

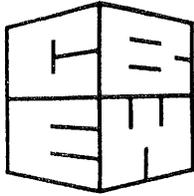
CITY OF GEARY
Geary, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2014

**CITY OF GEARY
Geary, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

September 16, 2014

Honorable Board of City Commissioners
City of Geary
Geary, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Geary, Oklahoma, (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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.

Basis for Qualified Opinions

As discussed in Note 1 to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. Also, the City has elected to not report depreciation on these capital assets. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

Qualified Opinions

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

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 27 through 28 and the notes on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

City of Geary
September 16, 2014

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF GEARY
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 391,167	\$ 184,541	\$ 575,708
Investments, at cost	-	23,500	23,500
Receivables (net of allowance for uncollectibles):			
Accounts receivable	115,872	175,057	290,929
Restricted assets:			
Cash & cash equivalents	-	-	-
Prepaid costs	6,692	15,614	22,306
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	903,586	2,039,672	2,943,258
Total assets	<u>1,417,317</u>	<u>2,438,384</u>	<u>3,855,701</u>
Deferred outflows of resources:			
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Accounts payable	10,722	12,797	23,519
Accrued payroll	-	2,883	2,883
Accrued compensated absences payable (Note 1)	-	11,512	11,512
Accrued sales tax	-	2,077	2,077
Interest payable	-	3,036	3,036
Meter deposits	-	77,788	77,788
Notes payable (Notes 2 & 3)	-	32,672	32,672
Revenue bonds payable (Notes 2 & 3)	-	35,204	35,204
Non-current liabilities:			
Notes payable (Notes 2 & 3)	-	96,675	96,675
Revenue bonds payable (Notes 2 & 3)	-	1,630,484	1,630,484
Total liabilities	<u>10,722</u>	<u>1,905,128</u>	<u>1,915,850</u>
Deferred inflows of resources:			
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Net position:			
Invested in capital assets, net of related debt	903,586	244,637	1,148,223
Restricted	441,186	-	441,186
Unrestricted	61,823	288,619	350,442
Total net position	<u>\$ 1,406,595</u>	<u>\$ 533,256</u>	<u>\$ 1,939,851</u>

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

CITY OF GEARY
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
General government	\$ 249,462	\$ 481	\$ -	\$ -	\$ (248,981)
Total general government	<u>249,462</u>	<u>481</u>	<u>-</u>	<u>-</u>	<u>(248,981)</u>
Public safety and judiciary:					
Fire and ambulance	27,117	-	27,587	-	470
Municipal court	10,626	97,231	-	-	86,605
Police	598,232	-	-	-	(598,232)
Total public safety and judiciary	<u>635,975</u>	<u>97,231</u>	<u>27,587</u>	<u>-</u>	<u>(511,157)</u>
Transportation:					
Streets	118,782	-	-	-	(118,782)
Total transportation	<u>118,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,782)</u>
Cultural, parks and recreation:					
Library	35,190	-	6,069	-	(29,121)
Cemetery	10,150	14,400	-	-	4,250
Parks	24,818	4,270	-	-	(20,548)
Total cultural, parks and recreation	<u>70,158</u>	<u>18,670</u>	<u>6,069</u>	<u>-</u>	<u>(45,419)</u>
Unallocated depreciation*	46,610	-	-	-	(46,610)
Total governmental activities	<u>1,120,987</u>	<u>116,382</u>	<u>33,656</u>	<u>-</u>	<u>(970,949)</u>
Business-type activities					
Electric	663,151	2,079,478	-	-	1,416,327
Water	490,229	-	-	-	(490,229)
Sewer	8,076	-	-	-	(8,076)
Sanitation	101,804	-	-	-	(101,804)
Gas	274,200	-	-	-	(274,200)
Unallocated depreciation*	133,861	-	-	-	(133,861)
Financing costs	72,177	-	-	-	(72,177)
Total business-type activities	<u>1,743,498</u>	<u>2,079,478</u>	<u>-</u>	<u>-</u>	<u>335,980</u>
Total	<u>\$ 2,864,485</u>	<u>\$ 2,195,860</u>	<u>\$ 33,656</u>	<u>\$ -</u>	<u>\$ (634,969)</u>

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(970,949)	335,980	(634,969)
General revenues:			
Taxes:			
Sales, use and cigarette taxes	543,077	-	543,077
Franchise taxes	4,241	-	4,241
Intergovernmental	27,470	-	27,470
Investment earnings	1,251	1,045	2,296
Miscellaneous	25,317	-	25,317
Gain/(loss) on sale of asset	-	751	751
Royalties	31,202	-	31,202
Transfers	286,119	(286,119)	-
Total general revenues and transfers	<u>918,677</u>	<u>(284,323)</u>	<u>634,354</u>
Change in net position	(52,272)	51,657	(615)
Net position - beginning of year	1,458,867	481,599	1,940,466
Net position - end of year	<u>\$ 1,406,595</u>	<u>\$ 533,256</u>	<u>\$ 1,939,851</u>

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

**CITY OF GEARY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	<u>General Fund (Major)</u>	<u>Special Revenue Street & Alley Fund (Non-major)</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 340,099	\$ 51,068	\$ 391,167
Investments, at cost	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts receivable	115,872	-	115,872
Prepaid costs	6,692	-	6,692
Total assets	<u>\$ 462,663</u>	<u>\$ 51,068</u>	<u>\$ 513,731</u>
Liabilities:			
Accounts payable	\$ 10,722	\$ -	\$ 10,722
Accrued payroll	-	-	-
Payable from restricted assets:			
Appearance bonds	-	-	-
Total liabilities	<u>10,722</u>	<u>-</u>	<u>10,722</u>
Fund balances:			
Restricted for:			
Street	-	51,068	51,068
Committed to:			
Cemetery	29,622	-	29,622
Park renovation	553	-	553
Construction	310,023	-	310,023
CDBG	43,367	-	43,367
Drug & alcohol	4,050	-	4,050
Library	2,503	-	2,503
Unassigned	<u>61,823</u>	<u>-</u>	<u>61,823</u>
Total fund balances	<u>451,941</u>	<u>51,068</u>	<u>503,009</u>
Total liabilities and fund balances	<u>\$ 462,663</u>	<u>\$ 51,068</u>	<u>\$ 513,731</u>

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

CITY OF GEARY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Total Governmental Funds \$ 503,009

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. These assets consist of:

Buildings	\$	826,286	
Equipment		4,459,597	
Vehicles		156,232	
Accumulated depreciation		<u>(4,538,529)</u>	
			<u>903,586</u>

Net position of governmental activities \$ 1,406,595

CITY OF GEARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Fund (Major)	Special Revenue Street & Alley Fund (non-major)	Total Governmental Funds
Revenues:			
Charges for services	\$ 4,270	\$ -	\$ 4,270
Cemetery	14,400	-	14,400
Cigarette taxes	6,300	-	6,300
Franchise fees	4,241	-	4,241
Fines and forfeits	97,231	-	97,231
Grant revenues	33,656	-	33,656
Interest	1,114	137	1,251
Intergovernmental programs	15,243	12,226	27,469
Licenses and permits	481	-	481
Miscellaneous revenue	24,513	805	25,318
Royalties	31,202	-	31,202
Sales and use taxes	536,777	-	536,777
Total revenues	<u>769,428</u>	<u>13,168</u>	<u>782,596</u>
Expenditures:			
Current:			
General government	249,462	-	249,462
Public safety	635,975	-	635,975
Highways & roads	104,988	13,794	118,782
Cultural and recreational	70,158	-	70,158
Capital outlay	133,038	-	133,038
Total expenditures	<u>1,193,621</u>	<u>13,794</u>	<u>1,207,415</u>
Excess of revenues over (under) expenditures	(424,193)	(626)	(424,819)
Other financing uses:			
Operating transfers in (out)	286,119	-	286,119
Excess of revenues over (under) expenditures & transfers	(138,074)	(626)	(138,700)
Fund balance - beginning of year	<u>590,015</u>	<u>51,694</u>	<u>641,709</u>
Fund balance - end of year	<u>\$ 451,941</u>	<u>\$ 51,068</u>	<u>\$ 503,009</u>

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

CITY OF GEARY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES
IN NET POSITION
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (138,700)

Amounts reported for governmental activities in the Statement of Activities are different because:

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (46,610)

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 133,038

Change in Net Position of Governmental Activities \$ (52,272)

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

**CITY OF GEARY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

Business-type Activities - Enterprise Funds

	Geary Utility Authority	Totals
Assets:		
Cash and investments:		
Cash & cash equivalents (Note 1)	\$ 184,541	\$ 184,541
Investments, at cost	23,500	23,500
Receivables (net of allowance for uncollectibles):		
Accounts receivable	175,057	175,057
Prepaid costs	15,614	15,614
Capital assets:		
Depreciable buildings, property, equipment and infrastructure (Notes 1 & 2)	2,039,672	2,039,672
Total assets	2,438,384	2,438,384
Deferred outflows of resources:		
Total deferred outflows	-	-
Liabilities:		
Current liabilities:		
Accounts payable	12,797	12,797
Accrued expenses	2,883	2,883
Accrued compensated absences payable	11,512	11,512
Accrued sales tax	2,077	2,077
Interest payable	3,036	3,036
Meter deposits	77,788	77,788
Notes payable (Notes 2 & 3)	32,672	32,672
Revenue bonds payable (Notes 2 & 3)	35,204	35,204
Non-current liabilities:		
Notes payable (Notes 2 & 3)	96,675	96,675
Revenue bonds payable (Notes 2 & 3)	1,630,484	1,630,484
Total liabilities	1,905,128	1,905,128
Deferred inflows of resources:		
Total deferred inflows	-	-
Net position:		
Invested in capital assets, net of related debt	244,637	244,637
Unrestricted	288,619	288,619
Total net position	\$ 533,256	\$ 533,256

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

CITY OF GEARY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 Year Ended June 30, 2014

Business-type Activities - Enterprise Funds

	<u>Geary Utility Authority</u>	<u>Totals</u>
Revenues:		
Charges for services	\$ 2,079,478	\$ 2,079,478
Miscellaneous revenue	-	-
Total revenues	<u>2,079,478</u>	<u>2,079,478</u>
Operating expense:		
Depreciation	133,861	133,861
Electric service	663,151	663,151
Water service	490,229	490,229
Sewer service	8,076	8,076
Garbage service	101,804	101,804
Gas expense	274,200	274,200
Total operating expense	<u>1,671,321</u>	<u>1,671,321</u>
Income before non-operating revenues, expenses & transfers	<u>408,157</u>	<u>408,157</u>
Non-operating revenues (expenses):		
Interest revenue	1,045	1,045
Interest expense	(72,177)	(72,177)
Gain/(loss) on sale of asset	751	751
Total	<u>(70,381)</u>	<u>(70,381)</u>
Income (loss) before operating transfers	<u>337,776</u>	<u>337,776</u>
Transfers in (out)	<u>(286,119)</u>	<u>(286,119)</u>
Change in net position	51,657	51,657
Net position - beginning of year	<u>481,599</u>	<u>481,599</u>
Net position - end of year	<u>\$ 533,256</u>	<u>\$ 533,256</u>

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

CITY OF GEARY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

Business-type Activities - Enterprise Funds

	<u>Geary Utility Authority</u>	<u>Totals</u>
Cash flows from operating activities:		
Cash received from customers & service users	\$ 2,060,949	\$ 2,060,949
Cash payments for goods & services & employees	<u>(1,603,102)</u>	<u>(1,603,102)</u>
Net cash provided by operating activities	<u>457,847</u>	<u>457,847</u>
Cash flows from noncapital financing activities:		
Change in due to/from accounts	-	-
Change in meter deposits	(18,129)	(18,129)
Operating transfers in (out) to other funds	<u>(286,119)</u>	<u>(286,119)</u>
Net cash provided (used) for noncapital financing activities	<u>(304,248)</u>	<u>(304,248)</u>
Cash flows from capital and related financing activities:		
Acquisition & construction of capital assets	(222,883)	(222,883)
Proceeds from sale of surplus property	751	751
Principal paid on debt	(139,371)	(139,371)
Interest paid on debt	<u>(72,608)</u>	<u>(72,608)</u>
Net cash provided (used) for capital and related financing activities	<u>(434,111)</u>	<u>(434,111)</u>
Cash flows from investing activities:		
(Purchase) liquidation of investments - unrestricted	-	-
Interest on investments	<u>1,045</u>	<u>1,045</u>
Net cash provided by investing activities	<u>1,045</u>	<u>1,045</u>
Net increase (decrease) in cash & cash equivalents	(279,467)	(279,467)
Cash and cash equivalents - beginning of year	<u>464,008</u>	<u>464,008</u>
Cash and cash equivalents - end of year	<u>\$ 184,541</u>	<u>\$ 184,541</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 408,157</u>	<u>\$ 408,157</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	133,861	133,861
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,529)	(18,529)
(Increase) decrease in prepaid costs	1,303	1,303
Increase (decrease) in accounts payable	(53,522)	(53,522)
Increase (decrease) in accrued expenses	<u>(13,423)</u>	<u>(13,423)</u>
Total adjustments	<u>49,690</u>	<u>49,690</u>
Net cash provided by operating activities	<u>\$ 457,847</u>	<u>\$ 457,847</u>

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

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Units/Trusts:

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

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

The City has no blended component units.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

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

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley. Management has elected to report this fund as a major within the financial statements.

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

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

Geary Utility Authority – accounts for the operations of providing Geary Utility to the City.

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

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

2. Fair Value of Financial Instruments

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

3. Estimates

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

4. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

5. Inventories

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

6. Capital Assets

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

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

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

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

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

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

8. Long-term Obligations

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

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Long-term Obligations (Continued)

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Net Position/Fund Balance

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

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

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

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

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

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

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Net Position/Fund Balance (Continued)

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

10. Resource Use Policy

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

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the City held deposits of approximately \$598,164 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

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

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

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

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of deposit	N/A	23,500	23,500
Total investments		\$ 23,500	\$ 23,500
<u>Reconciliation to Statement of Net Position</u>			
			\$ -
Governmental activities			-
Business-type activities			23,500
			\$ 23,500

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificates of deposit (\$23,500).

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

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

	Balance 6/30/2013	Additions	Disposals	Balance 6/30/2014
Governmental Activities				
Depreciable Assets				
Vehicles	\$ 336,806	\$ -	\$ (6,500)	330,306
Buildings	826,286	-	-	826,286
Equipment	4,092,412	117,287	-	4,209,699
Capitalized Leases	60,074	15,750	-	75,824
Total Depreciable Assets*	<u>5,315,578</u>	<u>133,037</u>	<u>(6,500)</u>	<u>5,442,115</u>
Less Accumulated Depreciation				
Vehicles	(92,265)	(6,147)	6,500	(91,912)
Buildings	(460,044)	(15,947)	-	(475,991)
Equipment	(3,913,218)	(20,118)	-	(3,933,336)
Capitalized Leases	(32,892)	(4,398)	-	(37,290)
Total Accumulated Depreciation	<u>(4,498,419)</u>	<u>(46,610)</u>	<u>6,500</u>	<u>(4,538,529)</u>
Net Governmental Assets	817,159	86,427	-	903,586
Depreciable Assets				
Buildings	410,850	-	-	410,850
Equipment	1,024,246	27,364	-	1,051,610
Vehicles	229,180	11,200	-	240,380
Infrastructure	9,615,099	184,319	-	9,799,418
Total Depreciable Assets	<u>11,279,375</u>	<u>222,883</u>	<u>-</u>	<u>11,502,258</u>
Less Accumulated Depreciation				
Buildings	(399,288)	(19,347)	-	(418,635)
Equipment	(1,019,433)	(11,294)	-	(1,030,727)
Vehicles	(158,824)	(26,190)	-	(185,014)
Infrastructure	(7,751,180)	(77,030)	-	(7,828,210)
Total Accumulated Depreciation	<u>(9,328,725)</u>	<u>(133,861)</u>	<u>-</u>	<u>(9,462,586)</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 1,950,650</u>	<u>\$ 89,022</u>	<u>\$ -</u>	<u>\$ 2,039,672</u>

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

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Long-term Debt

Long-term debt of the City consists of notes payable. Debt service requirements for notes are payable solely from fund balance and future revenues of the Geary Utility Authority. The following briefly describes these notes payable:

(1)	Note payable to Cornerstone Bank, Watonga, Oklahoma, collateralized by the garbage truck. Note is dated January 4, 2012 with monthly payments of \$2,593 through January 2018 with interest at 5.49% until maturity.	\$ 101,591
(2)	Note payable to Oklahoma Municipal Power Authority, collateralized by the line truck with digger. Note is dated July 7, 2011 with monthly payments of \$1,866 through July 2013 with interest at 1.7% until maturity. Paid off in current year.	-
(3)	Note payable to Municipal Electrical System of Oklahoma, Inc., collateralized by electrical system upgrades. The note is dated June 1, 2012 with a lump-sum payment of \$70,000 due June 1, 2014. Paid off in current year.	-
(4)	Note payable to Bank of Western Oklahoma, Geary, Oklahoma, collateralized by the K-9 unit. Note is dated May 13, 2013 with monthly payments of \$664 through May 13, 2018 with interest at 6% until maturity.	27,756
(5)	A note payable to Oklahoma Water Resources Board, secured by utility revenues and accounts, contract rights and other assets owned by Geary Utilities Authority. The note is payable beginning March 15, 2013 in monthly installments of installments of \$8,415 including interest and administrative fee at 3.99%.	<u>1,665,688</u>
	Total Proprietary Fund long-term debt	\$ <u>1,795,035</u>

The following is a summary of long-term debt transactions of the proprietary fund:

	Original Amount	Balance Outstanding 7/1/13	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/14	Current Portion
Geary Utilities Authority:						
OWRB	\$ 1,775,000	\$ 1,698,280	\$ -	\$ (32,592)	\$ 1,665,688	\$ 35,204
MESO	70,000	70,000	-	(70,000)	-	-
Cornerstone Bank	158,453	128,535	-	(26,944)	101,591	26,190
Bank of Western OK	34,355	33,866	-	(6,110)	27,756	6,482
OMPA	44,000	3,725	-	(3,725)	-	-
Total	<u>\$ 2,081,808</u>	<u>\$ 1,934,406</u>	<u>\$ -</u>	<u>\$ (139,371)</u>	<u>\$ 1,795,035</u>	<u>\$ 67,876</u>

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Long-term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	\$ 67,876	\$ 72,187	\$ 140,063
2016	71,178	68,885	140,063
2017	74,652	65,411	140,063
2018	65,278	62,453	127,731
2019	41,285	59,692	100,977
2020-2024	232,998	271,886	504,884
2025-2029	284,349	220,535	504,884
2030-2034	347,015	157,868	504,883
2035-2039	423,493	81,392	504,885
2040-2041	186,911	6,247	193,158
Total debt service requirements	<u>\$ 1,795,035</u>	<u>\$ 1,066,556</u>	<u>\$ 2,861,591</u>

3. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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

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

B. Contingent Liabilities

The City is a defendant in ongoing litigation and various legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

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 which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Plan

Description of Plan

The City provides pension benefits for substantially all of its full time employees (excluding firemen who are covered under a separate state retirement system) through a defined benefit cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined benefit plan. An employee includes any person who, if last hired after July 1, 1971, had not reached his 60th birthday at the time of hiring. An employee is eligible to participate in the Plan on the employee's employment commencement date, which means the first day of the first pay period during which the employee receives wages as an employee from which federal taxes are withheld. An employee becomes fully vested after ten years. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

Funding Policy

The required contribution rate for the 2013-2014 plan year was 10.43% of each participant's payroll. The members are not required nor permitted to contribute to the plan. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost

The City's annual pension cost of \$45,352 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods.

The contribution from the City for this plan was \$66,955, \$44,325 and \$45,352 for 2012, 2013 and 2014, respectively.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plan (Continued)

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
1/1/2005	\$ 479,395	Actuarial	\$ 456,122	\$ (23,273)	105.1%
1/1/2006	517,659	Actuarial	511,529	(6,130)	101.2%
1/1/2007	551,952	Actuarial	451,653	(100,299)	122.2%
1/1/2008	577,747	Actuarial	544,235	(33,512)	106.2%
1/1/2009	572,355	Actuarial	619,590	47,235	92.4%
1/1/2010	615,900	Actuarial	712,168	96,268	86.5%
1/1/2011	685,885	Actuarial	782,069	96,184	87.7%
1/1/2012	748,677	Actuarial	800,410	51,733	93.5%
1/1/2013	840,374	Actuarial	898,499	58,125	93.5%
1/1/2014	932,341	Actuarial	982,790	50,449	94.9%

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

Fire Department Plan

Only the City's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

Funding Policy

The City is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer fireman. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and an appropriation by the State of Oklahoma.

The City's contributions to OFPRS were \$960, \$1,200 and \$1,140 for 2012, 2013 and 2014, respectively.

D. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2014, no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2013 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

4. SUBSEQUENT EVENTS

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

CITY OF GEARY
Geary, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

CITY OF GEARY
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Charges for services	\$ 6,000	\$ 6,000	\$ 4,270	\$ (1,730)
Cemetery	12,300	12,300	14,400	2,100
Cigarette taxes	7,200	7,200	6,300	(900)
Franchise fees	3,700	3,700	4,241	541
Fines and forfeits	42,000	42,000	97,231	55,231
Grant revenues	8,000	8,000	33,656	25,656
Interest	3,000	3,000	1,114	(1,886)
Intergovernmental programs	16,500	16,500	15,243	(1,257)
Licenses and permits	600	600	481	(119)
Miscellaneous revenue	14,700	14,700	24,513	9,813
Royalties	20,000	20,000	31,202	11,202
Sales and use taxes	580,000	580,000	536,777	(43,223)
Total revenues	<u>714,000</u>	<u>714,000</u>	<u>769,428</u>	<u>55,428</u>
Expenditures:				
Current:				
General government	252,640	252,640	249,462	3,178
Public safety	668,436	668,436	635,975	32,461
Highways & roads	259,353	259,353	104,988	154,365
Cultural & recreational	70,718	70,718	70,158	560
Capital outlay	409,832	409,832	133,038	276,794
Total expenditures	<u>1,660,979</u>	<u>1,660,979</u>	<u>1,193,621</u>	<u>467,358</u>
Excess of revenue over (under) expenditures	(946,979)	(946,979)	(424,193)	522,786
Other financing sources (uses):				
Operating transfers in (out)	-	-	286,119	286,119
Net changes in fund balance	(946,979)	(946,979)	(138,074)	808,905
Fund balance - beginning of year	<u>590,015</u>	<u>590,015</u>	<u>590,015</u>	<u>-</u>
Fund balance at end of year	<u>\$ (356,964)</u>	<u>\$ (356,964)</u>	<u>\$ 451,941</u>	<u>\$ 808,905</u>

CITY OF GEARY
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest	-	-	137	137
Grant revenues	-	-	-	-
Intergovernment programs	11,000	11,000	12,226	1,226
Miscellaneous	-	-	805	805
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>13,168</u>	<u>2,168</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways, roads, & airport	51,694	51,694	13,794	37,900
Cultural & recreational	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>51,694</u>	<u>51,694</u>	<u>13,794</u>	<u>37,900</u>
Excess of revenue over (under) expenditures	(40,694)	(40,694)	(626)	40,068
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Net changes in fund balance	(40,694)	(40,694)	(626)	40,068
Fund balance - beginning of year	<u>51,694</u>	<u>51,694</u>	<u>51,694</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 51,068</u>	<u>\$ 40,068</u>

CITY OF GEARY
Geary, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2014
(Unaudited)

BUDGETARY INFORMATION

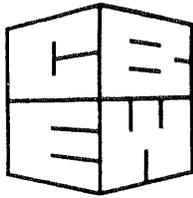
Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized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

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

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF GEARY
Geary, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2014



CBEW
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Group, LLP
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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**

September 16, 2014

Honorable Board of City Commissioners
City of Geary
Geary, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Geary, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Geary, Oklahoma's basic financial statements, and have issued our report thereon dated September 16, 2014. The report on governmental and business-type activities was qualified because of the lack of fixed asset records and failure to provide depreciation on those fixed assets. Additionally, the City did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

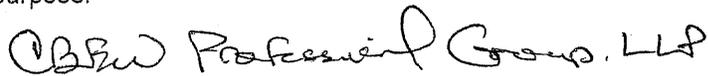
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is 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.

A handwritten signature in black ink that reads "CBEW Professional Group, LLP". The signature is written in a cursive, flowing style.

CBEW Professional Group, LLP
Certified Public Accountants

**CITY OF GEARY
Geary, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014**

None.