517	336,688	104,171
Fund balances - ending	<u>\$ 437,876</u>	<u>\$ 346,876</u>	<u>\$ 332,030</u>	<u>\$ (14,846)</u>

**City of Oilton**  
**Schedule of Funding Progress**  
**(dollars in millions) (unaudited)**  
**Year Ended June 30, 2014**

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
1/1/2005	\$ 163,897	Actuarial	\$ 207,645	\$ 43,748	78.9%
1/1/2006	178,108	Actuarial	234,370	56,262	76.0%
1/1/2007	194,601	Actuarial	262,403	67,802	74.2%
1/1/2008	211,197	Actuarial	242,042	30,845	87.3%
1/1/2009	201,939	Actuarial	264,508	62,569	76.3%
1/1/2010	217,424	Actuarial	295,158	77,734	73.7%
1/1/2011	239,660	Actuarial	321,271	81,611	74.6%
1/1/2012	251,827	Actuarial	318,473	66,646	79.1%
1/1/2013	281,063	Actuarial	365,985	84,922	76.8%
1/1/2014	322,635	Actuarial	350,131	27,496	92.1%

\*Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

**City of Oilton  
Oilton, Oklahoma**

**Notes on Required Supplemental Information  
Year Ended June 30, 2014  
(Unaudited)**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the fiduciary funds. Budgetary data for enterprise funds are not presented in these financial statements.

Prior to July 1, the City Mayor (an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

**City of Oilton**  
Oilton, Oklahoma

Other Information  
Year Ended June 30, 2014

**City of Oilton  
Oilton, Oklahoma**

**Schedule of Expenditures of Federal & State Awards  
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
Oklahoma Department of Agriculture (Fire)	\$ 4,474	\$ 4,474	\$ 4,474
REAP - Transportation Contract 130201	<u>39,500</u>	<u>39,500</u>	<u>39,500</u>
<b>Total Grants</b>	<b>\$ <u>43,974</u></b>	<b>\$ <u>43,974</u></b>	<b>\$ <u>43,974</u></b>

**Note A – Basis of Presentation**

This schedule includes the federal grant activity of the City of Oilton, State of Oklahoma, and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

**City of Oilton**  
Oilton, Oklahoma

Report Required by *Government Auditing Standards*  
Year Ended June 30, 2014

**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***

The Board of City Commissioners  
City of Oilton  
PO Box 400  
Oilton, Oklahoma 74052

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Oilton, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Oilton, State of Oklahoma's basic financial statements and have issued my report thereon dated . The report on governmental and business-type activities was qualified because of the lack of fixed asset records and failure to provide depreciation on those fixed assets. Additionally, The City of Oilton, State of Oklahoma, did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

**Internal Control over Financial Reporting**

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

My consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2014-01; 2014-02; 2014-03; 2014-04.

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. I consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Oilton, State of Oklahoma's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Oilton, State of Oklahoma's Response to Findings**

City of Oilton, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. City of Oilton, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

*Linda S. Woodruff, CPA, P.C.*

Linda S Woodruff CPA, PC  
Oklahoma City, Oklahoma

April 8, 2015

**City of Oilton,  
Oilton, Oklahoma**

**Schedule of Findings and Responses**

2014-01. Internal Control – Segregation of Duties

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the City.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping and jeopardize the safeguarding of the City's assets.

Recommendation: I recommend that the City strive to implement more segregation of duties where possible and utilize compensating procedures where applicable such as more active participation of City's governing board in daily operations.

Response: The City of Oilton concurs with the recommendation, although, the cost to correct this might exceed the benefit.

2014-02. Internal Control – Material Adjusting Journal Entries

Criteria: As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected. City management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit. An outside consultant is being heavily relied upon to do the basic procedures which should be completed by the City's staff.

Condition: The City's trial balances for the year ended June 30, 2014, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP.

Cause: The City did not record audit adjusting entries from the prior year. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balance. Numerous entries were made by the consultant which could not be explained or documented by the staff.

Effect: As a result of this condition, without reliance on its external auditors, the City lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statement in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions in regard to the trial balance.

**City of Oilton,  
Oilton, Oklahoma**

**Schedule of Findings and Responses**

2014-02. Internal Control – Material Adjusting Journal Entries—Continued

Recommendation: The City should enter all adjustments from the prior year audit and reconcile the beginning balances on the trial balance to the ending balances of the audit report. The staff should also review current transactions for prior classification prior to the audit process.

Response: The City of Oilton agrees with the recommendation and will review the financial statements for obvious errors and omissions on a monthly basis and will discuss potential entries as required.

2014-03. Internal Control – Bank Reconciliation

Condition: Bank reconciliations have been attempted by management, but not balanced to the general ledger systems.

Criteria: All cash accounts should be reconciled to the general ledger to ensure all checks and deposits cleared the bank.

Effect: Items could clear the account without management's knowledge or approval resulting in loss of cash or misstatement of financial reports.

Recommendation: Prepare a formal bank reconciliation using the template as provided and compare to the general ledger on a monthly basis. All discrepancies should be traced and corrected within a short time period.

Response: Management concurs and the new treasurer has been completing the reconciliation forms on all accounts.

2014-04. Internal Control – Court Account

Condition: Court bonds payable has not been reconciled to the general ledger.

Criteria: Internal controls should be in place to provide a current list of all outstanding bonds at any time during the month to substantiate the amount shown as due on the City's financials.

Effect: Revenue has been understated or overstated in the prior fiscal years since the reconciliation was not completed. The adjustment was made by the consultant in the current fiscal year which distorted the revenue. No documentation was available per management to substantiate this entry.

Recommendation: Each month the court documents should be compared to the general ledger with any differences to be investigated and corrected.

Response: Management concurs with this recommendation and will take steps to ensure proper reconciliation occurs monthly.