

AUDIT REPORT  
CITY OF HARTSHORNE, OKLAHOMA  
JUNE 30, 2015



KERSHAW CPA & ASSOCIATES, PC

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CITY OF HARTSHORNE, OKLAHOMA  
JUNE 30, 2015

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CITY OF HARTSHORNE, OKLAHOMA  
JUNE 30, 2015

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CITY OF HARTSHORNE, OKLAHOMA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2015

COUNCIL MEMBERS

| <u>NAME</u>       | <u>POSITION</u> | <u>TERM EXPIRATION</u> |
|-------------------|-----------------|------------------------|
| CAROLYN TRUEBLOOD | MAYOR           | APRIL 2019             |
| TOM LARSEN        | COUNCIL         | APRIL 2019             |
| EDDIE KELLY       | COUNCIL         | APRIL 2017             |
| JOHN GROVE        | COUNCIL         | APRIL 2019             |
| TERESA FARRIS     | COUNCIL         | APRIL 2019             |
| DESTINY FRENCH    | COUNCIL         | APRIL 2017             |
| NATHAN SPARKS     | COUNCIL         | APRIL 2019             |
| LEON MACE         | COUNCIL         | APRIL 2017             |
| JOHN BEAUCHAMP    | COUNCIL         | APRIL 2017             |

MANAGEMENT

|             |                |            |
|-------------|----------------|------------|
| DAWN DUNKIN | CITY CLERK     | APRIL 2019 |
| SHIRLEY DAY | CITY TREASURER | APRIL 2017 |

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Hartshorne, 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 aggregate remaining fund information of the City of Hartshorne, Oklahoma, as of and for the fiscal year ended June 30, 2015, 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 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 preparation 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, and in accordance with Oklahoma Statutes. 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

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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 modified audit opinions.

## *Basis for Qualified Opinion*

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The City has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of the Governmental & Business-Type Activities is not readily determinable.

## *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Hartshorne, Oklahoma, as of June 30, 2015, 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.

## *Other Matters*

### *Supplementary and Other Information*

The introductory and supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide an assurance on it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2016, on our consideration of the City of Hartshorne's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements

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and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering City of Hartshorne's internal control over financial reporting and compliance.

## *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 opinion is not modified with respect to this matter.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

June 9, 2016

CITY OF HARTSHORNE, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2015

|  | Governmental<br>Activities | Business-Type<br>Activities | 2015<br>Total       |
|--|----------------------------|-----------------------------|---------------------|
| <b><u>ASSETS</u></b>                   |                            |                             |                     |
| Cash and cash equivalents              | \$ 66,939                  | \$ (7,490)                  | \$ 59,449           |
| Investments                            | 31,455                     | -                           | 31,455              |
| Due from Other Funds                   | -                          | -                           | -                   |
| Restricted Assets:                     |                            |                             |                     |
| Restricted PWA Cash & cash equivalents | -                          | 48,656                      | 48,656              |
| Restricted PWA Investments             | -                          | 131,902                     | 131,902             |
| Police Bonds                           | 7,223                      | -                           | 7,223               |
| Capital Assets                         | 4,053,921                  | 8,438,325                   | 12,492,245          |
| <b>TOTAL ASSETS</b>                    | <b>4,159,538</b>           | <b>8,611,393</b>            | <b>12,770,931</b>   |
| <b><u>LIABILITIES</u></b>              |                            |                             |                     |
| Due to Other Funds                     | -                          | -                           | -                   |
| Police Bonds Payable                   | -                          | -                           | -                   |
| Meter Deposits Payable                 | -                          | 62,745                      | 62,745              |
| Notes Payable                          | -                          | 2,992,200                   | 2,992,200           |
| <b>TOTAL LIABILITIES</b>               | <b>-</b>                   | <b>3,054,944</b>            | <b>3,054,944</b>    |
| <b><u>NET POSITION</u></b>             |                            |                             |                     |
| Net investment in capital assets       | 4,053,921                  | 5,446,125                   | 4,053,921           |
| Restricted for:                        |                            |                             |                     |
| Debt Service                           | -                          | 131,902                     | -                   |
| Other Purposes                         | 7,223                      | -                           | 7,223               |
| Unrestricted                           | 98,395                     | (21,579)                    | 98,395              |
| <b>TOTAL NET POSITION</b>              | <b>\$ 4,159,538</b>        | <b>\$ 5,556,449</b>         | <b>\$ 9,715,987</b> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HARTSHORNE, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| Functions/Programs                    | Expenses            | Program Revenues        |  |  | Net<br>(Expenses)/<br>Revenue |
|---------------------------------------|---------------------|-------------------------|--|--|-------------------------------|
|                                       |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                               |
| <b>Governmental activities:</b>       |                     |                         |  |  |                               |
| Highways and Roads                    | \$ 26,700           | \$ -                    | \$ -                                     | \$ -                                   | \$ (26,700)                   |
| Cultural & Recreation                 | 17,587              | -                       | -  | -                                      | (17,587)                      |
| Public Safety                         | 471,615             | 145,756                 | 4,484                                    | -                                      | (321,374)                     |
| General Government                    | 492,407             | -                       | -  | 15,000                                 | (477,407)                     |
| Public Works Department               | 9,146               | 4,955                   | -  | -                                      | (4,191)                       |
| Debt Service - Interest               | -                   | -                       | -  | -                                      | -                             |
| <b>Total Governmental Activities</b>  | <b>1,017,454</b>    | <b>150,711</b>          | <b>4,484</b>                             | <b>15,000</b>                          | <b>(847,259)</b>              |
| <b>Business-type activities:</b>      |                     |                         |  |  |                               |
| Water                                 | 497,911             | 441,253                 | -  | -                                      | (56,658)                      |
| Sewer                                 | 181,811             | 243,785                 | -  | 45,450                                 | 107,424                       |
| Sanitation                            | 275,623             | 348,868                 | -  | -                                      | 73,245                        |
| Miscellaneous                         | 106,255             | 34,139                  | -  | -                                      | (72,116)                      |
| <b>Total Business-type Activities</b> | <b>1,061,599</b>    | <b>1,068,045</b>        | <b>-</b>                                 | <b>45,450</b>                          | <b>51,896</b>                 |
| <b>Total</b>                          | <b>\$ 2,079,054</b> | <b>\$ 1,218,756</b>     | <b>\$ 4,484</b>                          | <b>\$ 60,450</b>                       | <b>\$ (795,363)</b>           |

## Changes in Net Position:

|   | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| Net (expense)/revenue                         | \$ (847,259)               | \$ 51,896                   | \$ (795,363)        |
| <b>General revenues:</b>                      |                            |                             |                     |
| <b>Taxes:</b>                                 |                            |                             |                     |
| Sales Tax                                     | 567,708                    | -                           | 567,708             |
| Use Tax                                       | 60,217                     | -                           | 60,217              |
| Cigar Tax                                     | 6,619                      | -                           | 6,619               |
| Franchise Tax                                 | 44,705                     | -                           | 44,705              |
| <b>Intergovernmental:</b>                     |                            |                             |                     |
| Alcoholic Beverage Tax                        | 16,015                     | -                           | 16,015              |
| Gasoline Excise Tax                           | 3,839                      | -                           | 3,839               |
| Motor Vehicle Tax                             | 15,480                     | -                           | 15,480              |
| Licenses & Permits                            | 2,767                      | -                           | 2,767               |
| Donations                                     | -                          | -                           | -                   |
| Royalties                                     | 26,416                     | -                           | 26,416              |
| Sale of Lots & Fees                           | 9,638                      | -                           | 9,638               |
| Miscellaneous                                 | 120,670                    | -                           | 120,670             |
| Interest Income                               | 171                        | 369                         | 540                 |
| Transfers - Internal Activity                 | (13,000)                   | 13,000                      | -                   |
| <b>Total general revenues &amp; transfers</b> | <b>861,244</b>             | <b>13,369</b>               | <b>874,613</b>      |
| Changes in net position                       | 13,985                     | 65,265                      | 79,250              |
| Net position - beginning                      | 4,141,709                  | 5,491,184                   | 9,632,893           |
| Net position - prior year adjustment          | 3,844                      | -                           | 3,844               |
| <b>Net position - ending</b>                  | <b>\$ 4,159,538</b>        | <b>\$ 5,556,449</b>         | <b>\$ 9,715,987</b> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HARTSHORNE, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

|  | General<br>Fund  | Street &<br>Alley | Ambulance<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|-------------------|-------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                  |                   |                   |                                |                                |
| Cash and cash equivalents                  | \$ 29,381        | \$ 4,121          | \$ 8,441          | \$ 24,997                      | \$ 66,939                      |
| Investments                                | -                | 31,455            | -                 | -                              | 31,455                         |
| Due from other Funds                       | -                | -                 | -                 | -                              | -                              |
| Restricted Assets:                         |                  |                   |                   |                                |                                |
| PWA Project Fund                           | -                | -                 | -                 | -                              | -                              |
| Police Bonds                               | 7,223            | -                 | -                 | -                              | 7,223                          |
| Meter Deposits                             | -                | -                 | -                 | -                              | -                              |
| <b>TOTAL ASSETS</b>                        | <b>\$ 36,604</b> | <b>\$ 35,576</b>  | <b>\$ 8,441</b>   | <b>\$ 24,997</b>               | <b>\$ 105,618</b>              |
| <b>LIABILITIES &amp; FUND EQUITY</b>       |                  |                   |                   |                                |                                |
| <b>LIABILITIES:</b>                        |                  |                   |                   |                                |                                |
| Due to Other Funds                         | \$ -             | \$ -              | \$ -              | \$ -                           | \$ -                           |
| Police Bonds Payable                       | -                | -                 | -                 | -                              | -                              |
| Meter Deposits Payable                     | -                | -                 | -                 | -                              | -                              |
| <b>TOTAL LIABILITIES</b>                   | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>                       | <b>-</b>                       |
| <b>FUND BALANCES:</b>                      |                  |                   |                   |                                |                                |
| Nonspendable                               | -                | -                 | -                 | -                              | -                              |
| Restricted                                 | -                | 35,576            | -                 | -                              | 35,576                         |
| Committed                                  | -                | -                 | -                 | -                              | -                              |
| Assigned                                   | -                | -                 | 8,441             | 24,997                         | 33,437                         |
| Unassigned                                 | 36,604           | -                 | -                 | -                              | 36,604                         |
| <b>TOTAL FUND BALANCES</b>                 | <b>36,604</b>    | <b>35,576</b>     | <b>8,441</b>      | <b>24,997</b>                  | <b>105,618</b>                 |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 36,604</b> | <b>\$ 35,576</b>  | <b>\$ 8,441</b>   | <b>\$ 24,997</b>               |                                |

## Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$4,053,921, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. 4,053,921

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Position of Governmental Activities \$ 4,159,538

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF HARTSHORNE, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|   | General<br>Fund  | Street &<br>Alley | Ambulance<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------|-------------------|-------------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                  |                   |                   |                                |                                |
| Taxes:  |                  |                   |                   |                                |                                |
| Sales Tax   | \$ 393,662       | \$ -              | \$ 174,045        | \$ -                           | 567,708                        |
| Use Tax   | 60,217           | -                 | -                 | -                              | 60,217                         |
| Cigar Tax   | 6,619            | -                 | -                 | -                              | 6,619                          |
| Franchise Tax   | 44,705           | -                 | -                 | -                              | 44,705                         |
| Intergovernmental:                                      |                  |                   |                   |                                |                                |
| Alcoholic Beverage Tax                                  | 16,015           | -                 | -                 | -                              | 16,015                         |
| Gasoline Excise Tax                                     | -                | 3,839             | -                 | -                              | 3,839                          |
| Motor Vehicle Tax                                       | -                | 15,480            | -                 | -                              | 15,480                         |
| Grants  | 15,000           | -                 | -                 | 4,484                          | 19,484                         |
| User Fees - Public Works Dept.                          | 4,955            | -                 | -                 | -                              | 4,955                          |
| Licenses & Permits                                      | 2,767            | -                 | -                 | -                              | 2,767                          |
| Fines   | 32,509           | -                 | -                 | -                              | 32,509                         |
| Donations   | -                | -                 | -                 | -                              | -                              |
| Royalties   | 26,416           | -                 | -                 | -                              | 26,416                         |
| Charges for Services                                    | -                | -                 | 113,247           | -                              | 113,247                        |
| Sale of Lots & Fees                                     | 8,569            | -                 | -                 | 1,069                          | 9,638                          |
| Miscellaneous Income                                    | 107,441          | -                 | -                 | 13,229                         | 120,670                        |
| Interest Income   | 63               | 85                | 11                | 12                             | 171                            |
| <b>TOTAL REVENUES</b>                                   | <b>718,938</b>   | <b>19,404</b>     | <b>287,303</b>    | <b>18,795</b>                  | <b>1,044,440</b>               |
| <b>EXPENDITURES:</b>                                    |                  |                   |                   |                                |                                |
| Highways and Roads                                      | 9,160            | 17,539            | -                 | -                              | 26,700                         |
| Cultural & Recreation                                   | 17,587           | -                 | -                 | -                              | 17,587                         |
| Public Safety   | 176,422          | -                 | 285,259           | 9,933                          | 471,615                        |
| General Government                                      | 479,928          | -                 | -                 | 12,479                         | 492,407                        |
| Public Works Department                                 | 9,146            | -                 | -                 | -                              | 9,146                          |
| Debt Service  | -                | -                 | -                 | -                              | -                              |
| Capital Outlay  | -                | -                 | -                 | -                              | -                              |
| <b>TOTAL EXPENDITURES</b>                               | <b>692,244</b>   | <b>17,539</b>     | <b>285,259</b>    | <b>22,412</b>                  | <b>1,017,454</b>               |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>26,694</b>    | <b>1,865</b>      | <b>2,045</b>      | <b>(3,618)</b>                 | <b>26,985</b>                  |
| <b>OTHER FINANCING SOURCES (USES):</b>                  |                  |                   |                   |                                |                                |
| Operating Transfers In                                  | -                | -                 | 7,500             | -                              | 7,500                          |
| Operating Transfers Out                                 | (20,500)         | -                 | -                 | -                              | (20,500)                       |
| Capital Debt Proceeds                                   | -                | -                 | -                 | -                              | -                              |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>             | <b>(20,500)</b>  | <b>-</b>          | <b>7,500</b>      | <b>-</b>                       | <b>(13,000)</b>                |
| <b>NET CHANGES IN FUND BALANCES</b>                     | <b>6,194</b>     | <b>1,865</b>      | <b>9,545</b>      | <b>(3,618)</b>                 | <b>13,985</b>                  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | <b>29,994</b>    | <b>33,711</b>     | <b>(4,531)</b>    | <b>28,614</b>                  | <b>87,789</b>                  |
| <b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>             | <b>416</b>       | <b>-</b>          | <b>3,427</b>      | <b>-</b>                       | <b>3,844</b>                   |
| <b>FUND BALANCE - END OF YEAR</b>                       | <b>\$ 36,604</b> | <b>\$ 35,576</b>  | <b>\$ 8,441</b>   | <b>\$ 24,997</b>               | <b>105,618</b>                 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF HARTSHORNE, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

## Reconciliation to Statement of Activities:

|  |    |        |
|--|----|--------|
| Net change in fund balances - total governmental funds   | \$ | 13,985 |
| <br>Amounts reported for governmental activities in the Statement of Activities are different because:   |    |        |
| <br>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:                               |    |        |
| Capital debt obligation principal payments   |    | -      |
| <br>Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position: |    |        |
| Capital Debt Proceeds  |    | -      |
| <br>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:          |    |        |
| Capital asset purchases capitalized  |    | -      |
| Depreciation expense   |    | -      |
|  |    | -      |
| Change in Net Position of Governmental Activities  | \$ | 13,985 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HARTSHORNE, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2015

|   | Hartshorne Public<br>Works Authority<br>Enterprise Fund<br>June 30, 2015 |
|---|--|
| <b><u>ASSETS</u></b>                                  |  |
| <b>Current Assets:</b>                                |  |
| Cash and cash equivalents                             | \$ (7,490)   |
| Restricted cash and cash equivalents                  | 48,656   |
| <b>Total Current Assets</b>                           | <b>41,166</b>  |
| <b>Noncurrent Assets:</b>                             |  |
| Restricted Investments                                | 131,902  |
| Land and construction-in-progress                     | 6,117,135  |
| Other capital assets, net of accumulated depreciation | 2,321,190  |
| <b>Total Noncurrent Assets</b>                        | <b>8,570,227</b>   |
| <b>TOTAL ASSETS</b>                                   | <b>8,611,393</b>   |
| <b><u>LIABILITIES &amp; NET POSITION</u></b>          |  |
| <b>Current Liabilities:</b>                           |  |
| Notes Payable - Current Portion                       | 49,014   |
| <b>Total Current Liabilities</b>                      | <b>49,014</b>  |
| <b>Noncurrent Liabilities:</b>                        |  |
| Due to Depositors                                     | 62,745   |
| Note Payable - RD #1                                  | 2,037,389  |
| Note Payable - RD #3                                  | 954,810  |
| Less: Notes Payable - Current Portion                 | (49,014)   |
| <b>Total Noncurrent Liabilities</b>                   | <b>3,005,930</b>   |
| <b>TOTAL LIABILITIES</b>                              | <b>3,054,944</b>   |
| <b>NET POSITION:</b>                                  |  |
| Net investment in capital assets                      | 5,446,125  |
| Restricted for debt service                           | 131,902  |
| Unrestricted  | (21,579)   |
| <b>TOTAL NET POSITION</b>                             | <b>\$ 5,556,449</b>  |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HARTSHORNE, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS  
 PROPRIETARY FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | Hartshorne Public<br>Works Authority<br>Enterprise Fund<br>June 30, 2015 |
|---|--|
| <b><u>OPERATING REVENUES:</u></b>                             |  |
| Charges for services:   |  |
| Water Sales   | \$ 441,253   |
| Sanitation Fees   | 348,868  |
| Sewer Fees  | 243,785  |
| Penalties   | 22,409   |
| Miscellaneous Income  | 11,729   |
| <b>TOTAL OPERATING REVENUES</b>                               | <b><u>1,068,045</u></b>  |
| <b><u>OPERATING EXPENSES:</u></b>                             |  |
| Water   | 497,911  |
| Sanitation  | 275,623  |
| Sewer   | 181,811  |
| Miscellaneous   | -  |
| Depreciation  | -  |
| <b>TOTAL OPERATING EXPENSES</b>                               | <b><u>955,344</u></b>  |
| <b>NET OPERATING INCOME (LOSS)</b>                            | <b><u>112,701</u></b>  |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                      |  |
| Interest Income   | 369  |
| Interest Expense  | <u>(106,255)</u>   |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>                | <b><u>(105,886)</u></b>  |
| <b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b> | <b>6,815</b>   |
| Capital Contributions   | 45,450   |
| Transfers in  | 13,000   |
| Transfers out   | -  |
| <b>CHANGE IN NET POSITION</b>                                 | <b><u>65,265</u></b>   |
| <b>TOTAL NET POSITION - BEGINNING</b>                         | <b>5,491,184</b>   |
| <b>TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT</b>             | <b><u>-</u></b>  |
| <b>TOTAL NET POSITION - ENDING</b>                            | <b><u>\$ 5,556,449</u></b>   |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF HARTSHORNE, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|   | <u>June 30, 2015</u>     |
|---|--------------------------|
| <b><u>Cash Flows from Operating Activities:</u></b>   |                          |
| Cash Receipts from Customers  | \$ 1,068,045             |
| Other Cash Receipts   | -                        |
| Payments to Suppliers & Laborers for Goods & Services   | (955,344)                |
| Receipts of Customer Utility Deposits, Net of Refunds   | <u>1,894</u>             |
| Net Cash Provided (Used) by Operating Activities  | <u>114,594</u>           |
| <b><u>Cash Flows from Non-Capital Financing Activities:</u></b>   |                          |
| Transfers to other funds  | -                        |
| Transfers from other funds  | <u>13,000</u>            |
| Net Cash Provided (Used) by Non-Capital Financing Activities  | <u>13,000</u>            |
| <b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>                               |                          |
| Capital grant received for construction of capital assets   | 45,450                   |
| Additions to Capital Assets   | (43,207)                 |
| Proceeds from sale of Capital Assets  | -                        |
| Loan Proceeds received  | -                        |
| Principal paid on Notes Payable   | (47,357)                 |
| Interest paid   | <u>(106,255)</u>         |
| Net Cash Provided (Used) by Capital & Related Financing Activities                                      | <u>(151,369)</u>         |
| <b><u>Cash Flows from Investing Activities:</u></b>   |                          |
| Interest Income   | <u>369</u>               |
| Net Cash Provided (Used) by Investing Activities  | <u>369</u>               |
| Net Increase (Decrease) in Cash and Cash Equivalents  | (23,406)                 |
| Cash & Cash Equivalents, Beginning of Year  | 196,474                  |
| Cash & Cash Equivalents, Prior Year Adjustment  | <u>-</u>                 |
| Cash & Cash Equivalents, End of Year  | <u><u>\$ 173,068</u></u> |
| <b><u>Reconciliation of operating income (loss) to net cash provided<br/>operating activities:</u></b>  |                          |
| Operating Income (Loss)   | \$ 112,701               |
| Adjustments to reconcile operating income (loss) to net cash<br>provided (used) by operating activities |                          |
| Depreciation  | -                        |
| Increase(Decrease) in Due to Depositors   | 1,894                    |
| Increase(Decrease) in Payroll Taxes Payable   | <u>-</u>                 |
| Net Cash Provided (Used) by Operating Activities  | <u><u>\$ 114,594</u></u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. REPORTING ENTITY

The City's financial reporting entity is comprised of the following:

|                          |   |
|--------------------------|---|
| Primary Government:      | City of Hartshorne                          |
| Blended Component Units: | Hartshorne Public Works Authority<br>(HPWA) |

PRIMARY GOVERNMENT

The City of Hartshorne is a municipal corporation incorporated under the laws of Indian Territory on March 1, 1900. The City of Hartshorne operates under an elected Mayor-Council form of government. The City provides the following services: public safety (police and fire), highways and streets, sanitation, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the City Council, and there is a financial benefit or burden relationship with the City, or City management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the City; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

of the City. The blended component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The City's blended component unit is presented subsequently:

INCLUDED COMPONENT UNITS

Hartshorne Public Works Authority

In evaluating how to define the City of Hartshorne, 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 set forth in GAAP. 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 manifestation 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. The other 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. The public works component unit is included in the financial statements.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charges to external parties for goods or services.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad funds types and five generic fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

These funds are established 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.

Street & Alley:

The Street & Alley Fund was created under O.S. 11, Section 17-212 which requires each municipality to deposit all monies received under the motor fuel tax and motor vehicle license and registration tax into said fund. Expenditures from this account shall be made as earmarked and provided by law.

Emergency Fund:

The Emergency Fund was created with the intention of creating a reserve (Non-restricted) for unforeseen contingencies. The source of revenue for the fund has been limited to interest and any one-time miscellaneous receipts, i.e. not budgeted.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Municipal Pool Fund:

The Municipal Pool Fund was created for the maintenance and operation of the municipal pool and related facilities.

Ambulance Fund:

The Ambulance Fund was created for the maintenance and operation of an ambulance service for the City. The City has allocated 33 1/3% of its sales tax revenue for the operation of the service.

Cemetery Perpetual Care:

The Cemetery Perpetual Care Funds is used to account for the sale of cemetery lots by the City.

Land Fund:

The Land Fund was created to allocate funds for the purchase of real property, i.e. the purchase of additional cemetery land.

Twin City Youth Fund:

The Twin City Youth Fund was created for the maintenance and operation of the municipal baseball field.

Library Fund:

The Library Fund was created to accumulate the necessary funds needed to aid in the building of a new library.

Volunteer Fire Dept:

The Volunteer Fire Department Fund was established to account for grant funds received and expended.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise funds are used to account for the acquisition, operation and maintenance of Town facilities which are financed primarily by user charges. The Enterprise funds are accounted for similar to activities of the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The Hartshorne Public Works Authority is accounted for as the Town's Enterprise Fund.

Hartshorne Public Works Authority accounts for the activities of the public trust in providing water and sewer services to the public.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. FINANCIAL POSITION

Budgetary Data

The City adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the city charter at the legal level of classification (fund, department & object category) and that the budget be filed with the County Clerk and the State Auditor and Inspector. The City may transfer budgeted amounts within and among departments. The budget is prepared on the cash basis.

Encumbrances

Encumbrances represent commitments related to unperformed contract for goods or services. Municipalities are prohibited by

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

state statute from approving encumbrances which would exceed the current fund balance of any fund. All unencumbered budget appropriations lapse at the end of each fiscal year.

Inventory of Supplies

Inventory of supplies is not reported on the financial statements of the City. The amount of inventory on hand is not material to the financial statements.

Cash

The City maintains separate cash accounts for each fund with the exception of the operating account for the General Fund, the Street and Alley, and part of the Cemetery Fund. These funds are pooled.

Investments

Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless an investment is expressly prohibited by law.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The fair value and cost of investments at June 30, 2015 are the same.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Restricted Cash and Investments

Cash and investments are restricted for customer meter deposits, police bonds received, PWA Improvement Project and PWA Debt Reserve.

Property, Plant and Equipment

Public domain (infrastructure) general capital assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost. The City of Hartshorne does not maintain detailed asset records.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the City's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purposes of each major special revenue fund and revenue source is listed below:

CITY OF HARTSHORNE, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u>   |
|-----------------------------------|---|
| Street & Alley Fund               | Commercial Vehicle Tax<br>Gasoline Excise Tax<br>Grant Income |
| Ambulance Fund                    | Charges for Services  |

Revenues, Expenditures and Expenses

Property Tax Revenues

The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1. For the fiscal year ending June 30, 2015, the City of Hartshorne levied a property tax of 2.30 Mills and collected \$12,478.93.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

- Governmental Fund Types - By Character: Current (further by activity) Capital Outlay
- Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

Vacation, Sick Leave, and Other Compensated Absences

City Employees are entitled to vacation and sick leave based on their length of employment and if they are considered full time employees. Full time employees are defined as 30 hours or more. An employee is entitled to 40 hours of vacation leave and 40 hours of sick leave after one year of continuous employment. If the leave is not taken by the employee's anniversary date, the leave will be lost. Leave will not be paid upon termination of

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

an employee. If an employee does not take their one week of sick leave, it can be taken as vacation leave.

Memorandum Totals

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the City's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installment (\$111,516 and \$42,096), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2015, the Authority was required to have at least \$66,535.20 set aside in the reserve account; as of that date the account balance for the reserve account was \$64,614.35, which does not comply with the covenants of the loan agreement.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the City for this fiscal year.

Excess of Expenditures Over Appropriations

As indicated in Note 1, the City prepares an Estimate of Needs budget. The expenditures for the year did not exceed appropriations.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2015, the City held deposits of approximately \$278,686 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit are 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.

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.).

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Investments held by the City are all certificates of deposit and are stated at cost. The carrying amount of the City's investments at June 30, 2015 was \$163,358 and the bank balance was \$163,358 and was covered by sufficient collateral.

NOTE 4 - CAPITAL ASSETS

City of Hartshorne:

Capital asset activity, for the fiscal year ended June 30, 2015, was as follows:

|   | Balance at<br>June 30, 2014 | Additions   | Deductions  | Balance at<br>June 30, 2015 |
|---|-----------------------------|-------------|-------------|-----------------------------|
| General Fund                                  | \$ 1,185,251                | \$ -        | \$ -        | \$ 1,185,251                |
| Cemetery                                      | 32,645                      | -           | -           | 32,645                      |
| Street & Alley                                | 31,355                      | -           | -           | 31,355                      |
| Library                                       | 403,918                     | -           | -           | 403,918                     |
| Speck Building                                | 1,477,353                   | -           | -           | 1,477,353                   |
| Nutrition                                     | 201,671                     | -           | -           | 201,671                     |
| Volunteer Fire                                | 340,561                     | -           | -           | 340,561                     |
| Utilities                                     | 89,624                      | -           | -           | 89,624                      |
| Ambulance                                     | 232,238                     | -           | -           | 232,238                     |
| Emergency                                     | 47,924                      | -           | -           | 47,924                      |
| Park Supplies                                 | 11,380                      | -           | -           | 11,380                      |
| Public Works                                  | -                           | -           | -           | -                           |
| Subtotal                                      | 4,053,921                   | -           | -           | 4,053,921                   |
| Less: Accum. Depr.                            | -                           | -           | -           | -                           |
| Total Capital Assets<br>(Net of Depreciation) | <u>\$ 4,053,921</u>         | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,053,921</u>         |

Hartshorne Public Works Authority:

Capital asset activity, for the fiscal year ended June 30, 2015, was as follows:

|   | Balance at<br>June 30, 2014 | Additions        | Deductions  | Balance at<br>June 30, 2015 |
|---|-----------------------------|------------------|-------------|-----------------------------|
| Public Works                                  | \$ 2,321,190                | \$ -             | \$ -        | \$ 2,321,190                |
| Construction in Progress - PWA                | 6,073,928                   | 43,207           | -           | 6,117,135                   |
| Subtotal                                      | 8,395,118                   | 43,207           | -           | 8,438,325                   |
| Less: Accum. Depr.                            | -                           | -                | -           | -                           |
| Total Capital Assets<br>(Net of Depreciation) | <u>\$ 8,395,118</u>         | <u>\$ 43,207</u> | <u>\$ -</u> | <u>\$ 8,438,325</u>         |

The City, along with KEDDO (Kiamichi Economic Development District), has prepared a Capital Improvement Plan which lists all of the City's capital assets at replacement cost. This list does not show original cost or prior year depreciation.

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

The current year additions included the PWA Project.

NOTE 5 - LONG-TERM DEBT

During the year ending June 30, 2010, the City incurred a note #92-01 due to Rural Development in the amount of \$2,223,000 with a fixed interest rate of 4.00% with 480 monthly payments of principal and interest of \$9,293.00. The note is for the purpose of providing loan funds for a portion of the cost of the sewer system improvement project. As of June 30, 2011, all loan proceeds have been received from this loan.

During the year ending June 30, 2010, the City incurred a second note #92-03 due to Rural Development in the amount of \$1,063,000 with a fixed interest rate of 2.50% with 480 monthly payments of principal and interest of \$3,508.00. The note is for the purpose of providing loan funds for a portion of the cost of the sewer system improvement project. As of June 30, 2011, all loan proceeds have been received from this loan.

The following is a summary of long-term debt additions and deductions for the year ended June 30, 2015:

|                          | Balance<br>7/1/2014 | Additions   | Deductions         | Balance<br>6/30/2015 |
|--------------------------|---------------------|-------------|--------------------|----------------------|
| Note Payable - RD #92-01 | \$ 2,066,766        | \$ -        | \$ (29,377)        | \$ 2,037,389         |
| Note Payable - RD #92-03 | \$ 972,791          | \$ -        | \$ (17,981)        | \$ 954,810           |
|                          | <u>\$ 3,039,557</u> | <u>\$ -</u> | <u>\$ (47,357)</u> | <u>\$ 2,992,200</u>  |

A summary of future maturities of principal and interest are as follows:

CITY OF HARTSHORNE, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

| Year Ending<br>June 30, | Note Payable - RD 92-01 |                     | Note Payable - RD 92-03 |                   | Total               |
|-------------------------|-------------------------|---------------------|-------------------------|-------------------|---------------------|
|                         | Principal               | Interest            | Principal               | Interest          |                     |
| 2016                    | \$ 30,578               | \$ 80,938           | \$ 18,436               | \$ 23,660         | \$ 153,612          |
| 2017                    | 31,823                  | 79,693              | 18,902                  | 23,194            | 153,612             |
| 2018                    | 33,120                  | 78,396              | 19,380                  | 22,716            | 153,612             |
| 2019                    | 34,469                  | 77,047              | 19,870                  | 22,226            | 153,612             |
| 2020                    | 35,874                  | 75,642              | 20,373                  | 21,723            | 153,612             |
| 2021-2025               | 202,519                 | 355,061             | 109,858                 | 100,622           | 768,060             |
| 2026-2030               | 247,275                 | 310,305             | 124,470                 | 86,010            | 768,060             |
| 2031-2035               | 301,922                 | 255,658             | 141,024                 | 69,456            | 768,060             |
| 2036-2040               | 368,646                 | 188,934             | 159,781                 | 50,699            | 768,060             |
| 2041-2045               | 450,115                 | 107,465             | 181,032                 | 29,448            | 768,060             |
| 2046-2049               | 301,049                 | 18,045              | 141,683                 | 6,469             | 467,248             |
| Total                   | <u>\$ 2,037,389</u>     | <u>\$ 1,627,186</u> | <u>\$ 954,810</u>       | <u>\$ 456,223</u> | <u>\$ 5,075,608</u> |

NOTE 6 - INSURANCE

The City's facilities are insured under a blanket property and general liability insurance policy.

NOTE 7 - CONTINGENT LIABILITIES

The management of the City of Hartshorne is not aware of any contingent liabilities at June 30, 2015 which would materially affect the City's financial statements.

NOTE 8 - RETIREMENT PLAN

The City of Hartshorne provides pension benefits for substantially all of its regular full time employees through a defined contribution plan in the Oklahoma Municipal Retirement Fund (OMRF). The term employee shall not include any individual who is covered by any other state or local retirement system to which the City of Hartshorne make contributions. The employee must work a year before he is eligible for the plan. After six years, the employee is fully vested.

The City of Hartshorne transferred retirement assets from a previous plan to the Oklahoma Municipal Retirement Fund as of April 1, 1996. The amount rolled over for each participating employee became that employee's beginning balance at OMRF.

The City of Hartshorne contributes 7% for all eligible employees and each employee must contribute 3%. The current year's covered payroll

CITY OF HARTSHORNE, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

is \$390,703.03 and total employee and employer contributions to the plan for the year were \$11,721.14 and \$27,349.23, respectively.

The City of Hartshorne has a voluntary firefighters department. The firefighters are provided a retirement plan through the Oklahoma Firefighters Pension and Retirement System. The amount paid to the Oklahoma Firefighters Pension and Retirement System was \$60.00 per fireman. The annual fire department report determines the number of members of each affiliated department.

Dues paid on behalf of the firefighters to the Oklahoma State Firefighters Association was \$1,020.00. The volunteer firemen are not required to make any contributions.

NOTE 9 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

Restricted include those restricted for the meter deposit liability, the police bond liability the debt service reserve.

Fund Balances

City of Hartshorne  
 Disclosure of Fund Balances Reported on Balance Sheet  
 For Fiscal Year Ending June 30, 2015

|                       | General<br>Fund  | Street<br>& Alley<br>Fund | Ambulance<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------|------------------|---------------------------|------------------------------|--------------------------------|--------------------------------|
| <b>FUND BALANCES:</b> |                  |                           |                              |                                |                                |
| Restricted for:       |                  |                           |                              |                                |                                |
| Road Maintenance      | \$ -             | \$ 35,576                 | \$ -                         | \$ -                           | \$ 35,576                      |
| Assigned to:          |                  |                           |                              |                                |                                |
| Ambulance             | -                | -                         | 8,441                        | -                              | 8,441                          |
| Land Fund             | -                | -                         | -                            | -                              | -                              |
| Cemetery Fund         | -                | -                         | -                            | 23,218                         | 23,218                         |
| Fire Dept Fund        | -                | -                         | -                            | 1,779                          | 1,779                          |
| Unassigned            | 36,604           | -                         | -                            | -                              | 36,604                         |
| Total                 | <u>\$ 36,604</u> | <u>\$ 35,576</u>          | <u>\$ 8,441</u>              | <u>\$ 24,997</u>               | <u>\$ 105,618</u>              |

CITY OF HARTSHORNE, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 10 - PWA SEWER SYSTEM IMPROVEMENT PROJECT

The Hartshorne Public Works Authority has been approved by USDA Rural Development for a Sewer System Improvement Project. The loan disbursement cannot exceed \$2,223,000 and \$1,063,000. The grant disbursement cannot exceed \$2,112,800 and \$756,700.

The estimated project costs are as follows:

|                         |                |
|-------------------------|----------------|
| Construction            | \$5,139,690    |
| Engineering             | 317,940        |
| Resident Inspection     | 102,200        |
| Legal fees              | 53,540         |
| Environmental           | 10,000         |
| Additional engineering  | 5,800          |
| Electric to WWTP/Lift   | 100,000        |
| Geotechnical/Survey/DEQ | 12,350         |
| Contingencies           | <u>513,980</u> |
| Total                   | \$6,255,500    |

The project funding is planned in the form of loan and grants from the following sources and amounts:

|                                 |                |
|---------------------------------|----------------|
| Applicant Contributions         | \$ 100,000     |
| Rural Development Initial Loan  | 2,223,000      |
| Rural Development Overrun Loan  | 1,063,000      |
| Rural Development Initial Grant | 2,112,800      |
| Rural Development Overrun Grant | <u>756,700</u> |
| Total                           | \$6,255,500    |

As of June 30, 2015, all loan proceeds from both loans have been received, all of the initial grant has been received and \$745,261.43 of the overrun grant has been received.

NOTE 11 - SUBSEQUENT EVENTS

The City did not have any subsequent events through June 9, 2016, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2015.

NOTE 12 - ADDITIONAL INFORMATION

On October 7, 2011, the District Court of Pittsburg County entered a journal entry of judgment against the City of Hartshorne on behalf of

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Chesapeake Operating, Inc. in reference to case number CJ-2011-00250. The judgment was in the sum of \$29,450.91, plus all court costs accrued and accruing herein, and plus post judgment interest at the statutory rate until paid in full. The judgment is to be paid by a levy of property tax.

For the years ending June 30, 2015, June 30, 2014 and June 30, 2013, \$12,478.93, \$12,548.38 and \$11,986.55, respectively, was collected for property tax. FYE June 30, 2015 was the last year of the property tax.

CITY OF HARTSHORNE, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 - MODIFIED CASH BASIS -  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|  | Budgeted Amounts |                | Actual<br>Amounts | Variance with<br>Final Budget |
|--|------------------|----------------|-------------------|-------------------------------|
|  | Original         | Final          |                   | Positive (Negative)           |
| Beginning Budgetary Fund Balance:            | \$ 29,994        | \$ 29,994      | \$ 29,994         | \$ -                          |
| <b>Resources (Inflows):</b>                  |                  |                |                   |                               |
| <b>Taxes:</b>                                |                  |                |                   |                               |
| Sales Tax                                    | 339,544          | 339,544        | 393,662           | 54,118                        |
| Use Tax                                      | 28,209           | 28,209         | 60,217            | 32,008                        |
| Cigar Tax                                    | 5,877            | 5,877          | 6,619             | 742                           |
| Franchise Tax                                | 43,945           | 43,945         | 44,705            | 761                           |
| <b>Intergovernmental:</b>                    |                  |                |                   |                               |
| Alcoholic Beverage Tax                       | 13,977           | 13,977         | 16,015            | 2,038                         |
| Gasoline Excise Tax                          | -                | -              | -                 | -                             |
| Motor Vehicle Tax                            | -                | -              | -                 | -                             |
| Grants                                       | -                | -              | 15,000            | 15,000                        |
| User Fees - Public Works Dept.               | -                | -              | 4,955             | 4,955                         |
| Licenses & Permits                           | 1,942            | 1,942          | 2,767             | 825                           |
| Fines  | 25,685           | 25,685         | 32,509            | 6,824                         |
| Pool   | -                | -              | -                 | -                             |
| Donations                                    | -                | -              | -                 | -                             |
| Royalties                                    | 12,279           | 12,279         | 26,416            | 14,137                        |
| Lease  | -                | -              | -                 | -                             |
| Charges for Services                         | -                | -              | -                 | -                             |
| Sale of Lots & Fees                          | 11,282           | 11,282         | 8,569             | (2,713)                       |
| Miscellaneous Income                         | 122,660          | 122,660        | 107,441           | (15,219)                      |
| Interest Income                              | 165              | 165            | 63                | (102)                         |
| Capital Debt Proceeds                        | -                | -              | -                 | -                             |
| Transfers In                                 | -                | -              | -                 | -                             |
| <b>Amounts available for appropriation</b>   | <b>635,558</b>   | <b>635,558</b> | <b>748,932</b>    | <b>113,374</b>                |
| <b>Charges to Appropriations (Outflows):</b> |                  |                |                   |                               |
| Highways and Roads                           | -                | -              | 9,160             | (9,160)                       |
| Cultural & Recreation                        | -                | -              | 17,587            | (17,587)                      |
| Public Safety                                | 139,275          | 139,275        | 176,422           | (37,147)                      |
| General Government                           | 495,000          | 495,000        | 479,928           | 15,072                        |
| Public Works Department                      | -                | -              | 9,146             | (9,146)                       |
| Debt Service                                 | -                | -              | -                 | -                             |
| Capital Outlay                               | -                | -              | -                 | -                             |
| Transfers                                    | 1,283            | 1,283          | 20,500            | (19,217)                      |
| <b>Total Charges to Appropriations</b>       | <b>635,558</b>   | <b>635,558</b> | <b>712,744</b>    | <b>(77,185)</b>               |
| Prior Year Adjustments to Fund Balance       | -                | -              | 416               | 416                           |
| Ending Budgetary Fund Balance                | -                | -              | 36,604            | 36,604                        |

CITY OF HARTSHORNE, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 STREET & ALLEY FUND  
 - MODIFIED CASH BASIS -  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | <u>Budgeted Amounts</u> |               | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive (Negative)</u> |
|---|-------------------------|---------------|---------------------------|---|
|   | <u>Original</u>         | <u>Final</u>  |                           |   |
| Beginning Budgetary Fund Balance:                   | \$ 33,711               | \$ 33,711     | \$ 33,711                 | \$ -  |
| <b><u>Resources (Inflows):</u></b>                  |                         |               |                           |   |
| Gasoline Excise Tax                                 | 3,361                   | 3,361         | 3,839                     | 478   |
| Motor Vehicle Tax                                   | 14,284                  | 14,284        | 15,480                    | 1,196   |
| Miscellaneous Income                                | -                       | -             | -                         | -   |
| Interest Income                                     | 73                      | 73            | 85                        | 12  |
| Transfers In  | -                       | -             | -                         | -   |
| Amounts available for appropriation                 | <u>51,429</u>           | <u>51,429</u> | <u>53,115</u>             | <u>1,686</u>  |
| <b><u>Charges to Appropriations (Outflows):</u></b> |                         |               |                           |   |
| Highways and Roads                                  | 51,429                  | 51,429        | 17,539                    | 33,890  |
| Capital Outlay                                      | -                       | -             | -                         | -   |
| Transfers Out                                       | -                       | -             | -                         | -   |
| Total Charges to Appropriations                     | <u>51,429</u>           | <u>51,429</u> | <u>17,539</u>             | <u>33,890</u>   |
| Prior Year Adjustments to Fund Balance              | -                       | -             | -                         | -   |
| Ending Budgetary Fund Balance                       | <u>\$ -</u>             | <u>\$ -</u>   | <u>\$ 35,576</u>          | <u>\$ 35,576</u>  |

CITY OF HARTSHORNE, OKLAHOMA  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2015

The City's annual operating budget represents appropriations as authorized by the Governing Body of the City and the County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The City's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board and the County Excise Board. The legal level of control of the budget is the expenditures category within a department. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

The budget is prepared on the same modified cash basis of accounting as applied to the basic financial statements. Revenues and expenses are reported when they result from cash transactions.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Hartshorne, 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, and in accordance with Oklahoma Statutes, the 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 Hartshorne, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the City of Hartshorne, Oklahoma's basic financial statements, and have issued our report thereon dated June 9, 2016, which was qualified for the improper capital asset recordkeeping.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

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deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Items 15-01, 15-02 and 15-03.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hartshorne's financial statements are free of material misstatement, we performed tests of 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 one instance of noncompliance that is required to be reported under Government Auditing Standards, which is included in the Schedule of Findings as Item 15-04. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

## City of Hartshorne's Response to Findings

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

June 9, 2016

CITY OF HARTSHORNE, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

INTERNAL CONTROL FINDINGS:

Item 15-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the City's major areas of internal control, that would be prevalent in a larger City, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the City.

Response: The Board continues to be actively involved in the operations of the City.

Item 15-02: Meter Deposits

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

Condition: The City does not keep a ledger regarding the balance of customer meter deposits.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: It is recommended that the organization properly report and account for the balance of customer deposits.

Response: The City is aware of the problem and has already taken steps to correct the situation.

Item 15-03: Overdrawn Cash

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

CITY OF HARTSHORNE, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

Condition: The PWA account book balance was negative \$7,490.29 as of the fiscal yearend. The bank reconciliation for the PWA includes large balances of un-reconciled differences which resulted in the negative balance.

Cause/Effect: Overdraft charges have been incurred because of the negative bank balances.

Recommendation: It is recommended that the un-reconciled differences be reconciled.

Response: The City is aware of the problem and has already taken steps to correct the situation.

COMPLIANCE FINDINGS:

Item 15-04: Reserve Requirements

Criteria: The Authority's loan agreement with the USDA Rural Development requires the Authority to maintain reserve accounts. The reserve requirement for the loans is \$153,612, the Authority is required to set aside into a Reserve Account the sum of 10% of the monthly installments or \$1,280.10 each month until there is accumulated in that account the sum of the annual installments (\$153,612), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval.

Condition: Until October 2013, the Authority was making monthly deposits of \$982.57 into the reserve account rather than the required \$1,280.10. The reserve account balance at June 30, 2015 was \$80,083.10, which reflects a deficit of \$1,813.30, because the required balance was \$81,896.40 as of that date.

Cause/Effect: This leaves the Authority out of compliance with the Rural Development loan agreement.

Recommendation: The Authority should deposit \$1,280.10 a month into the reserve account as required by Rural Development and make a deposit to bring the account into compliance.

Response: The Authority made an additional payment in FYE 6/30/14 to bring the account into compliance. However, the additional payment was made during that month and the required monthly payment was not made.

CITY OF HARTSHORNE, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

|  | Sinking<br>Fund | Cemetery<br>Fund | Volunteer<br>Fire Dept | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------|------------------|------------------------|--|
| <b>ASSETS</b>                              |                 |                  |                        |  |
| Cash and cash equivalents                  | \$ -            | \$ 23,218        | \$ 1,779               | \$ 24,997                                  |
| Investments                                | -               | -                | -                      | -  |
| Due from other Funds                       | -               | -                | -                      | -  |
| <b>TOTAL ASSETS</b>                        | <b>\$ -</b>     | <b>\$ 23,218</b> | <b>\$ 1,779</b>        | <b>\$ 24,997</b>                           |
| <b>LIABILITIES &amp; FUND BALANCES</b>     |                 |                  |                        |  |
| <b>LIABILITIES:</b>                        |                 |                  |                        |  |
| Due to Other Funds                         | \$ -            | \$ -             | \$ -                   | \$ -                                       |
| Payroll Taxes                              | -               | -                | -                      | -  |
| <b>TOTAL LIABILITIES</b>                   | <b>-</b>        | <b>-</b>         | <b>-</b>               | <b>-</b>                                   |
| <b>FUND BALANCES:</b>                      |                 |                  |                        |  |
| Nonspendable                               | -               | -                | -                      | -  |
| Restricted                                 | -               | -                | -                      | -  |
| Committed                                  | -               | -                | -                      | -  |
| Assigned                                   | -               | 23,218           | 1,779                  | 24,997                                     |
| Unassigned                                 | -               | -                | -                      | -  |
| <b>TOTAL FUND BALANCES</b>                 | <b>-</b>        | <b>23,218</b>    | <b>1,779</b>           | <b>24,997</b>                              |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ -</b>     | <b>\$ 23,218</b> | <b>\$ 1,779</b>        | <b>\$ 24,997</b>                           |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF HARTSHORNE, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | SPECIAL REVENUE FUNDS |                  |                        | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------|------------------|------------------------|--|
|   | Sinking<br>Fund       | Cemetery<br>Fund | Volunteer<br>Fire Dept |  |
| <b>REVENUES:</b>  |                       |                  |                        |  |
| Taxes:  |                       |                  |                        |  |
| Sales Tax   | \$ -                  | \$ -             | \$ -                   | \$ -                                       |
| Intergovernmental:                                      |                       |                  |                        |  |
| Gasoline Excise Tax                                     | -                     | -                | -                      | -  |
| Motor Vehicle Tax                                       | -                     | -                | -                      | -  |
| Grants  | -                     | -                | 4,484                  | 4,484                                      |
| Charges for Services                                    | -                     | -                | -                      | -  |
| Sale of Lots & Fees                                     | -                     | 1,069            | -                      | 1,069                                      |
| Miscellaneous   | 12,479                | -                | 750                    | 13,229                                     |
| Interest Income   | -                     | -                | 12                     | 12   |
| <b>TOTAL REVENUES</b>                                   | <b>12,479</b>         | <b>1,069</b>     | <b>5,247</b>           | <b>18,795</b>                              |
| <b>EXPENDITURES:</b>                                    |                       |                  |                        |  |
| Highways & Roads  | -                     | -                | -                      | -  |
| Public Safety   | -                     | -                | 9,933                  | 9,933                                      |
| General Government                                      | 12,479                | -                | -                      | 12,479                                     |
| Capital Outlay  | -                     | -                | -                      | -  |
| <b>TOTAL EXPENDITURES</b>                               | <b>12,479</b>         | <b>-</b>         | <b>9,933</b>           | <b>22,412</b>                              |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>-</b>              | <b>1,069</b>     | <b>(4,687)</b>         | <b>(3,618)</b>                             |
| <b>OTHER FINANCING SOURCES (USES):</b>                  |                       |                  |                        |  |
| Operating Transfers In                                  | -                     | -                | -                      | -  |
| Operating Transfers Out                                 | -                     | -                | -                      | -  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>             | <b>-</b>              | <b>-</b>         | <b>-</b>               | <b>-</b>                                   |
| <b>NET CHANGES IN FUND BALANCES</b>                     | <b>-</b>              | <b>1,069</b>     | <b>(4,687)</b>         | <b>(3,618)</b>                             |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | <b>-</b>              | <b>22,149</b>    | <b>6,465</b>           | <b>28,614</b>                              |
| <b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>             | <b>-</b>              | <b>-</b>         | <b>-</b>               | <b>-</b>                                   |
| <b>FUND BALANCE - END OF YEAR</b>                       | <b>\$ -</b>           | <b>\$ 23,218</b> | <b>\$ 1,779</b>        | <b>\$ 24,997</b>                           |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements