

**TOWN OF OCHELATA GOVERNMENTAL UNIT**

Ochelata, Oklahoma

**FINANCIAL STATEMENTS**

*For The Year Ended June 30, 2017*

Together With Independent Auditor's Report

**JUDITH K. BALLARD, CPA, PC**

*Certified Public Accountant*

220 West Main Street - PO Box 746

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**Town of Ochelata, Oklahoma**  
**Audit of Financial Statements**  
**June 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

Mayor and Members of the Town Council  
Town of Ochelata, Oklahoma

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

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ochelata, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Ochelata'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 2; 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ochelata, Oklahoma, as of June 30, 2017, and the respective changes in financial position-modified cash basis and,

where applicable, cash flows, thereof, for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

### **Basis of Accounting**

I draw attention to Note 2 of the financial statements, which 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. My opinions are not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Ochelata, Oklahoma's basic financial statements. The combining and individual non-major 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 non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 2.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated August 6, 2018 on my consideration of the Town of Ochelata's internal control over financial reporting and on my 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 my 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ochelata, Oklahoma's internal control over financial reporting and compliance.



Stroud, Oklahoma  
August 6, 2018

**Town of Ochelata, Oklahoma**  
**Statement of Net Position**  
**Modified Cash Basis**

June 30, 2017

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	292,220	283,443	575,663
Investments	32,087	-	32,087
Internal balances	1,344	(1,344)	-
Total current assets	<u>\$ 325,651</u>	<u>\$ 282,099</u>	<u>\$ 607,750</u>
Noncurrent assets:			
Restricted cash and investments	-	21,585	21,585
Capital assets	406,692	3,300,248	3,706,940
Total noncurrent assets	<u>406,692</u>	<u>3,321,833</u>	<u>3,728,525</u>
Total assets	<u>732,343</u>	<u>3,603,932</u>	<u>4,336,275</u>
<b>Liabilities</b>			
Current liabilities:			
Customer deposits	-	21,585	21,585
Current portion of long-term debt	-	557,714	557,714
Total current liabilities	<u>-</u>	<u>579,299</u>	<u>579,299</u>
Noncurrent liabilities:			
Notes payable	-	631,201	631,201
Total noncurrent liabilities	<u>-</u>	<u>631,201</u>	<u>631,201</u>
Total liabilities	<u>-</u>	<u>1,210,500</u>	<u>1,210,500</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	406,692	2,111,333	2,518,025
Restricted for economic development	-	45,354	45,354
Restricted for cemetery purposes	9,783		9,783
Unrestricted	315,868	236,745	552,613
Total net position	<u>\$ 732,343</u>	<u>\$ 2,393,432</u>	<u>\$ 3,125,775</u>

The accompanying notes are an integral part of these financial statements.

**Town of Ochelata, Oklahoma**  
**Statement of Activities**  
**Modified Cash Basis**  
**Year Ended June 30, 2017**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	63,267	-	-	-	(63,267)	-	(63,267)
Public safety	5,116	-	-	-	(5,116)	-	(5,116)
Cultural and recreation	-	-	-	2,250	2,250	-	2,250
Public works	19,119	-	-	3,373	(15,746)	-	(15,746)
Total government activities	87,502	-	-	5,623	(81,879)	-	(81,879)
Business-type activities:							
Water and sewer	344,789	281,350	-	-	-	(63,439)	(63,439)
Interest expense	52,899	-	-	-	-	(52,899)	(52,899)
Economic development	22,625	92,960	-	-	-	70,335	70,335
Sanitation	74,903	83,029	-	-	-	8,126	8,126
Total business-type activities	495,216	457,339	-	-	-	(37,877)	(37,877)
Total government	\$ 582,718	\$ 457,339	\$ -	\$ 5,623	\$ (81,879)	\$ (37,877)	\$ (119,756)
General revenues:							
Taxes:							
Sales					102,298	-	102,298
Franchise					13,454	-	13,454
Alcoholic beverage					1,364	-	1,364
Tobacco					1,237	-	1,237
Gas					471	-	471
Motor vehicle					2,912	-	2,912
Interest income					437	352	789
Miscellaneous					9,984	9,492	19,476
Lot sales					2,050	-	2,050
Capital contributions					-	-	-
Total general revenues and transfers					134,207	9,844	144,051
Change in net position					52,328	(28,033)	24,295
Net position, beginning					680,015	2,421,465	3,101,480
Net position, ending					\$ 732,343	\$ 2,393,432	3,125,775

The accompanying notes are an integral part of these financial statements.

**Town of Ochelata, Oklahoma**  
**Balance Sheet**  
**Modified Cash Basis - Governmental Funds**  
**June 30, 2017**

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	256,218	10,178	25,824	292,220
Investments	-	28,087	4,000	32,087
Due from other funds	1,262	(55)	137	1,344
<b>Total assets</b>	<u><u>\$ 257,480</u></u>	<u><u>\$ 38,210</u></u>	<u><u>\$ 29,961</u></u>	<u><u>\$ 325,651</u></u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	-	9,783	9,783
Committed	-	-	-	-
Assigned	-	38,210	20,178	58,388
Unassigned	257,480	-	-	257,480
<b>Total fund balances</b>	<u>257,480</u>	<u>38,210</u>	<u>29,961</u>	<u>325,651</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 257,480</u></u>	<u><u>\$ 38,210</u></u>	<u><u>\$ 29,961</u></u>	<u><u>\$ 325,651</u></u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	555,220	
Less accumulated depreciation	<u>(148,528)</u>	<u>406,692</u>
<b>Net position of governmental activities</b>		<u><u>\$ 732,343</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Ochelata, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Modified Cash Basis - Governmental Funds**

**Year Ended June 30, 2017**

	<u><b>General Fund</b></u>	<u><b>Cemetery General</b></u>	<u><b>Other Governmental Funds</b></u>	<u><b>Total Governmental Funds</b></u>
<b>Revenues</b>				
Taxes	118,353	-	3,383	121,736
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Donations	-	2,373	3,250	5,623
Lot Sales	-	2,050	-	2,050
Other	9,934	50	-	9,984
Interest	125	301	11	437
Total revenues	<u>\$ 128,412</u>	<u>\$ 4,774</u>	<u>\$ 6,644</u>	<u>\$ 139,830</u>
<b>Expenditures</b>				
Personal services	24,293	3,600	-	27,893
Maintenance and operations	35,091	615	2,851	38,557
Capital outlay	6,652	-	6,600	13,252
Total expenditures	<u>66,036</u>	<u>4,215</u>	<u>9,451</u>	<u>79,702</u>
Excess of revenues over (under) expenditures	62,376	559	(2,807)	60,128
<b>Other financing sources (uses)</b>				
Transfers in (out)	-	(312)	312	-
Capital contributions	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(312)</u>	<u>312</u>	<u>-</u>
<b>Net change in fund balances</b>	62,376	247	(2,495)	60,128
Fund balances, beginning	195,104	37,963	32,456	265,523
Fund balances, ending	<u>\$ 257,480</u>	<u>\$ 38,210</u>	<u>\$ 29,961</u>	<u>\$ 325,651</u>

The accompanying notes are an integral part of these financial statements.



**Town of Ochelata, Oklahoma**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities**

**Year Ended June 30, 2017**

Net change in fund balances - total governmental funds	60,128
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Adjustments for the statement of activities:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.

Excess of depreciation expense over capital outlay expenditures	<u>(7,800)</u>
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Change in net position of governmental activities	<u><u>\$ 52,328</u></u>
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The accompanying notes are an integral part of these financial statements.

**Town of Ochelata, Oklahoma**  
**Statement of Net Position**  
**Modified Cash Basis - Proprietary Funds**

June 30, 2017

	<b>Ochelata Utilities Authority</b>	<b>Ochelata Economic Development Authority</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	238,089	45,354	283,443
Due (to)/from other funds	(1,344)	-	(1,344)
Total current assets	<u>\$ 236,745</u>	<u>\$ 45,354</u>	<u>\$ 282,099</u>
Noncurrent assets:			
Restricted cash and cash equivalents	21,585	-	21,585
Capital assets	2,697,490	602,758	3,300,248
Total noncurrent assets	<u>2,719,075</u>	<u>602,758</u>	<u>3,321,833</u>
Total assets	<u>2,955,820</u>	<u>648,112</u>	<u>3,603,932</u>
<b>Liabilities</b>			
Current liabilities:			
Customer deposits	21,585	-	21,585
Current portion of long-term debt	39,129	518,585	557,714
Total current liabilities	<u>60,714</u>	<u>518,585</u>	<u>579,299</u>
Noncurrent liabilities:			
Notes payable	631,201	-	631,201
Total noncurrent liabilities	<u>631,201</u>	<u>-</u>	<u>631,201</u>
Total liabilities	<u>691,915</u>	<u>518,585</u>	<u>1,210,500</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	2,027,160	84,173	2,111,333
Restricted for economic development	-	45,354	45,354
Unrestricted	236,745	-	236,745
Total net position	<u>\$ 2,263,905</u>	<u>\$ 129,527</u>	<u>\$ 2,393,432</u>

The accompanying notes are an integral part of these financial statements.

**Town of Ochelata, Oklahoma**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Position - Modified Cash Basis - Proprietary Funds**  
**Year Ended June 30, 2017**

	<u><b>Ochelata Utilities Authority</b></u>	<u><b>Ochelata Economic Development Authority</b></u>	<u><b>Total</b></u>
<b>Operating revenues</b>			
Charges for services:			
Water	196,019	-	196,019
Wastewater	85,331	-	85,331
Sanitation	83,029	-	83,029
Rental income	-	92,960	92,960
Other	9,492	-	9,492
Total operating revenues	<u>\$ 373,871</u>	<u>\$ 92,960</u>	<u>\$ 466,831</u>
<b>Operating expenses</b>			
Water and sewer	225,203	-	225,203
Sanitation	74,903	-	74,903
Rental expense	-	750	750
Depreciation expense	119,586	21,875	141,461
Total operating expenses	<u>419,692</u>	<u>22,625</u>	<u>442,317</u>
Net operating income (loss)	(45,821)	70,335	24,514
<b>Nonoperating revenues (expenses)</b>			
Interest income	317	35	352
Interest expense	(29,517)	(23,382)	(52,899)
Total nonoperating revenues (expenses)	<u>(29,200)</u>	<u>(23,347)</u>	<u>(52,547)</u>
<b>Special Items and Transfers</b>			
Transfers in (out)	-	-	-
Total special items and transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	(75,021)	46,988	(28,033)
Net position, beginning	<u>2,338,926</u>	<u>82,539</u>	<u>2,421,465</u>
Net position, ending	<u><u>\$ 2,263,905</u></u>	<u><u>\$ 129,527</u></u>	<u><u>\$ 2,393,432</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Ochelata, Oklahoma**  
**Statement of Cash Flows**  
**Modified Cash Basis - Proprietary Funds**  
**June 30, 2017**

	<b>Ochelata Utilities Authority</b>	<b>Ochelata Economic Development Authority</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	373,871	92,960	466,831
Payments to suppliers	(278,858)	(750)	(279,608)
Payments to employees	(21,248)	-	(21,248)
Net cash provided (used) by operating activities	<u>73,765</u>	<u>92,210</u>	<u>165,975</u>
<b>Cash flows from noncapital financing activities</b>			
Meter deposit increase	3,277	-	3,277
Net cash provided (used) by noncapital financing activities	<u>3,277</u>	<u>-</u>	<u>3,277</u>
<b>Cash flows from capital and related financing activities</b>			
Principal paid on long-term debt	(40,344)	(57,358)	(97,702)
Interest expense	(29,517)	(23,382)	(52,899)
Transfers in (out)	-	-	-
Acquisition/construction of capital assets	(7,553)	-	(7,553)
Net cash provided (used) by capital and related financing activities	<u>(77,414)</u>	<u>(80,740)</u>	<u>(158,154)</u>
<b>Cash flows from investing activities</b>			
Interest income	317	35	352
Net cash provided (used) by investing activities	<u>317</u>	<u>35</u>	<u>352</u>
Net increase (decrease) in cash and cash equivalents	(55)	11,505	11,450
Cash and cash equivalents, beginning	259,729	33,849	293,578
Cash and cash equivalents, ending	<u>\$ 259,674</u>	<u>\$ 45,354</u>	<u>\$ 305,028</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Net operating income (loss)	(45,821)	70,335	24,514
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	119,586	21,875	141,461
Changes in assets and liabilities:			
Total adjustments	<u>119,586</u>	<u>21,875</u>	<u>141,461</u>
Net cash provided (used) by operating activities	<u>\$ 73,765</u>	<u>\$ 92,210</u>	<u>\$ 165,975</u>

The accompanying notes are an integral part of these financial statements.

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**

June 30, 2017

**Note 1: Organization**

The Town of Ochelata, Oklahoma, (the Town) operates under a Town Board of Trustees form of government under Title 11 of the *Oklahoma Statutes*. The Town provides the following services to its citizens: streets and cemetery; sanitation; utilities; and general administrative services.

**Note 2: Summary of significant accounting policies**

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The modified cash basis of accounting includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**A. Reporting entity**

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town's financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town.

Blended component units - **The Ochelata Utilities Authority (OUA)** serves all the citizens of the Town and is governed by a board comprised by the Town's elected board of trustees. The rates for user charges and debt authorizations are approved by the Town Board of Trustees. OUA has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate utility facilities within the boundaries of the Town. OUA is reported as an enterprise fund.

**The Ochelata Economic Development Authority (OEDA)** has as its purpose to promote economic development within the Town. The OEDA is governed by a board comprised of the Town's elected board of trustees. Currently, the OEDA leases land to a wax plant located in the town. During the year, the OEDA received lease payments totalling \$92,960 from the plant. OEDA is reported as an enterprise fund.

Separate financial statements have not been prepared for the component units.

**B. Government-wide and fund 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.

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**

June 30, 2017

**B. Government-wide and fund financial statements (Continued)**

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. Revenues are recorded when received and expenses when paid, with the exception of proceeds from long term debt which are recorded as a liability, and capital assets acquired, which are capitalized, with a provision for depreciation.

In the fund financial statements, the current financial resources measurement focus, as applied to the modified cash basis of accounting, is used for governmental funds, while the economic resources measurement focus is used for proprietary funds. The current financial resources measurement focus includes only current financial assets and liabilities on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period.

In the government-wide statement of net position and statement of activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed and provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Cemetery General fund accounts for the general financial resources of the cemetery.

The Town reports the following major proprietary funds:

The Ochelata Utilities Authority accounts for the Town's water and wastewater utility operations.

The Ochelata Economic Development Authority promotes economic development in the Town.

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

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**

June 30, 2017

**C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

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.

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 Ochelata Utilities Authority enterprise fund are charges to customers for sales and services. The principal operating revenues of the Ochelata Economic Development Authority are land lease revenues. Operating expenses for enterprise funds include the cost of sales, services, and administrative expenses. 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net position or equity**

***Deposits and investments***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, and any Oklahoma county, school district, or municipality.

Investments for the Town, as well as for its component units are reported at fair value and consist of certificates of deposit with maturities in excess of three months.

***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$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 an 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.

***Long-term obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. As of June 30, 2017, both the Ochelata Utilities Authority and Ochelata Economic Development Authority had outstanding debt.

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2017**

***Fund equity***

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

**Nonspendable** – This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** - This is the portion of the fund balance that has constraints placed on the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from restricted fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned. Constraints imposed on the use of committed amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that commit amounts to specific purposes is not considered to be legally enforceable.

**Assigned** – This is the portion of the fund balance constrained by the intent of the Town Council to be used for specific purposes, but is neither restricted nor committed.

**Unassigned** – This is the residual classification of fund balance in the general fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

**Note 3: Budgetary information**

Budgets are prepared on the budget basis of accounting, which demonstrates compliance with cash basis and budget laws of State of Oklahoma, and is another comprehensive basis of accounting. The Town did prepare a legal budget for the current fiscal year for the general fund and special revenue funds.

**Note 4: Detailed notes on all funds**

**A. Deposits and investments**

***Deposits***

The Town's carrying amount of deposits reflected \$628,338 and the bank balances reflected \$649,948 as of June 30, 2017. Deposits are carried at cost.

**Custodial Credit Risk - Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2017, the Town's bank balances were adequately covered by FDIC insurance and bank pledges.

**B. Restricted assets**

The Ochelata Utilities Authority is required to set aside funds representing the meter deposits received from town customers. At June 30, 2017, the customer meter deposits totalled \$21,585 and the amount set aside in the bank was \$21,585.



**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**  
June 30, 2017

**C. Long-term debt**

Long-term liabilities of the Ochelata Utilities Authority as of June 30, 2017 are summarized as follows:

Note payable with American Heritage Bank, dated September 9, 2014, with an original amount of \$737,580: At 7/1/2016, the balance was \$710,674. During the fiscal year, principal payments of \$40,344 were made leaving a note balance of \$670,330 at June 30, 2017. The note was obtained to help finance sewer improvements. The note is due and payable in 192 monthly payments of \$5,572 beginning October 15, 2015 and includes interest of 4.25%. The note is secured by revenues generated by the utility system. The debt obligation to maturity for this note is as follows for the years ending:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	39,129	27,733
2019	40,825	26,037
2020	42,594	24,268
2021	44,440	22,422
2022	46,366	20,496
2023-2027	263,768	70,540
2028-2032	193,208	13,299
<b>Total</b>	<b>\$ 670,330</b>	<b>\$ 204,795</b>

Long-term liabilities of the Ochelata Economic Development Authority as of June 30, 2017 are summarized as follows:

Note payable with American Bank of Oklahoma, dated March 16, 2015, with an original amount of \$655,790: At 7/1/2016, the balance was \$575,943. During the fiscal year, principal payments of \$57,358 were made leaving a note balance of \$518,585 at June 30, 2017. The note was obtained to help finance the construction of industrial buildings for a wax plant located in town. The note is due and payable in 11 quarterly payments of \$20,185 beginning June 6, 2015 and one balloon payment due March 16, 2018 for the remaining principal balance owing as well as accrued interest due. The note has an interest rate of 4.16% and is secured by real estate. The debt obligation to maturity for this note is as follows for the years ending:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	518,586	15,717
<b>Total</b>	<b>\$ 518,586</b>	<b>\$ 15,717</b>

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ochelata Utilities Authority	1,344
Other Governmental	General	82
Other Governmental	Other governmental	55
<b>Total</b>	<b>\$</b>	<b>1,481</b>

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 5: Other information**

**A. Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town has insurance for the major risks such as property and general liability. Commercial insurance is used to cover general liability claims and the risk of loss to city buildings and mobile equipment. Judgments against the Town may be paid by a property tax assessment over a three-year period.

**B. Commitments and contingencies**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**Note 6: Consideration of Subsequent Events**

Subsequent events have been evaluated through August 6, 2018, which is the date the financial statements are available to be issued.

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**  
June 30, 2017

**Note 7: Summary of Capital Assets:**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	40,700	6,600	-	47,300
Depreciable Assets:				
Infrastructure	357,658	-	-	357,658
Buildings	35,679	-	-	35,679
Equipment	99,479	7,650	-	107,129
Vehicles	-	-	-	-
Furniture/Fixtures	7,454	-	-	7,454
<b>Totals at historical cost</b>	<b>540,970</b>	<b>14,250</b>	<b>-</b>	<b>555,220</b>
Less accumulated depreciation for:				
Infrastructure	37,086	11,922	-	49,008
Buildings	11,469	1,402	-	12,871
Equipment	71,839	7,984	-	79,823
Vehicles	-	-	-	-
Furniture/Fixtures	6,084	742	-	6,826
<b>Total accumulated depreciation</b>	<b>126,478</b>	<b>22,050</b>	<b>-</b>	<b>148,528</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 414,492</b>	<b>\$ (7,800)</b>	<b>\$ -</b>	<b>\$ 406,692</b>
<b>Business-type Activities</b>				
Non-Depreciable Assets				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Land	-	-	-	-
Depreciable Assets				
Equipment	60,038	7,553	-	67,591
Buildings	660,065	-	-	660,065
Sewer system	3,310,536	-	-	3,310,536
Water system	667,821	-	-	667,821
<b>Totals at historical cost</b>	<b>4,698,460</b>	<b>7,553</b>	<b>-</b>	<b>4,706,013</b>
Less accumulated depreciation for:				
Equipment	39,714	6,299	-	46,013
Buildings	34,097	22,215	-	56,312
Sewer system	903,248	94,717	-	997,965
Water system	287,245	18,230	-	305,475
<b>Total accumulated depreciation</b>	<b>1,264,304</b>	<b>141,461</b>	<b>-</b>	<b>1,405,765</b>
<b>Business-type activities capital asset, net</b>	<b>\$ 3,434,156</b>	<b>\$ (133,908)</b>	<b>\$ -</b>	<b>\$ 3,300,248</b>
<b>Depreciation expense was charged to governmental functions as follows:</b>				
Public Works				\$ 11,922
Public Safety				3,736
General Government				6,392
<b>Total depreciation expense</b>				<b>\$ 22,050</b>

**Town of Ochelata, Oklahoma**  
**Combining Balance Sheet**  
**Modified Cash Basis - Nonmajor Governmental Funds**  
**Year Ended June 30, 2017**

	<b>Special Revenue</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Park</b>	<b>Street and Alley</b>	<b>Cemetery Perpetual Care</b>	
<b>Assets</b>				
Cash and cash equivalents	12,356	7,740	5,728	25,824
Investments	-	-	4,000	4,000
Due from other funds	-	82	55	137
<b>Total assets</b>	<b>\$ 12,356</b>	<b>\$ 7,822</b>	<b>\$ 9,783</b>	<b>\$ 29,961</b>
<b>Liabilities</b>				
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	-	-	9,783	9,783
Committed	-	-	-	-
Assigned	12,356	7,822	-	20,178
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>12,356</b>	<b>7,822</b>	<b>9,783</b>	<b>29,961</b>
<b>Total liabilities and fund     balances</b>	<b>\$ 12,356</b>	<b>\$ 7,822</b>	<b>\$ 9,783</b>	<b>\$ 29,961</b>

**Town of Ochelata, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Modified Cash Basis - Nonmajor Governmental Funds**

**Year Ended June 30, 2017**

	<b>Special Revenue</b>			
	<b>Park</b>	<b>Street and Alley</b>	<b>Cemetery Perpetual Care</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Taxes	-	3,383	-	3,383
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Donations	2,250	-	1,000	3,250
Interest	-	5	6	11
<b>Total revenues</b>	<b>\$ 2,250</b>	<b>\$ 3,388</b>	<b>\$ 1,006</b>	<b>\$ 6,644</b>
<b>Expenditures</b>				
Maintenance and operations	-	2,848	3	2,851
Capital outlay	-	-	6,600	6,600
<b>Total expenditures</b>	<b>-</b>	<b>2,848</b>	<b>6,603</b>	<b>9,451</b>
<b>Excess of revenues over (under) expenditures</b>	<b>2,250</b>	<b>540</b>	<b>(5,597)</b>	<b>(2,807)</b>
<b>Other financing sources (uses)</b>				
Transfers in (out)	-	-	312	312
Capital contributions	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>312</b>	<b>312</b>
<b>Net change in fund balances</b>	<b>2,250</b>	<b>540</b>	<b>(5,285)</b>	<b>(2,495)</b>
<b>Fund balances, beginning</b>	<b>10,106</b>	<b>7,282</b>	<b>15,068</b>	<b>32,456</b>
<b>Fund balances, ending</b>	<b>\$ 12,356</b>	<b>\$ 7,822</b>	<b>\$ 9,783</b>	<b>\$ 29,961</b>

# JUDITH K. BALLARD, CPA, PC

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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 Mayor and City Council  
Town of Ochelata, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ochelata, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Ochelata, Oklahoma's basic financial statements, and have issued my report thereon dated August 6, 2018. As described in my report on the financial statements the Town prepares its financial statements on the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

**Purpose of this Report**

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

*Juliett K. Ballard, CPA, PC*

Stroud, Oklahoma  
August 6, 2018