

CITY OF
BARNSDALL

FINANCIAL STATEMENTS

AND AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2020

CITY OF BARNSDALL BARNSDALL, OKLAHOMA

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	3
Statement of Activities - Modified Cash Basis	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds - Modified Cash Basis	5
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds - Modified Cash Basis	6
Notes to Basic Financial Statements	7
OTHER SUPPLEMENTARY INFORMATION:	
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17
Combining Balance Sheet - Nonmajor Governmental Funds - Modified Cash Basis	19
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds - Modified Cash Basis	20
Schedule of Grant Funds	21
Schedule of Findings and Responses	22

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Barnsdall, Oklahoma

Report on the Financial Statements

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Barnsdall, Oklahoma, (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, 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.

Basis for Adverse Opinion

Management has not presented government-wide financial statements to display the modified cash basis financial position and changes in modified cash basis financial position of its business-type activities. The modified cash basis of accounting requires the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements of the City of Barnsdall, Oklahoma's business-type activities have not been determined.

As discussed in Note 1.D. to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. The modified cash basis of accounting requires that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion


In my opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion” paragraph, the financial statements referred to above do not present fairly the modified cash basis financial position of the City of Barnsdall, Oklahoma, as of June 30, 2020, or the changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting, described in Note 1.B.

Emphasis of Matter

I draw attention to Note 1.B. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 5, 2021, on my consideration of the City’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 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.



Michael Green, CPA

April 5, 2021

CITY OF BARNSDALL
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2020

	Government Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 233,886
Total current assets	233,886
Total assets	233,886
 Liabilities	
Current liabilities	
Overdraft Payable	1,754
Total liabilities	1,754
 Net position	
Restricted	231,177
Assigned	2,709
Unassigned	(1,754)
Total net position	\$ 232,132

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

CITY OF BARNSDALL
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Functions/programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government
					Governmental Activities
Governmental activities					
General Government	\$ 435,651	\$ 90,297	\$ -	\$ 281,001	\$ (64,353)
Police	203,893	16,617	-	-	(187,276)
Streets	52,737	-	-	-	(52,737)
Cemetery	73,894	23,101	-	-	(50,793)
Fire	8,490	-	-	-	(8,490)
Library	33,348	-	3,924	-	(29,424)
Managerial	18,171	-	-	-	(18,171)
Legal	16,671	-	-	-	(16,671)
Total government activities	<u>\$ 842,855</u>	<u>\$ 130,015</u>	<u>3,924</u>	<u>281,001</u>	<u>(427,915)</u>
General revenues					
Sales tax					225,846
Use tax					61,255
Tobacco tax					2,159
Intergovernmental revenue not restricted to specific programs					50,109
Intergovernmental revenue restricted for streets & alleys					10,105
Franchise fees					21,538
Miscellaneous					32,609
Investment earnings					1,674
Transfers: In					2,648
Transfers: Out					-
Total general revenues and transfers					<u>407,943</u>
Change in net position					(19,972)
Net position, beginning of year					<u>252,104</u>
Net position, end of year					<u>\$ 232,132</u>

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

CITY OF BARNSDALL
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 233,886	\$ 233,886
Total assets	-	233,886	233,886
Liabilities			
Overdraft Payable	1,754	-	1,754
Total liabilities	1,754	-	1,754
Fund Balance			
Restricted for:			
Cemetery	-	36,470	36,470
Highways	-	115,878	115,878
Library	-	34,471	34,471
Capital projects	-	44,358	44,358
Assigned to:			
Capital projects	-	2,709	2,709
Unassigned	(1,754)	-	(1,754)
Total fund balance	(1,754)	233,886	232,132
Total liabilities and fund balances	\$ -	\$ 233,886	\$ 233,886

There are no differences in the amounts reported for governmental activities in the Statement of Net Position.

The accompanying notes to the basic financial statements and auditor's report are an integral part of this statement.

CITY OF BARNSDALL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales tax	\$ 169,346	\$ 56,500	\$ 225,846
Use tax	61,255	-	61,255
Motor vehicle / gas tax	-	10,105	10,105
Franchise	21,538	-	21,538
Charges for services	-	88,247	88,247
Cigarette tax	2,159	-	2,159
Cemetery sales	20,169	2,932	23,101
Alcoholic beverage tax	50,109	-	50,109
Grants	-	284,925	284,925
Licenses and permits	2,050	-	2,050
Fines and forfeitures	16,617	-	16,617
Interest	66	1,608	1,674
Miscellaneous	26,019	6,590	32,609
Total revenues	<u>369,328</u>	<u>450,907</u>	<u>820,235</u>
Expenditures:			
General government:	25,939	409,712	435,651
Police	203,893	-	203,893
Managerial	18,171	-	18,171
Library	17,859	15,489	33,348
Streets	24,386	28,351	52,737
Fire	8,490	-	8,490
Cemetery	67,453	6,441	73,894
Legal	16,671	-	16,671
Total expenditures	<u>382,862</u>	<u>459,993</u>	<u>842,855</u>
Excess of revenues over (under) expenditures	(13,534)	(9,086)	(22,620)
Other financing sources (uses):			
Operating transfers in	2,648	-	2,648
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>2,648</u>	<u>-</u>	<u>2,648</u>
Net change in fund balance	(10,886)	(9,086)	(19,972)
Fund balances, beginning of year	<u>9,132</u>	<u>242,972</u>	<u>252,104</u>
Fund balances, end of year	<u>\$ (1,754)</u>	<u>\$ 233,886</u>	<u>\$ 232,132</u>

There are no differences in the amounts reported for governmental activities in the Statement of Activities

The accompanying notes to the basic financial statements and auditor's report are an integral part of this statement.

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

The municipality is a corporate body for public purposes created under Title 11 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title 11, Oklahoma Statutes. The governing body of the municipality is the City Council composed of elected members. The mayor is the executive officer of the municipality.

In evaluating how to define the reporting entity, 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), GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61.

Based upon the application of these criteria, the City's financial reporting entity is composed of the following:

Primary Government:	City of Barnsdall
Excluded Component Units:	Barnsdall Oklahoma Public Works Authority City of Barnsdall Industrial Trust Authority

The component units are public trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The City, as beneficiary of the public trusts, receives title to any residual assets when the public trusts are dissolved

The Barnsdall Oklahoma Public Works Authority was created February 6, 1979, to finance, operate, construct and administer any public works, improvements or facilities of the City. The current City Council serves as entire governing body (trustees). The City of Barnsdall is the beneficiary of the trust.

The City of Barnsdall Industrial Trust Authority was created August 26, 1974, to promote the development of industry within and without the territorial limits of the City. The current City Council serves as entire governing body (trustees). The City of Barnsdall is the beneficiary of the trust.

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

1.A. FINANCIAL REPORTING ENTITY (continued)

The Barnsdall Oklahoma Public Works Authority, and the City of Barnsdall Industrial Trust Authority, are excluded from the financial statements of the City of Barnsdall. The Barnsdall Oklahoma Public Works Authority issues separate financial statements and the City of Barnsdall Trust Authority has had no activity for fiscal year 2020, so no financial statements have been issued.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The Town has chosen to include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- General government: License and permits, operating and capital grants and contributions
- Public safety: Fine revenue, operating and capital grants and contributions
- Streets: Gas excise and commercial vehicle taxes

GOVERNMENTAL FUNDS

The City's governmental funds are comprised of the following:

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

1.B. BASIS OF PRESENTATION (continued)

Major Fund

- General Fund - accounts for all activities not accounted for in other special-purpose funds

Non-Major Funds (Reported as Other Governmental Funds)

- Special Revenue and Capital Project Funds
 - Street & Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements, as well as sales tax earmarked for street purposes
 - Cemetery Fund – accounts for cemetery revenues and expenses
 - Library Fund – accounts for library revenues and expenses, including grants and donations
- Capital Improvement Funds
 - Capital Improvement Fund – accounts for specific revenues and transfers from other City funds and expenditures for capital projects
 - Grant Fund – accounts for specific grant revenues and expenses

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

PROPRIETARY FUNDS

Enterprise Fund

The City's proprietary fund is comprised of the following:

- Barnsdall Oklahoma Public Works Authority – an enterprise fund that accounts for the operation of the water, sewer and sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The City adopted a budget, under the New Budget Act, for the year ended June 30, 2020.

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures at the time of purchase.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Detail fixed asset records at historical cost have not been maintained for capital assets purchased since July 1, 2003 and are still in service for the governmental funds. The modified cash basis of accounting requires that these assets be capitalized, and the related depreciation be recorded, which would increase the amounts of assets and expenses of the related activities.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets of the governmental funds are related to the Special Revenue Funds.

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements. As of June 30, 2020 the City has no long-term debt.

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

COMPENSATED ABSENCES

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2020, is summarized as follows:

- City – accrued compensated absences \$ 1,148

FUND BALANCES AND NET POSITION

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) laws through constitutional provisions or enabling legislation.
- *Committed* - includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- *Assigned* – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position is displayed in two components:

- a. *Restricted net position* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation
- b. *Unrestricted net position* – All remaining net position that does not meet the definition of "restricted"

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period (such as estimated useful lives in determining depreciation expense.) Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all the City's deposits were fully insured or collateralized at June 30, 2020.

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES / ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust department or agent, but not in the government's name. At June 30, 2020, the City held deposits of \$ 233,886 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit and savings accounts, 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 deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

As of June 30, 2020, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

CITY OF BARNSDALL
 NOTES TO THE FINANCIAL STATEMENTS
 For year ended June 30, 2020

3.A. DEPOSITS AND INVESTMENTS (continued)

Concentration of Investment Credit Risk – The City places no limit on the amount it may invest in any one issuer.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2020, the City complied, in all material respects, with these investment restrictions.

3.B. RESTRICTED ASSETS & REVENUES

The amounts reported as restricted assets are composed of the balance of the Street and Alley Fund of \$ 115,878, the balance of the Cemetery Fund of \$ 36,470, the balance of the Library Fund of \$ 34,471, the balance of the Capital Improvement Fund of \$ 44,358 and the balance of the Grant Fund of \$ 2,709.

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Water, Sewer, and Trash revenue	Utility operations
Grant proceeds	Grant expenditures

NOTE 4: OTHER NOTES

4.A. PENSION PLAN PARTICIPATION

The City of Barnsdall participates in two pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Money Purchase Plan

OFPRS:

Plan Summary Information. The City of Barnsdall, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, Section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$ 60 per year for each volunteer firefighter. The plan is

CITY OF BARNSDALL
 NOTES TO THE FINANCIAL STATEMENTS
 For year ended June 30, 2020

funded by contribution from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2018	\$ 1,320	\$ 1,320
2019	1,320	1,320
2020	1,320	1,320

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4.C. COMMITMENTS AND CONTINGENCIES AND UNCERTAINTIES

COMMITMENTS

Grants

The City was previously approved for a \$ 40,000 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, administered through the Indian Nations Council of Governments (INCOG) for engineering for water treatment plant improvements. The funding period ran from March 30, 2017, through December 31, 2020. During the current year, \$ 39,118 was drawn, and expended. See the Schedule of Grant Funds for further details.

The City was awarded a \$389,582 Community Development Block Grant (CDBG) from the State of Oklahoma, administered through the Oklahoma Department of Commerce (ODOC) for the construction of chlorination/dechlorination and additional aeration facilities at existing wastewater treatments plant to comply with Oklahoma Department of Environmental Quality Consent Order. The funding period runs from July 29, 2016 through July 28, 2023. During the current year. \$ 281,001 was drawn and expended. See the Schedule of Grant Funds for further details.

Capital Lease

In July 2016, the City entered into a lease purchase agreement with a local bank, for a police vehicle. The lease includes 72 monthly payments of \$ 505.00 each, which includes interest at 3 %, and which terminate with the fiscal year of the City (June 30.) The lease included five successive options to renew for one year, under the same terms.

The annual lease payments are as follows:

CITY OF BARNSDALL
NOTES TO THE FINANCIAL STATEMENTS
For year ended June 30, 2020

Year ending	Police Vehicle
June 30, 2021	\$ 6,060
June 30, 2022	6,060
Total Lease Obligation	<u>\$ 12,120</u>

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

4.C. COMMITMENTS AND CONTINGENCIES AND UNCERTAINTIES (continued)

Litigation

The City may be party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a City “Sinking Fund” for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

UNCERTAINTIES

During March, 2020, the World Health Organization declared a pandemic with the outbreak of COVID-19 and declared a “Public Health Emergency of International Concern”. The U.S. Government and local governmental authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. The extent of the impact of COVID-19 on the City’s operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of the uncertainty.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 5, 2021, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN
Certified Public Accountant
827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

**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***

City Council
City of Barnsdall, Oklahoma

I 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 modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Barnsdall, Oklahoma,(the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated April 5, 2021. My report included an emphasis-of-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. My report on the governmental activities was adverse due to the omission of the government-wide financial information, and the omission of certain general infrastructure assets and the related depreciation.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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 charges with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness but I did identify certain deficiencies that I consider to be significant deficiencies (# 2020-1) as described in the accompanying schedule of findings and responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2020-1.

City of Barnsdall, Oklahoma's Response to Findings

The City's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized and cursive.

Michael Green, CPA

April 5, 2021

**CITY OF BARNSDALL
COMBINING BALANCE SHEETS - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	SPECIAL REVENUE FUND			CAPITAL IMPROVEMENT FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Cemetery Care Fund	Library	Cap. Impr. Fund	Grant Fund	
ASSETS						
Cash and cash equivalents	\$ 115,878	\$ 36,470	\$ 34,470	\$ 44,359	\$ 2,709	\$ 233,886
Total assets	<u>115,878</u>	<u>36,470</u>	<u>34,470</u>	<u>44,359</u>	<u>2,709</u>	<u>233,886</u>
LIABILITIES						
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Restricted for:						
Cemetery	-	36,470	-	-	-	36,470
Highways	115,878	-	-	-	-	115,878
Library	-	-	34,471	-	-	34,471
Capital projects	-	-	-	44,358	-	44,358
Assigned to:						
Capital projects	-	-	-	-	2,709	2,709
Unassigned	-	-	-	-	-	-
Total fund balance	<u>115,878</u>	<u>36,470</u>	<u>34,471</u>	<u>44,358</u>	<u>2,709</u>	<u>233,886</u>
Total liabilities and fund balance	<u>\$ 115,878</u>	<u>\$ 36,470</u>	<u>\$ 34,471</u>	<u>\$ 44,358</u>	<u>\$ 2,709</u>	<u>\$ 233,886</u>

CITY OF BARNSDALL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUND			CAPITAL IMPROVEMENT FUND		Total Nonmajor Governmental Funds
	Street and Alley Fund	Cemetery Care Fund	Library	Cap. Imp. Fund	Grant Fund	
Revenues:						
Taxes	\$ 66,605	\$ -	\$ -	\$ -	\$ -	\$ 66,605
Charges for services	-	2,932	-	88,247	-	91,179
Grants	-	-	3,924	-	281,001	284,925
Miscellaneous	1,000	653	443	4,494	-	6,590
Interest	386	1,023	142	54	3	1,608
Total Revenues	<u>67,991</u>	<u>4,608</u>	<u>4,509</u>	<u>92,795</u>	<u>281,004</u>	<u>450,907</u>
Expenditures:						
Streets	28,351	-	-	-	-	28,351
Cemetery	-	6,441	-	-	-	6,441
Library	-	-	15,489	-	-	15,489
Capital outlay	25,575	-	-	97,994	286,143	409,712
Total Expenditures	<u>53,926</u>	<u>6,441</u>	<u>15,489</u>	<u>97,994</u>	<u>286,143</u>	<u>459,993</u>
Net change in fund balances	14,065	(1,833)	(10,980)	(5,199)	(5,139)	(9,086)
Fund balances - beginning of year	<u>101,813</u>	<u>38,303</u>	<u>45,451</u>	<u>49,557</u>	<u>7,848</u>	<u>242,972</u>
Fund balances - end of year	<u>\$ 115,878</u>	<u>\$ 36,470</u>	<u>\$ 34,471</u>	<u>\$ 44,358</u>	<u>\$ 2,709</u>	<u>\$ 233,886</u>

**CITY OF BARNSDALL
 SCHEDULE OF GRANT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2019	Grant Receipts Revenue Recognized	Grant Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash Accrued or Deferred Revenue at June 30, 2020
<u>Rural Economic Action Plan Grant</u>										
Passed through the Central Oklahoma Economic Development District:										
# 2016-2017 REAP		170105	40,000	-	39,118	39,118	-	-	-	-
<u>Community Development Block Grant</u>										
Passed through the Oklahoma Department of Commerce										
	14.228		389,582		281,001	281,001	-	-	-	-
			\$ 429,582	\$ -	\$ 320,119	\$ 320,119	\$ -	\$ -	\$ -	\$ -

CITY OF BARNSDALL
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2020

2020-1 Negative Fund Balance

Criteria: Oklahoma state statutes dictate that it shall be unlawful for an officer or employee to create or authorize the creation of a deficit in any fund.

Condition: Currently, the general fund is reporting a deficit of \$1,754.

Cause: The City's revenues have exceeded its available revenues and internal controls did not allow for management to recognize their general fund bank balance was over drafted.

Potential Effect: The general fund has a deficit balance at year end which is not in compliance with state statutes and demonstrates the inadequacy of internal controls. If negative balances are allowed to continue the City could develop a going concern issue.

Recommendation: I recommend that the City adopt and enforce internal controls and related budget management policies to prevent negative cash balances at year end. I further recommend that the City adopt a budget that will provide for a restoration of fund balance to acceptable amounts.

Responsible Official's Response: The governing board will consider the recommendation and take the appropriation action.