
City of Madill, Oklahoma

Financial Statements

Year-End June 30, 2016

City of Madill, Oklahoma
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For the Fiscal Year Ended June 30, 2016

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Independent Auditor's Report

To the Board of Trustees
City of Madill, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Madill, as of and for the year ended June 30, 2016, 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 I(B). 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madill, as of June 30, 2016, 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 I(B).

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madill's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2016, on our consideration of the City of Madill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Madill's internal control over financial reporting and compliance.

Basis of Accounting

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

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
November 25, 2016

City of Madill, Oklahoma
Statement of Net Position - Modified Cash Basis
June 30, 2016

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,444,355.81 | \$ 1,125,075.89 | \$ 2,569,431.70 |
| Restricted Cash and Cash Equivalents | 60,989.63 | 407,648.11 | 468,637.74 |
| Capital Assets | | | |
| Capital Assets, Net of Depreciation | <u>4,697,719.57</u> | <u>4,593,935.79</u> | <u>9,291,655.36</u> |
| Total Assets | <u>\$ 6,203,065.01</u> | <u>\$ 6,126,659.79</u> | <u>\$ 12,329,724.80</u> |
| LIABILITIES | | | |
| Bonds Pending Court | \$ 3,904.96 | \$ - | \$ 3,904.96 |
| Meter deposits | - | 138,141.15 | 138,141.15 |
| Long-Term Liabilities | | | |
| Due Within One Year | 60,997.00 | 257,638.00 | 318,635.00 |
| Due in More Than One Year | <u>205,258.64</u> | <u>1,598,715.35</u> | <u>1,803,973.99</u> |
| Total Liabilities | <u>270,160.60</u> | <u>1,994,494.50</u> | <u>2,264,655.10</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 4,431,463.93 | \$ 2,737,582.44 | \$ 7,169,046.37 |
| Restricted for: | | | |
| Airport | 3.45 | - | 3.45 |
| Debt Service and Capital Projects | 1,113,025.28 | 261,344.00 | 1,374,369.28 |
| Fire | 60,989.63 | - | 60,989.63 |
| Cemetary | 2,728.86 | - | 2,728.86 |
| Unrestricted | <u>324,693.26</u> | <u>1,133,238.85</u> | <u>1,457,932.11</u> |
| Total Net Position | <u>5,932,904.41</u> | <u>4,132,165.29</u> | <u>10,065,069.70</u> |
| Total Liabilities and Net Position | <u>\$ 6,203,065.01</u> | <u>\$ 6,126,659.79</u> | <u>\$ 12,329,724.80</u> |

The accompanying notes are an integral part of these financial statements

City of Madill, Oklahoma
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2016

| | General Fund | One-Cent Sales Tax Fund | Other Governmental Fund | Total Governmental Funds |
|-----------------------------------|----------------------|-------------------------------|-------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | 256,697.50 | 1,055,957.54 | 131,700.77 | 1,444,355.81 |
| Cash in bank - Restricted | 60,989.63 | - | - | 60,989.63 |
| Total Assets | <u>\$ 317,687.13</u> | <u>\$ 1,055,957.54</u> | <u>\$ 131,700.77</u> | <u>\$ 1,505,345.44</u> |
| LIABILITIES AND FUND | | | | |
| Liabilities: | | | | |
| Bonds Pending Court | 3,904.96 | - | - | 3,904.96 |
| Total Liabilities | 3,904.96 | - | - | 3,904.96 |
| Fund Balances: | | | | |
| Restricted | 60,989.63 | - | 2,732.31 | 63,721.94 |
| Assigned | - | 1,055,957.54 | 128,968.46 | 1,184,926.00 |
| Unassigned | 252,792.54 | - | - | 252,792.54 |
| Total Fund Balances | 313,782.17 | 1,055,957.54 | 131,700.77 | 1,501,440.48 |
| Total Liabilities and Fund Balanc | <u>\$ 317,687.13</u> | <u>\$ 1,055,957.54</u> | <u>\$ 131,700.77</u> | <u>\$ 1,505,345.44</u> |

***Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
June 30, 2016***

| | |
|--|------------------------|
| <i>Total Governmental Fund Balances</i> | \$ 1,501,440.48 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | |
| <i>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</i> | 4,697,719.57 |
| <i>Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:</i> | |
| <i>Capital lease obligations</i> | <u>(266,255.64)</u> |
| <i>Net Position of Governmental Activities</i> | <u>\$ 5,932,904.41</u> |

City of Madill, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended June 30, 2016

| | General Fund | One-Cent Sale Tax Fund | Other Governmental Fund | Total Governmental Funds |
|---|----------------------|------------------------------|-------------------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | 2,156,662.50 | 879,933.39 | - | 3,036,595.89 |
| Licenses & Permits | 10,645.20 | - | - | 10,645.20 |
| Charges for services | 122,126.98 | - | 1,537.50 | 123,664.48 |
| Fines & Forfeitures | 82,889.38 | - | - | 82,889.38 |
| Donations & Fundraising | 55,514.88 | - | - | 55,514.88 |
| Grants | 36,507.84 | - | 272,109.00 | 308,616.84 |
| Interest | 40.39 | 1,139.80 | 36.93 | 1,217.12 |
| Rental Income | 60,272.19 | - | - | 60,272.19 |
| Other | 28,451.25 | - | - | 28,451.25 |
| Total revenues | <u>2,553,110.61</u> | <u>881,073.19</u> | <u>273,683.43</u> | <u>3,707,867.23</u> |
| Expenditures: | | | | |
| General government | 715,318.27 | - | 9,270.00 | 724,588.27 |
| Streets & Highways | 175,074.82 | - | - | 175,074.82 |
| Public Safety | 1,232,054.88 | - | - | 1,232,054.88 |
| Cemetery & Parks | 207,429.80 | - | - | 207,429.80 |
| Culture & Recreation | 347,113.34 | - | - | 347,113.34 |
| Debt Service | 53,743.29 | - | - | 53,743.29 |
| Capital Outlay | 340,879.91 | - | 216,458.25 | 557,338.16 |
| Total expenditures | <u>3,071,614.31</u> | <u>-</u> | <u>225,728.25</u> | <u>3,297,342.56</u> |
| Excess revenues over (under) expenditures | (518,503.70) | 881,073.19 | 47,955.18 | 410,524.67 |
| Other Financing Sources and Uses | | | | |
| Transfers In (Out) | 407,496.71 | (835,165.39) | (461.08) | (428,129.76) |
| Total Other Financing Sources and Uses | <u>407,496.71</u> | <u>(835,165.39)</u> | <u>(461.08)</u> | <u>(428,129.76)</u> |
| Excess revenues over (under) expenditures after Transfers | <u>(111,006.99)</u> | <u>45,907.80</u> | <u>47,494.10</u> | <u>(17,605.09)</u> |
| Fund balances at beginning of year | 424,789.16 | 1,010,049.74 | 84,206.67 | 1,519,045.57 |
| Fund balances at end of year | <u>\$ 313,782.17</u> | <u>\$ 1,055,957.54</u> | <u>\$ 131,700.77</u> | <u>\$ 1,501,440.48</u> |

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ended June 30, 2016

| | |
|---|-----------------------|
| <i>Net change in fund balances-total government funds</i> | \$ (17,605.09) |
| <i>Purchase of fixed assets recorded as an expense in the fund financial statements but recorded as an addition to fixed assets in the government wide statements</i> | 557,338.16 |
| <i>Capital financing proceeds recorded as capital debt proceeds in the government funds statements but the proceeds create long-term liabilities in the Statement of Net Assets</i> | - |
| <i>Capital financing payments recorded as an expense in the fund financial statements but not recorded in the government wide statements</i> | 53,743.29 |
| <i>Depreciation expense recorded in the government wide financial statements but not recorded in the individual fund financial statements</i> | <u>(659,663.70)</u> |
| <i>Change in net position of governmental activities</i> | <u>\$ (66,187.34)</u> |

City of Madill, Oklahoma
Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2016

| | <u>Madill Public Works Authority</u> |
|--------------------------------------|--|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 1,125,075.89 |
| Restricted Cash and Cash Equivalents | <u>407,648.11</u> |
| Total Current Assets | 1,532,724.00 |
| Noncurrent Assets: | |
| Net Capital Assets | <u>4,593,935.79</u> |
| Total Noncurrent Assets | <u>4,593,935.79</u> |
| Total Assets | <u><u>\$ 6,126,659.79</u></u> |
| LIABILITIES | |
| Current Liabilities: | |
| Meter Deposits | \$ 138,141.15 |
| Current Portion Long Term Debt | <u>257,638.00</u> |
| Total Current Liabilities | 395,779.15 |
| Noncurrent Liabilities: | |
| Notes Payable | <u>1,598,715.35</u> |
| Total Noncurrent Liabilities | <u>1,598,715.35</u> |
| Total Liabilities | <u>\$ 1,994,494.50</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 2,737,582.44 |
| Restricted | 261,344.00 |
| Unrestricted | <u>1,133,238.85</u> |
| Total Net Position | <u>\$ 4,132,165.29</u> |
| Total Liabilities and Net Position | <u><u>\$ 6,126,659.79</u></u> |

The accompanying notes are an integral part of these financial statements

City of Madill, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis
Proprietary Fund
For the Year Ended June 30, 2016

| | |
|--|------------------------|
| Operating Revenues: | |
| Water | \$ 743,138.99 |
| Sewer | 280,368.06 |
| Garbage | 330,612.09 |
| Administration Fee | 187,400.17 |
| Miscellaneous Charges | <u>3,220.61</u> |
| Total Operating Revenues | 1,544,739.92 |
| | |
| Operating Expenses: | |
| Sanitation Services | 285,250.42 |
| General Services | 649,300.34 |
| Trustees | 39,581.17 |
| General Manager | 82,519.83 |
| Utilities Clerk | 105,657.75 |
| Water Treatment | 305,213.83 |
| Water Distribution | 277,648.71 |
| Wastewater | <u>177,473.16</u> |
| Total Operating Expenses | <u>1,922,645.21</u> |
| | |
| Operating Income (Loss) | (377,905.29) |
| | |
| Non-Operating Revenues (Expenses): | |
| Interest Expense | (66,135.73) |
| Interest Income | <u>1,143.66</u> |
| Net Non-Operating Revenues (Expenses) | <u>(64,992.07)</u> |
| | |
| Change in Net Position Before Transfe | (442,897.36) |
| | |
| Transfers In/Out | <u>428,129.76</u> |
| | |
| Change in Net Position After Transfers | (14,767.60) |
| | |
| Net Position, Beginning of Year | <u>4,146,932.89</u> |
| | |
| Net Position, End of Year | <u>\$ 4,132,165.29</u> |

The accompanying notes are an integral part of these financial statements

City of Madill
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund
For the Year Ending June 30, 2016

| | |
|---|-------------------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 1,544,739.92 |
| Cash paid to employees | (743,658.15) |
| Cash paid to suppliers | <u>(732,113.39)</u> |
| Net cash provided by operating activities | 68,968.38 |
| | |
| Cash flows from investing activities | |
| Interest income | <u>1,143.66</u> |
| Net cash provided by investing activities | 1,143.66 |
| | |
| Cash flows from capital and related financing activities | |
| Purchase of Capital Assets | (129,562.40) |
| Interfund Transfers | 428,129.76 |
| Increase (decrease) in meter deposit liability | 4,158.85 |
| Interest Expense | (66,135.73) |
| Principal paid on capital debt | <u>(261,034.91)</u> |
| Net cash provided (used) for capital and related financing activities | <u>(24,444.43)</u> |
| | |
| Net increase (decrease) in cash and cash equivalents | 45,667.61 |
| | |
| Cash and cash equivalents at beginning of year | <u>1,487,056.39</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 1,532,724.00</u></u> |
| | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | (377,905.29) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation expense | <u>446,873.67</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 68,968.38</u></u> |
| | |
| Reconciliation of Cash and Cash Equivalents | |
| Cash - Unrestricted | \$ 1,125,075.89 |
| Cash - Restricted | <u>407,648.11</u> |
| Total | <u><u>\$ 1,532,724.00</u></u> |

The accompanying notes are an integral part of these financial statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

Blended Component Unit

The Madill Public Works Authority was created January 1, 1971, for the use and benefit of the beneficiary, City of Madill, to furnish, construct, administer and finance any public works facilities or improvements for public purposes under the laws of the State of Oklahoma. The City Council of the City of Madill acts as the Board of Trustees of the Madill Public Works Authority. The rates for user charges and bond issuance authorizations are approved by the government council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is reported as an enterprise fund.

B. Government-wide and fund financial statements

Government-Wide Financial Statements

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

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

City of Madill, Oklahoma
Notes to Financial Statements
June 30, 2016

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

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.

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

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

Fund Financial Statements

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

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

The City reports the following major government funds:

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

One Cent Sales Tax Fund - is a special revenue fund which accounts for dedicated sales tax to be used for repayment of debt by the Madill Public Works Authority, and water, sewer and street improvements. Sales tax is deposited in the One Cent Sales Tax Fund and transferred to the Madill Public Works Authority for payment of debt.

Nonmajor Governmental Funds are the Cemetery, Airport, Capital Project and Grant Funds.

The City reports the Madill Public Works Authority (MPWA) as a major proprietary fund. MPWA accounts for the activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations.

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

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, liabilities, and net position or equity

1. *Deposits and investments*

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

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

The City does not have a specific policy limiting the concentration amount that may be invested with one issuer. The City has no formal policy on managing credit risk.

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

2. *Interfund transactions*

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them

and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3. *Restricted assets*

Certain proceeds of the Authority's notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable loan covenants. Customer utility deposits and reserves held with the Oklahoma Municipal Assurance Group are reported as restricted cash.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 50 |
| Infrastructure | 25 |
| System infrastructure | 30 |
| Vehicles | 5 |
| Machinery and equipment | 10 |

5. *Fund Equity*

Beginning July 1, 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

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

City of Madill, Oklahoma
Notes to Financial Statements
June 30, 2016

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. City of Madill, Oklahoma did not have any nonspendable resources as of June 30, 2016.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. City of Madill, Oklahoma has restricted resources by state law and from grants as of June 30, 2016.

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

Assigned: This classification includes amounts that are constrained by City of Madill, Oklahoma's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the manager through the budgetary process.

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

The City would typically use restricted fund balances first, followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

6. *Government-wide Net Assets*

Government-wide net assets are divided into three components:

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

II. BUDGETARY INFORMATION

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

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

III. DEPOSITS

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. As of June 30, 2016, the City's bank balances were not exposed to custodial credit risk.

IV. CONTRACTUAL OBLIGATIONS

S.O.R.D.

The City has entered into a contract with Southern Oklahoma Regional Disposal (S.O.R.D.) to provide solid waste collection and disposal services for the community. Charges for such services are billed and collected through the MPWA. The MPWA then makes payments to S.O.R.D. according to amounts actually collected on a monthly basis, less a 6% servicing fee retained by the City. The board of S.O.R.D. is made up of government officials from the S.O.R.D. service area.

Cemetery

The City has entered into a purchase contract for the acquisition of certain land for the use of the City's cemetery. Under this contract, the City is required to submit one-tenth (10%) of all proceeds derived from the sale of grave lots within the area of the land purchased to the original land owners. For the year ended June 30, 2016, 10% of these lot sales totaled \$270.

City of Madill, Oklahoma
Notes to Financial Statements
June 30, 2016

V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------|----------------------|-----------|-----------|---------------------|
| Governmental Funds | | | | |
| Land | 94,036 | - | - | 94,036 |
| Land Improvements | 1,552,772 | 249,232 | - | 1,802,004 |
| Buildings | 4,526,911 | - | - | 4,526,911 |
| Furniture and Fixtures | 34,139 | - | - | 34,139 |
| Vehicles | 1,848,418 | 8,616 | - | 1,857,034 |
| Machinery and Equipment | 2,053,841 | 48,588 | - | 2,102,429 |
| Infrastructure | 5,224,482 | 250,902 | - | 5,475,384 |
| Total capital assets | 15,334,599 | 557,338 | - | 15,891,937 |
| Accumulated Depreciation | (10,534,554) | (659,664) | - | (11,194,218) |
| Net Assets | <u>\$ 4,800,045</u> | | | <u>\$ 4,697,719</u> |
| Business-type activities | | | | |
| Land | 676,140 | 11,064 | - | 687,204 |
| Buildings | 56,800 | - | - | 56,800 |
| Vehicles | 268,884 | - | - | 268,884 |
| Machinery and Equipment | 551,214 | 6,084 | - | 557,298 |
| Water System | 11,636,342 | 112,414 | - | 11,748,756 |
| Sewer System | 5,117,757 | - | - | 5,117,757 |
| Total capital assets | 18,307,137 | 129,562 | - | 18,436,699 |
| Accumulated Depreciation | (13,395,890) | (446,874) | - | (13,842,764) |
| Net Assets | <u>\$ 4,911,247</u> | | | <u>\$ 4,593,936</u> |

VI. INTERFUND TRANSFERS

Interfund transfers as of June 30 consisted of the following:

| | Transfer From | | | | Total |
|-------------------------------|----------------------|-----------------------|------------------------|--------------|----------------------|
| | General Fund | One Cent Sales Tax | Madill Public Works | All Other | |
| General Fund | \$ - | \$ - | \$ 51,000.00 | \$ - | \$ 51,000.00 |
| One Cent Sales Tax | 200,549.60 | - | - | - | 200,549.60 |
| Madill Public Works Authority | - | 479,129.76 | - | - | 479,129.76 |
| All Others | - | 53,743.29 | - | - | 53,743.29 |
| Total | <u>\$ 200,549.60</u> | <u>\$ 532,873.05</u> | <u>\$ 51,000.00</u> | <u>\$ -</u> | <u>\$ 784,422.65</u> |

Reconciliation to Fund Financial Statements:

| | Transfers In | Transfers Out | Net Transfers |
|--------------------|----------------------|----------------------|-----------------|
| Governmental Funds | \$ 305,292.89 | \$ 733,422.65 | \$ (428,129.76) |
| Proprietary Funds | 479,129.76 | 51,000.00 | 428,129.76 |
| | <u>\$ 784,422.65</u> | <u>\$ 784,422.65</u> | <u>\$ -</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

City of Madill, Oklahoma
Notes to Financial Statements
June 30, 2016

VII. LONG-TERM LIABILITIES

Long-term liabilities of the City of Madill are as of June 30, 2016, are summarized as follows:

Business-type activities

The first note payable to Landmark Bank carries an interest rate of 2.95%. These monies were used to pay off existing debt and to finance various PWA projects. The balance of this note as of June 30, 2016 was \$1,369,838 and matures in December 2021. The MPWA paid \$225,923 in principal and \$44,485 in interest on this obligation for the year ending June 30, 2016. Payments on this note are \$22,534 per month.

| Year Ending June 30, | Principal | Interest |
|----------------------|--------------|------------|
| 2017 | 233,133 | 37,275 |
| 2018 | 240,104 | 30,304 |
| 2019 | 247,284 | 23,124 |
| 2020 | 254,678 | 15,730 |
| 2021 | 262,294 | 8,114 |
| 2022 | 132,344 | 1,079 |
| Totals | \$ 1,369,838 | \$ 115,626 |

The second note payable to Landmark Bank carries an interest rate of 4.2%. These monies were used for the construction of a standpipe. The balance of this note as of June 30, 2016 was \$486,515 and matures in September 2021. The MPWA paid \$22,856 in principal and \$21,532 in interest on this obligation for the year ending June 30, 2016. Payments on this note are \$3,699 per month.

| Year Ending June 30, | Principal | Interest |
|----------------------|------------|-----------|
| 2017 | 24,505 | 19,886 |
| 2018 | 25,554 | 18,837 |
| 2019 | 26,649 | 17,742 |
| 2020 | 27,790 | 16,601 |
| 2021 | 28,880 | 15,508 |
| 2022 | 353,137 | 4,032 |
| Totals | \$ 486,515 | \$ 92,607 |

The MPWA receives a special one cent sales tax approved for the purpose of assisting the MPWA in meeting principal, interest, and debt service requirements on its authorized indebtedness. Payments are serviced from the One-Cent sales tax fund. During 2016 \$66,136 of interest was paid by the MPWA.

Governmental Activities and Business-Type Activities Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of certain equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the

City of Madill, Oklahoma
Notes to Financial Statements
June 30, 2016

future minimum lease payments. The lease contains a cancellation clause which gives the City the ability to terminate the lease agreement at the end of each fiscal year.

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

| Governmental Activities: | <u>Year Ending June 30</u> | |
|--|--------------------------------|--------------------------|
| | 2017 | \$ 60,997 |
| | 2018 | 56,688 |
| | 2019 | 53,239 |
| | 2020 | 53,239 |
| | 2021 | 53,239 |
| | 2022 | <u>17,636</u> |
| Present value of future minimum lease payments | | \$ 295,039 |
| Less: Interest | | <u>(28,783)</u> |
| Net Minimum Lease Payments | | \$ 266,256 |
| Current Portion | | <u>(60,997)</u> |
| Long-term Portion | | <u><u>\$ 205,259</u></u> |

VIII. PENSION PLANS

Municipal Retirement Plan

The City of Madill and its employees participate in the Oklahoma Municipal Retirement Fund. All regular full-time employees, except those covered under another retirement system are eligible. Employees are vested at 7 years.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at City Hall.

Funding Policy: The contribution requirements of City of Madill and Madill Public Works Authority and employees are established and may be amended by the OMRF board. Employees are required to contribute 4.50 percent of their annual covered salary after tax. City of Madill and Madill Public Works Authority are required to contribute at an actuarially determined rate; the rate at June 30, 2016 is 7.68% percent of covered payroll.

Annual Pension Cost: For 2015-2016, City of Madill and Madill Municipal Authority's annual pension cost of \$44,045 and \$36,374, respectively, were equal to the required contributions. The required contribution was determined as part of the January 1, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) projected salary increases due to inflation of 3 percent, compounded annually, and (III) projected salary increases due to age/seniority, compounded annually. Asset valuation method was actuarial method.

Policemen's Retirement Plan

Police department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equals 2.5% of the average compensation of the highest 30 consecutive months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years. Additional information can be obtained by writing Oklahoma Police Pension and Retirement Board, 1001 N.W. 63rd, Suite 305, Oklahoma City, OK 73116.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2016. Participating members are required to contribute 8%. The City contributed \$53,322 on behalf of its employees for year ending June 30, 2016. Employees contributed \$32,814. Total police payroll and covered payroll for the year was \$518,178 and \$410,169, respectively.

Firefighters' Retirement Plan

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK 73105.

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years. The contribution rates for the City and its employees are established by Statute. The City is required to contribute 14% per the year June 30, 2016. Participating members are required to contribute 9%. The City contributed \$25,939 on behalf of its employees for year ending June 30, 2016. Employees contributed \$16,675. Total fire payroll and covered payroll for the year was \$211,380 and \$185,279 respectively.

IX. CONTINGENCIES

Federal Programs

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2016, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

XIII. RISK MANAGEMENT

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

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

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

XIV. SUBSEQUENT EVENT

Subsequent events have been evaluated through November 25, 2016, which is the date the financial statements were issued.

City of Madill
Special Revenue Funds
Combining Balance Sheet - Modified Cash Basis
June 30, 2016

| | <u>Cemetary Fund</u> | <u>Capital Projects Fund</u> | <u>Grants Fund</u> | <u>Airport Fund</u> | <u>FSB Building Fund</u> | <u>Total Nonmajor Funds</u> |
|---|--------------------------|--------------------------------------|------------------------|-------------------------|------------------------------|-------------------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | 2,728.86 | 86.58 | 57,067.74 | 3.45 | 71,814.14 | 131,700.77 |
| Total Assets | <u>\$ 2,728.86</u> | <u>\$ 86.58</u> | <u>\$ 57,067.74</u> | <u>\$ 3.45</u> | <u>\$ 71,814.14</u> | <u>\$ 131,700.77</u> |
| LIABILITIES | | | | | | |
| Accounts Payable | - | - | - | - | - | - |
| Accrued Liabilities | - | - | - | - | - | - |
| Due to Other Funds | - | - | - | - | - | - |
| Total Liabilities | - | - | - | - | - | - |
| FUND BALANCES | | | | | | |
| Restricted | 2,728.86 | - | - | 3.45 | - | 2,732.31 |
| Assigned | - | 86.58 | 57,067.74 | - | 71,814.14 | 128,968.46 |
| Total Fund Balances | <u>2,728.86</u> | <u>86.58</u> | <u>57,067.74</u> | <u>3.45</u> | <u>71,814.14</u> | <u>131,700.77</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 2,728.86</u> | <u>\$ 86.58</u> | <u>\$ 57,067.74</u> | <u>\$ 3.45</u> | <u>\$ 71,814.14</u> | <u>\$ 131,700.77</u> |

The accompanying footnotes are an integral part of these financial statements

City of Madill
Special Revenue Funds
Statement of Revenues, Expenditures and Changes in Net Position - Modified Cash Basis
For the Year Ending June 30, 2016

| | Cemetary Fund | Capital Projects Fund | Grants Fund | Airport Fund | FSB Building Fund | Total Nonmajor Funds |
|---|--------------------------|--------------------------------------|------------------------|-------------------------|------------------------------|-------------------------------------|
| Revenues | | | | | | |
| Charges for Services | 1,537.50 | - | - | - | - | 1,537.50 |
| Interest Revenues | 0.62 | - | - | - | 36.31 | 36.93 |
| Grant Revenues | - | - | 55,650.00 | 216,459.00 | - | 272,109.00 |
| Total Revenues | <u>1,538.12</u> | <u>-</u> | <u>55,650.00</u> | <u>216,459.00</u> | <u>36.31</u> | <u>273,683.43</u> |
| Expenditures | | | | | | |
| Maintenance & Operations | 9,270.00 | - | - | - | - | 9,270.00 |
| Capital Outlay | - | - | - | 216,458.25 | - | 216,458.25 |
| Total Expenses | <u>9,270.00</u> | <u>-</u> | <u>-</u> | <u>216,458.25</u> | <u>-</u> | <u>225,728.25</u> |
| Excess Revenues over Expenses | (7,731.88) | - | 55,650.00 | 0.75 | 36.31 | 47,955.18 |
| Other Financing Sources and Uses | | | | | | |
| Transfers In/Out | - | (461.08) | - | - | - | (461.08) |
| Total Other Financing Sources and Uses | <u>-</u> | <u>(461.08)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(461.08)</u> |
| Net Change in Fund Balances | <u>(7,731.88)</u> | <u>(461.08)</u> | <u>55,650.00</u> | <u>0.75</u> | <u>36.31</u> | <u>47,494.10</u> |
| Fund Balances, Beginning | 10,460.74 | 547.66 | 1,417.74 | 2.70 | 71,777.83 | 84,206.67 |
| Fund Balances, Ending | <u>\$ 2,728.86</u> | <u>\$ 86.58</u> | <u>\$ 57,067.74</u> | <u>\$ 3.45</u> | <u>\$ 71,814.14</u> | <u>\$ 131,700.77</u> |

The accompanying notes are an integral part of these financial statements

Russell & Williams CPA's, P.C.

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

To the Board of Trustees
City of Madill

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Madill, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Madill's basic financial statements, and have issued our report thereon dated November 25, 2016.

The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2016-1

Compliance and Other Matters

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

City of Madill's Response to Findings

City of Madill's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Madill'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.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
November 25, 2016

Schedule of Findings and Responses

2016-1 Financial Reporting (Repeat Finding)

Condition – Material adjustments were necessary to prepare the financial statements. In addition, the City does not have a financial reporting system in place to ensure that the trial balances used in the year-end financial statement preparation process is final, contains all valid journal entries, and that all relevant information is disclosed in the appropriate accounting period and in accordance with the basis of accounting used to prepare the financial statements.

Criteria - Effective internal control over financial reporting includes the identification and analysis of the risk of material misstatements in the financial statements. Management is responsible for designing a system to manage the risks even if the preparation is transferred to a service provider. An individual with sufficient awareness of or experience in accounting principles and disclosure requirements should be designated to oversee the preparation of the year-end financial statements.

Effect – Material adjustments were necessary.

Cause –The internal control structure of the City focuses primarily on daily operations. The staff does reconcile the monthly financial information needed to provide accurate reports on a budgetary basis. The City does not currently have a control system in place to determine that the trial balances used in the financial statement preparation process at year-end are final when prepared on the modified cash basis or to determine appropriate financial statement disclosures.

Recommendation – The City needs to evaluate the cost of engaging a third party or designating and training an employee with sufficient awareness of or experience in accounting principles related to municipalities to ensure that all journal entries are recorded and that supporting financial records agree with the general ledger for all accounts as needed at yearend to report on the modified cash basis. In addition, this person would be responsible for determining year-end financial disclosures are adequate..

Management Response – We plan to engage an outside CPA to assist with financial reporting when necessary. We will continue to focus on ways that we can perform more of the financial reporting duties at year-end. Furthermore, once all audit adjusting entries have been made most of this finding will be irrelevant.