

**ANNUAL FINANCIAL REPORT**  
**CITY OF NICOMA PARK, OKLAHOMA**  
**(INCLUDING THE NICOMA PARK**  
**DEVELOPMENT AUTHORITY)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**CITY OF NICOMA PARK  
OKLAHOMA COUNTY, OKLAHOMA  
FOR THE YEAR ENDED JUNE 30, 2014**

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**CITY OF NICOMA PARK  
OKLAHOMA COUNTY, OKLAHOMA  
FOR THE YEAR ENDED JUNE 30, 2014**

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Management Letter and Comments

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#### **INDEPENDENT AUDITOR'S REPORT**

Honorable Governing Board  
City of Nicoma Park, Oklahoma

#### **Report on the Financial Statements**

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

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the presentation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

An audit involves 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 City'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 City'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.

**Basis for Quaiified 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 generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. Also, the City has elected to not report depreciation on these capital assets. The amount by which this departure would affect assets, net position, and expenses of the Governmental and Business-Type Activities in not readily determinable.

**Quaiified Opinion**

In our opinion, except for the possible 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-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nicoma Park, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position and where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

**Basis of Accounting**

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

**Other Matters****Suppiementary and Other Information**

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) and the GASB has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied by us, in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

in accordance with Government Auditing Standards, we have also issued our report dated March 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Putnam & Company*

Putnam & Company, PLLC

March 10, 2015

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF NICOMA PARK, OKLAHOMA**  
**INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION--MODIFIED CASH BASIS**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$844,900	499,586	1,344,486
<b>TOTAL ASSETS</b>	<b>\$844,900</b>	<b>499,586</b>	<b>1,344,486</b>
<b>CURRENT LIABILITIES</b>			
Warrants Outstanding	\$53,219	13,038	66,257
Customer Deposits Payable		8,567	8,567
<b>Total Current Liabilities</b>	<b>53,219</b>	<b>21,605</b>	<b>74,824</b>
<b>NON-CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>53,219</b>	<b>21,605</b>	<b>74,824</b>
<b>NET POSITION</b>			
Restricted for Debt Service	3,790		3,790
Unrestricted	787,891	477,981	1,265,872
<b>TOTAL NET POSITION</b>	<b>\$791,681</b>	<b>477,981</b>	<b>1,269,662</b>

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

**CITY OF NICOMA PARK, OKLAHOMA  
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES--MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS:	Expenses	Program Revenue		Net (Expense) Revenue
		Charges For Services	Operating Grants	
Governmental Activities City of Nicoma Park	\$1,129,792	21,761	9,420	(1,098,611)
Business-Type Activities Nicoma Park Development Authority	215,519	171,764		(43,755)
Total Primary Government	\$1,345,311	193,525	9,420	(1,142,366)

CHANGES IN NET POSITION:	Primary Government		
	Governmental Activities	Business Type Activities	Total
Net (Expense) Revenue	(1,098,611)	(43,755)	(1,142,366)
General Revenue			
Sales Taxes	716,539	178,380	894,919
Other Taxes	137,795		137,795
Interest	513	169	682
Other Income	262,520	6,209	268,729
Total General Revenue	18,756	141,003	159,759
Transfers--In (Out)	2,400	(2,400)	0
Change in Net Position	21,156	138,603	159,759
Net Position--Beginning	770,525	339,378	1,109,903
Net Position--Ending	791,681	477,981	1,269,662

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

## **FUND FINANCIAL STATEMENTS**

CITY OF NICOMA PARK, OKLAHOMA  
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY  
COMBINED BALANCE SHEET  
ALL FUND TYPES - MODIFIED CASH BASIS  
AS OF JUNE 30, 2014

	GOVERNMENTAL FUND TYPES		DEBT SERVICE FUND	FIDUCIARY FUND TYPES	PROPRIETARY FUND TYPES	TOTAL
	General Fund	Special Revenue Funds	Sinking Fund	Trust & Agency	Enterprise Fund	(Memorandum Only)
<b>ASSETS</b>						
Cash and Cash Equivalents	\$735,662	105,448	3,790	26,482	499,586	1,370,968
<b>Total Assets</b>	<b>\$735,662</b>	<b>105,448</b>	<b>3,790</b>	<b>26,482</b>	<b>499,586</b>	<b>1,370,968</b>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Warrants Payable	\$45,909	7,310		1,685	13,038	67,942
Customers' Deposits Payable					8,567	8,567
<b>Total Liabilities</b>	<b>45,909</b>	<b>7,310</b>	<b>0</b>	<b>1,685</b>	<b>21,605</b>	<b>76,509</b>
Fund Balance:						
Fund Balance	689,753	98,138	3,790	24,797		816,478
Retained Earnings					477,981	477,981
<b>Total Fund Balance</b>	<b>689,753</b>	<b>98,138</b>	<b>3,790</b>	<b>24,797</b>	<b>477,981</b>	<b>1,294,459</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$735,662</b>	<b>105,448</b>	<b>3,790</b>	<b>26,482</b>	<b>499,586</b>	<b>1,370,968</b>

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

**CITY OF NICOMA PARK, OKLAHOMA  
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	GOVERNMENTAL FUND TYPES			TOTALS
	General Fund	Debt Service Fund	Special Revenue Funds	(Memorandum Only)
<b>REVENUES:</b>				
Franchise Tax	95,244			95,244
Ad Valorem Tax		2		2
Sales Tax	716,539			716,539
Tobacco Tax	8,552			8,552
Alcoholic Beverage Tax	4,668			4,668
Use Tax	29,329			29,329
Licenses and Permits	17,253			17,253
Charges for Services	21,761			21,761
intergovernmental			44,771	44,771
interest	477		36	513
Grants and Contracts	9,420			9,420
Fines and Forfeitures	136,341			136,341
Miscellaneous	64,155			64,155
<b>Total Revenues</b>	<b>1,103,739</b>	<b>2</b>	<b>44,807</b>	<b>1,148,548</b>
<b>EXPENDITURES:</b>				
Police Department	412,595			412,595
Fire Department	180,563			180,563
Municipal Court	87,398			87,398
Maintenance Department	32,985			32,985
General Government	371,966			371,966
Intergovernmental			44,285	44,285
<b>Total Expenditures</b>	<b>1,085,507</b>	<b>0</b>	<b>44,285</b>	<b>1,129,792</b>
Revenues Over/(Under) Expenditures	18,232	2	522	18,756
<b>OTHER FINANCING SOURCES/(USES):</b>				
Transfers Among Funds			2,400	2,400
<b>Total Other Financing Sources/(Uses)</b>	<b>0</b>	<b>0</b>	<b>2,400</b>	<b>2,400</b>
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	18,232	2	2,922	21,156
Fund Balance, Beginning of Year	671,521	3,788	95,216	770,525
Fund Balance, End of Year	689,753	3,790	98,138	791,681

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

**CITY OF NICOMA PARK, OKLAHOMA  
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:			
Franchise Taxes	87,555	95,244	7,689
Licenses and Permits	11,482	17,253	5,771
Sales Tax	614,666	716,539	101,873
Tobacco Tax	8,058	8,552	494
Alcoholic Beverage Tax	3,286	4,668	1,382
Charges for Services		21,761	21,761
Use Tax		29,329	29,329
interest	665	476	(189)
Grants and Contracts	9,999	9,420	(579)
Fines and Forfeitures	75,829	136,341	60,512
Miscellaneous		64,155	64,155
<b>Total Revenues</b>	<b>811,540</b>	<b>1,103,738</b>	<b>292,198</b>
EXPENDITURES :			
Police Department	496,904	412,595	84,309
Fire Department	278,170	180,563	97,607
Municipai Court	114,389	87,398	26,991
Maintenance Department	72,431	32,985	39,446
General Government	521,168	371,966	149,202
<b>Total Expenditures</b>	<b>1,483,062</b>	<b>1,085,507</b>	<b>397,555</b>
Revenues Over/(Under) Expenditures	(671,522)	18,231	689,753
OTHER FINANCING SOURCES/(USES):	0	0	0
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	(671,522)	18,231	689,753
Fund Balance, Beginning of Year	671,522	671,522	0
Fund Balance, End of Year	0	689,753	689,753

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

## **NOTES TO THE FINANCIAL STATEMENTS**

THE CITY OF NICOMA PARK, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City of Nicoma Park, Oklahoma relating to the funds included in the financial statements conform to generally accepted accounting principles of state and local governments, except as noted below. The following represents the more significant accounting and reporting policies and practices of the City:

(a) Reporting Entity

The City of Nicoma Park, for financial reporting purposes, includes funds and account groups over which the governing board exercises oversight authority.

**INCLUDED ENTITIES**

The Nicoma Park Development Authority is a public trust created under authority of and pursuant to the provisions of 60 O.S. Sections 176-180., for the use and benefit of the City of Nicoma Park, Oklahoma. The trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, gas, electric, or other forms or types of public and Municipal services within and without the corporate boundaries of the City of Nicoma Park. The Authority financed the construction of a sanitary sewer system which connects some residents into the Choctaw Utility Authority's sewer system. The City council functions as trustees of the Nicoma Park Development Authority.

(b) Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, transfers, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the financial statements in this report, as follows:

THE CITY OF NICOMA PARK, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

(b) Fund Accounting (continued)

Governmental Fund Types

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not properly accounted for in other funds. This fund accounts for the general operating transactions of the City including police and fire protection, street repairs and maintenance, planning and development, and administration.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Special revenue funds include:

Street and Alley - Established to account for revenues received from gasoline excise and commercial vehicle tax, and expenditures made for street maintenance and operations, and capital outlay.

Municipal Park - Used to keep track of funds designated for a city park.

Police Warrant - Accounts for forty percent (40%) of citations collected by police officers.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt and related costs.

THE CITY OF NICOMA PARK, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

(b) Fund Accounting (continued)

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund includes the Nicoma Park Development Authority.

Fiduciary Funds

Fiduciary funds are trust or agency funds used to account for assets held by the City in a trustee capacity or as an agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Fiduciary fund types include:

Agency Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. They are custodial in nature and do not involve measurement of results of operations.

Agency funds include:

Municipal Court - The municipal court fund accounts for the collection and refund or forfeiture of municipal court bonds.

THE CITY OF NICOMA PARK, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

(c) Basis of Accounting

The modified cash basis of accounting is followed. Revenues are recorded when received rather than when earned. Expenditures are basically recorded when paid, however, outstanding encumbrances, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

This method of accounting is a comprehensive basis of accounting which differs from the method required under generally accepted accounting principles. Generally accepted accounting principles for municipalities require that the modified accrual basis of accounting be followed.

(d) Total (Memorandum Only)

The combined financial statements have "Total (Memorandum Only)" columns. These columns do not purport to present the consolidated financial position of the City of Nicoma Park, Oklahoma. All significant inter-fund transactions would be eliminated and other adjustments would be made in the preparation of consolidated financial statements.

(e) Budget

The City's budget represents appropriations originally authorized and any subsequent revisions that were officially adopted during the fiscal year. The City's budget is also prepared under the modified cash basis of accounting. In accordance with Oklahoma law, all remaining unexpended appropriations lapse at year end.

(f) Compensated Absences

The City records vacation and sick leave expenditures only at the time such leave is actually paid.

(2) DEPOSITS, INVESTMENTS, AND COLLATERAL

The City is statutorily limited to investing public funds in insured checking accounts, certificates of deposit, insured savings accounts, savings certificates and U.S. or Oklahoma government obligations. The City is also required to secure collateral for invested funds in excess of amounts insured by the Federal Deposit Insurance Corporation or Federal Savings & Loan Insurance Corporation. Acceptable collateral is primarily limited to federal, state and local government obligations.

THE CITY OF NICOMA PARK, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

(2) DEPOSITS, INVESTMENTS, AND COLLATERAL (continued)

**Custodial Credit Risk** - The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2014, the City was not exposed to custodial credit risk as defined above.

**Investment Credit Risk** – The City's investment policy limits investments to those allowed in state law applicable to school districts 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 deposit 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.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

**Investment Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits investments to those with short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

THE CITY OF NICOMA PARK, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

(2) **DEPOSITS, INVESTMENTS, AND COLLATERAL** (continued)

***Concentration of investment Credit Risk*** – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments. At June 30, 2014, the City had no concentration of credit risk as defined above.

(3) **LONG-TERM DEBT**

The City of Nicoma Park and its component unit retired the following Long-Term Debt obligations during fiscal year 2013-14:

Note payable to Oklahoma Water Resources Board, dated August 25, 1995, originally in the amount of \$850,000, secured by the sewer system,

Note payable to Oklahoma Water Resources Board, dated August 15, 1994, originally in the amount of \$568,960 for the OWRB State Revolving Fund Financing Program (SRF), secured by the sewer system, and,

Note payable to Oklahoma Water Resources Board, dated March 15, 2012, originally in the amount of \$125,000.

Long-term debt transactions, for the year ended June 30, 2014, and changes therein were as follows:

Notes Payable - OWRB – FAP

Balance, July 1, 2013	\$ 70,000
Additions	0
Retirements	<u>70,000</u>
Balance, June 30, 2014	<u>\$ 0</u>

THE CITY OF NICOMA PARK, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

(3) **LONG-TERM DEBT** (continued)

Notes Payable - OWRB – SRF

Balance, July 1, 2013	\$ 14,973
Additions	0
Retirements	<u>14,973</u>
Balance, June 30, 2014	<u>\$ 0</u>

Notes Payable - OWRB – SRF

Balance, July 1, 2013	\$ 113,108
Additions	0
Retirements	<u>113,108</u>
Balance, June 30, 2014	<u>\$ 0</u>

(4) **PENSION AND RETIREMENT PLANS**

All police personnel participate in the Statewide Oklahoma State Police Pension and Retirement System. Plan members are required to contribute 8.0% of their annual covered salary and the City of Nicoma Park contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature.

All firefighters participate in the Statewide Oklahoma Firefighter's Pension and Retirement System. Plan members are required to contribute 8.0% of their annual covered salary and the City of Nicoma Park contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the State legislature.

Historical trend information is presented in annual reports for these retirement systems. This information is useful in assessing a pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

THE CITY OF NICOMA PARK, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

(5) **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Accordingly, the City purchases commercial insurance to reduce its risk of loss. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

(6) **COMMITMENTS AND CONTINGENT LIABILITIES**

The financial statements do not include any provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, cities generally establish a sinking fund to satisfy legal judgments rendered against them. Tax revenues are then specifically assessed for payment of these claims which have been reduced to judgment. Such claims are generally paid through these special tax assessments over a three (3) year period.

In 1991 the Nicoma Park Development Authority entered into an agreement with the Choctaw Utilities Authority (CUA) whereby the CUA provides wastewater treatment service to the Authority. A condition of the agreement was that the Authority maintains an interest-bearing account with a minimum deposit of \$22,700 in the event that the Authority failed to make its monthly payment for services to the CUA at any time during the duration of the agreement.

(7) **SUSEQUENT EVENTS**

Subsequent events have been evaluated through March 10, 2015, which is the date the financial statements were issued.

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF NICOMA PARK, OKLAHOMA  
GENERAL FUND  
SCHEDULE OF REVENUES BY SOURCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER/ (UNDER)</u>
<b>TAXES:</b>			
Franchise Taxes	\$87,555	95,244	7,689
<b>LICENSES AND PERMITS</b>			
	11,482	17,253	5,771
<b>INTERGOVERNMENTAL:</b>			
Alcoholic Beverage Tax	3,286	4,668	1,382
Sales Tax	614,666	716,539	101,873
Tobacco Tax	8,058	8,552	494
Charges for Services		21,761	21,761
Use Tax		29,329	29,329
Total Intergovernmental	626,010	780,849	154,839
<b>INTEREST</b>			
	665	477	(188)
<b>FINES AND FORFEITURES:</b>			
Police Fines	75,829	136,341	60,512
<b>MISCELLANEOUS:</b>			
Grants & Contracts	9,999	9,420	(579)
Sale of Property		6,028	6,028
Royalties		2,867	2,867
Other Revenue Collections		55,260	55,260
Total Miscellaneous	9,999	73,575	63,576
<b>TOTAL REVENUES</b>	<u>\$811,540</u>	<u>1,103,739</u>	<u>292,199</u>

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

**THE CITY OF NICOMA PARK, OKLAHOMA  
SCHEDULE OF EXPENDITURES BY CLASSIFICATION  
BUDGET AND ACTUAL - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE/ (UNFAVORABLE)
<b>MUNICIPAL COURT</b>			
Personal Services	\$81,889	74,656	7,233
Maintenance and Operation	19,200	12,742	6,458
Capital Outlay	3,800		3,800
Intergovernmental	9,500		9,500
<b>Total Municipal Court</b>	<b>114,389</b>	<b>87,398</b>	<b>26,991</b>
<b>GENERAL GOVERNMENT</b>			
Personal Services	146,661	140,247	6,414
Maintenance and Operation	115,315	48,526	66,789
Capital Outlay	15,000	2,671	12,329
Intergovernmental	223,600	180,522	43,078
Other	20,592		20,592
<b>Total General Government</b>	<b>521,168</b>	<b>371,966</b>	<b>149,202</b>
<b>POLICE DEPARTMENT</b>			
Personal Services	329,099	303,042	26,057
Maintenance and Operation	100,935	70,023	30,912
Capital Outlay	41,270	38,827	2,443
Intergovernmental	1,000	703	297
Other	24,600		24,600
<b>Total Police Department</b>	<b>496,904</b>	<b>412,595</b>	<b>84,309</b>
<b>FIRE DEPARTMENT</b>			
Personal Services	161,807	135,632	26,175
Maintenance and Operation	57,340	40,128	17,212
Capital Outlay	20,011	44	19,967
Intergovernmental	600	285	315
Other	38,412	4,474	33,938
<b>Total Fire Department</b>	<b>278,170</b>	<b>180,563</b>	<b>97,607</b>
<b>MAINTENANCE DEPARTMENT</b>			
Personal Services	41,681	18,533	23,148
Maintenance and Operation	27,750	14,452	13,298
Other	3,000		3,000
<b>Total Maintenance Department</b>	<b>72,431</b>	<b>32,985</b>	<b>39,446</b>
<b>TOTALS</b>	<b>\$1,483,062</b>	<b>1,085,507</b>	<b>397,555</b>

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

CITY OF NICOMA PARK, OKLAHOMA  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
AS OF JUNE 30, 2014

	STREET AND ALLEY FUND	POLICE WARRANT FUND	CDBG FUND	POLICE TRAINING FUND	JUVENILE COURT	FIREWORKS FUND	SENIOR MEALS FUND	TOTALS (Memorandum Only)
<b>ASSETS</b>								
Cash and Cash Equivalents	\$43,177	5,049	28,204	13,971	6,191	5,217	3,639	105,448
Total Assets	<u>\$43,177</u>	<u>5,049</u>	<u>28,204</u>	<u>13,971</u>	<u>6,191</u>	<u>5,217</u>	<u>3,639</u>	<u>105,448</u>
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Warrants Outstanding	\$6,161			275			874	7,310
Reserved for Encumbrances								0
Total Liabilities	<u>6,161</u>	<u>0</u>	<u>0</u>	<u>275</u>	<u>0</u>	<u>0</u>	<u>874</u>	<u>7,310</u>
Fund Balance	<u>37,016</u>	<u>5,049</u>	<u>28,204</u>	<u>13,696</u>	<u>6,191</u>	<u>5,217</u>	<u>2,765</u>	<u>98,138</u>
Total Liabilities and Fund Balance	<u>\$43,177</u>	<u>5,049</u>	<u>28,204</u>	<u>13,971</u>	<u>6,191</u>	<u>5,217</u>	<u>3,639</u>	<u>105,448</u>

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

**CITY OF NICOMA PARK, OKLAHOMA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	STREET AND ALLEY FUND	POLICE WARRANT FUND	CDBG FUND	POLICE TRAINING FUND	JUVENILE COURT	FIREWORKS FUND	SENIOR MEALS FUND	TOTALS (Memorandum Only)
<b>REVENUES:</b>								
Intergovernmental:								
Gasoline Tax	\$4,446							4,446
Motor Vehicle Tax	20,562							20,562
Warrant Fund Collections		56						56
Lien Collections								0
Miscellaneous	2,468			7,020	615	3,750	5,854	19,707
Total Intergovernmental	27,476	56	0	7,020	615	3,750	5,854	44,771
Interest	19		13	0	2	1	1	36
Total Revenues	27,495	56	13	7,020	617	3,751	5,855	44,807
<b>EXPENDITURES:</b>								
Maintenance and Operations	29,270	4,843		310	73	3,475	6,314	44,285
Total Expenditures	29,270	4,843	0	310	73	3,475	6,314	44,285
Revenues Over/(Under) Expenditures	(1,775)	(4,787)	13	6,710	544	276	(459)	522
<b>OTHER FINANCING SOURCES/(USES):</b>								
Transfer (To) / From Other Funds		0	2,400	0	0		0	2,400
Deobligation of Prior Year Obligations								0
Total Other Financing Sources/(Uses)	0	0	2,400	0	0	0	0	2,400
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	(1,775)	(4,787)	2,413	6,710	544	276	(459)	2,922
Fund Balance - Beginning of Year	38,791	9,836	25,791	6,986	5,647	4,941	3,224	95,216
Fund Balance - End of Year	\$37,016	5,049	28,204	13,696	6,191	5,217	2,765	98,138

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

Exhibit C-1

**NICOMA PARK DEVELOPMENT AUTHORITY  
ENTERPRISE FUND  
COMBINING BALANCE SHEET  
MODIFIED CASH BASIS  
AS OF JUNE 30, 2014**

ASSETS

Cash and Cash Equivalents	<u>\$499,586</u>
Total Assets	<u><u>\$499,586</u></u>

LIABILITIES AND RETAINED EARNINGS

Liabilities:	
Warrants Payable	\$13,038
Customers' Deposits Payable	<u>8,567</u>
Total Liabilities	<u>21,605</u>
Retained Earnings	<u>477,981</u>
Total Liabilities and Retained Earnings	<u><u>\$499,586</u></u>

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

**NICOMA PARK DEVELOPMENT AUTHORITY  
ENTERPRISE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

OPERATING REVENUES:

Charges for Services:	
Sewer Revenue	\$136,576
Stormwater Fees	6,920
Garbage Collection	16,982
Water Revenues	11,286
Total Charges for Services	<u>171,764</u>
Taxes:	
Sales Tax	<u>178,380</u>
Miscellaneous:	
Rents	6,000
Credit Card Fee Collections	347
Refunds	(138)
Interest Income	169
Total Miscellaneous	<u>6,378</u>
Total Operating Revenues	356,522

OPERATING EXPENDITURES:

Maintenance & Operations	<u>215,519</u>
Operating Revenues Over (Under) Operating Expenditures	141,003
OTHER FINANCING SOURCES (USES):	
Transfer to CDBG	<u>(2,400)</u>
Revenues and Other Sources Over/(Under) Expenditures and Other Uses	138,603
Retained Earnings, Beginning of Year	<u>339,378</u>
Retained Earnings, End of Year	<u><u>\$477,981</u></u>

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

Exhibit C-3

**CITY OF NICOMA PARK, OKLAHOMA  
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPE  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities:	
Net Income (Loss) from Operations	<u>\$141,003</u>
Cash Flows From Non-Capital Financing Activities:	
Transfers in (out)	<u>(2,400)</u>
Cash Flows from Capital and Related Financing Activities:	
Decrease in Long-Term Debt	(198,081)
Decrease in Warrant Payable	(10,849)
Increase in Customer Deposits Payable	<u>722</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(208,208)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(69,605)
Cash and Cash Equivaients, June 30, 2013	<u>569,191</u>
Cash and Cash Equivalents, June 30, 2014	<u><u>\$499,586</u></u>

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

**THE CITY OF NICOMA PARK, OKLAHOMA  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
TRUST AND AGENCY FUND  
JUNE 30, 2014**

	<u>MUNICIPAL COURT FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>ASSETS</u>		
Cash, including time deposits	<u>\$26,482</u>	<u>26,482</u>
Total Assets	<u>\$26,482</u>	<u>26,482</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Warrants Outstanding	<u>\$1,685</u>	<u>1,685</u>
Fund Balance:		
Unreserved	<u>24,797</u>	<u>24,797</u>
Total Liabilities and Fund Equity	<u>\$26,482</u>	<u>26,482</u>

See accompanying letter and notes to financial statements.

Exhibit C-3

**CITY OF NICOMA PARK, OKLAHOMA  
INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPE  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Cash Flows from Operating Activities:	
Net Income (Loss) from Operations	<u>\$141,003</u>
Cash Flows From Non-Capital Financing Activities:	
Transfers in (out)	<u>(2,400)</u>
Cash Flows from Capital and Related Financing Activities:	
Decrease in Long-Term Debt	(198,081)
Decrease in Warrant Payable	(10,849)
increase in Customer Deposits Payable	<u>722</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(208,208)</u>
Net increase (Decrease) in Cash and Cash Equivalents	(69,605)
Cash and Cash Equivalents, June 30, 2013	<u>569,191</u>
Cash and Cash Equivalents, June 30, 2014	<u><u>\$499,586</u></u>

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

**THE CITY OF NICOMA PARK, OKLAHOMA  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
TRUST AND AGENCY FUND  
JUNE 30, 2014**

	<u>MUNICIPAL COURT FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>ASSETS</u>		
Cash, including time deposits	<u>\$26,482</u>	<u>26,482</u>
Total Assets	<u>\$26,482</u>	<u>26,482</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Warrants Outstanding	<u>\$1,685</u>	<u>1,685</u>
Fund Balance:		
Unreserved	<u>24,797</u>	<u>24,797</u>
Total Liabilities and Fund Equity	<u>\$26,482</u>	<u>26,482</u>

See accompanying letter and notes to financial statements.

**THE CITY OF NICOMA PARK, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE  
 TRUST AND AGENCY FUND - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2014**

	MUNICIPAL COURT FUND	TOTAL (MEMORANDUM ONLY)
REVENUE:		
Fines	\$141,450	141,450
Court Bonds	34,551	34,551
Credit Card Fees	124	124
Refunds	(2,029)	(2,029)
	<hr/>	<hr/>
Total Revenue	174,096	174,096
	<hr/>	<hr/>
EXPENDITURES:		
Maintenance and Operation	14,745	14,745
	<hr/>	<hr/>
Total Expenditures	14,745	14,745
	<hr/>	<hr/>
REVENUE IN EXCESS OF EXPENDITURES	159,351	159,351
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):		
Transfers Among Funds	(157,296)	(157,296)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES):	(157,296)	(157,296)
	<hr/>	<hr/>
REVENUE IN EXCESS OF EXPENDITURES AND OTHER FINANCING SOURCES (USES) :	2,055	2,055
	<hr/>	<hr/>
FUND BALANCE, BEGINNING OF YEAR	22,742	22,742
	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	<u>\$24,797</u>	<u>24,797</u>

See accompanying letter and notes to financial statements.

**REPORTS REQUIRED BY  
GOVERNMENTAL AUDITING STANDARDS**

**CITY OF NICOMA PARK, OKLAHOMA  
(INCLUDING THE NICOMA PARK DEVELOPMENT AUTHORITY)  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>CFDA Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance at July 1, 2013</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Ending Balance at June 30, 2014</u>
<u>U.S. Department of Homeiand Security--FEMA</u>						
Passed Thru the Oklahoma Office of Homeiand Security						
Thermal Imager and Advanced Video Chip						
	97.008	<u>\$5,589</u>	<u>          </u>	<u>5,589</u>	<u>5,589</u>	<u>0</u>

The accompanying notes to the financiai statements are an integral part of this statement.

**Putnam & Company, PLLC**  
**Certified Public Accountants**  
**169 E. 32<sup>nd</sup> Street**  
**Edmond, OK 73013**  
**Telephone (405) 348-3800**  
**Fax (405)348-3846**

**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**

Honorable Governing Board  
City of Nicoma Park, 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, each major fund of the City of Nicoma Park, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Nicoma Park's basic financial statements and have issued our report thereon dated March 10, 2015. The report on the City was qualified due to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Nicoma Park'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting 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.

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

*Putnam & Company*

Putnam & Company, PLLC

March 10, 2015

## **MANAGEMENT LETTER AND COMMENTS**

**PUTNAM & COMPANY, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

169 E.32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

FAX (405) 348-3846

March 10, 2015

Honorable Governing Board  
City of Nicoma Park, Oklahoma

We have audited financial statements of the City of Nicoma Park, including the Nicoma Park Development Authority, as of and for the year ended June 30, 2014, as listed in the table of contents, and have issued our report thereon dated March 10, 2015. As a part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 10, 2015, on the financial statements of the City of Nicoma Park.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,



Jerry W. Putnam, CPA

PUTNAM & COMPANY, PLLC

**CITY OF NICOMA PARK  
OKLAHOMA COUNTY, OKLAHOMA  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS:**

Corrective action has been taken by the City with regard to the prior year's comments.

**CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS:**

**PURCHASE ORDERS AND RELATED DOCUMENTATION**

We reviewed purchase orders and related payment documentation on a sample basis. Our testing indicated that the City's payment documentation was very good. Also, the City's staff was able to resolve any questions we presented with respect to those samples by providing additional information and/or additional documentation, as necessary.

**CITY'S RESPONSE TO AUDIT COMMENTS AND RECOMMENDATIONS**

The City has received the findings and recommendations above and will continue to review current procedures in order to implement any necessary changes.