

CITY OF BARNSDALL, OKLAHOMA  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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**JIM RUSH**  
CERTIFIED PUBLIC ACCOUNTANT  
9726 East 42<sup>nd</sup> Street, Suite 230  
Tulsa, Oklahoma 74146-3674  
Telephone (918) 664-9190

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Barnsdall, Oklahoma

We have audited the accompanying financial statements of the governmental activities, of the major fund, and the aggregate remaining fund information of the City of Barnsdall, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the City of Barnsdall, Oklahoma, which consists of the general fund, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Barnsdall, Oklahoma, as of June 30, 2012, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the City of Barnsdall, Oklahoma, has issued separate reporting entity financial statements, for which we have issued our reports dated October 4, 2012.

Honorable Mayor and City Council  
City of Barnsdall, Oklahoma

As discussed in Note 7 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. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City of Barnsdall, Oklahoma, as of June 30, 2012 or the changes in financial position thereof for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2012, on our consideration of the City of Barnsdall's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The City of Barnsdall, Oklahoma, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Certified Public Accountant  
Tulsa, Oklahoma

October 24, 2012

CITY OF BARNSDALL, OKLAHOMA  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2012

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ASSETS:

Cash	\$145,763
Certificates of Deposit	73,000
Receivables:	
Taxes	19,281
	<u>\$238,044</u>

LIABILITIES AND NET ASSETS:

Claims Payable	\$ 17,267
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NET ASSETS:

Restricted for Capital Improvements – Cemetery	\$ 56,497
Unrestricted	164,280
Total Net Assets	<u>\$220,777</u>
	<u>\$238,044</u>

Notes to financial statements are an integral part of these statements.

CITY OF BARNSDALL, OKLAHOMA  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENT ACTIVITIES
Governmental Activities:				
General Government	\$ 83,185	\$ 2,475	\$19,000	\$ 61,710
Police	146,761	4,694		142,067
Streets	102,396		11,178	91,218
Cemetery	39,571	7,577		31,994
Fire	22,211		8,713	13,498
Library	22,205		5,487	16,718
Managerial	17,320			17,320
Legal	14,439			14,439
Total Governmental Activities	<u>\$448,088</u>	<u>\$14,746</u>	<u>\$44,378</u>	<u>\$388,964</u>
General Revenues:				
Taxes:				
Sales				\$328,369
Franchise				25,801
Other				37,207
Interest				559
Miscellaneous				13,250
Transfer from Public Works Authority				18,000
Total General Revenues				<u>\$423,186</u>
Net Change in Net Assets				\$ 34,222
Net Assets – Beginning of Year				<u>\$186,555</u>
Net Assets – End of Year				<u>\$220,777</u>

Notes to financial statements are an integral part of these statements.

CITY OF BARNSDALL, OKLAHOMA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2012

	GENERAL FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENT FUNDS
<u>Assets</u>			
Cash	\$ 96,941	\$48,822	\$145,763
Certificates of Deposit	25,000	48,000	73,000
Taxes Receivable	19,281		19,281
	<u>\$141,222</u>	<u>\$96,822</u>	<u>\$238,044</u>
<u>Liabilities</u>			
Claims Payable	\$ 17,267		\$ 17,267
<u>Net Assets</u>			
	<u>123,955</u>	<u>96,822</u>	<u>220,777</u>
	<u><u>\$141,222</u></u>	<u><u>\$96,822</u></u>	<u><u>\$238,044</u></u>

Notes to financial statements are an integral part of these statements.

CITY OF BARNSDALL, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	OTHER GOVERNMENT FUNDS	TOTAL GOVERNMENT FUNDS
<b>REVENUE:</b>			
Sales/Use Tax	\$328,369		\$328,369
Franchise Tax	25,801		25,801
Assessment		\$ 13,250	13,250
Motor Vehicle Tax		11,178	11,178
Cigarette Tax	3,772		3,772
Cemetery Sales	6,565	1,012	7,577
Alcoholic Beverage Tax	33,435		33,435
Grants		33,200	33,200
Licenses and Permits	2,475		2,475
Fines and Forfeitures	4,694		4,694
Transfer from Public Works Authority	18,000		18,000
Interest	297	262	559
<b>Total Revenue</b>	<b>\$423,408</b>	<b>\$ 58,902</b>	<b>\$482,310</b>
<b>EXPENDITURES:</b>			
General Government	\$ 44,623	\$ 38,562	\$ 83,185
Police	146,761		146,761
Managerial	17,320		17,320
Library	16,757	5,448	22,205
Streets	86,944	15,452	102,396
Fire	22,211		22,211
Cemetery	31,052	8,519	39,571
Legal	14,439		14,439
<b>Total Expenditures</b>	<b>\$380,107</b>	<b>\$ 67,981</b>	<b>\$448,088</b>
Excess (Deficiency) of Revenue Over Expenditures	\$ 43,301	<\$ 9,079>	\$ 34,222
Net Assets – Beginning of Year	\$ 80,654	\$105,901	\$186,555
Net Assets – End of Year	\$123,955	\$ 96,822	\$220,777

Notes to financial statements are an integral part of these statements.

CITY OF BARNSDALL, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN NET ASSETS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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Reconciliation to the Statement of Activities:

Net changes in fund balances – total governmental funds	<u>\$34,222</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
<u>No reconciling items</u>	
Change in Net Assets of Governmental Activities	<u>\$34,222</u>

Notes to financial statements are an integral part of these statements.

CITY OF BARNSDALL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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1. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by generally accepted accounting principles as applied to government units. The basic, but not 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 section governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the Reporting Entity:

Barnsdall Public Works Authority

The Authority was created for the purpose of financing installation of water and service lines and providing utility services to the residents of the City of Barnsdall. The Authority has issued notes which do not constitute debt of the City. Trustees for the Authority are members of the City Board of Trustees.

2. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report.

CITY OF BARNSDALL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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2. Fund Accounting - Continued

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City.

3. Basis of Accounting

The funds of the City are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are generally recognized when the related fund liability is incurred.

4. Annual Budget

The budget for the governmental fund is prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

5. Cash

For the purposes of the combined balance sheet, cash includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. All deposits are F.D.I.C. insured or collateralized.

CITY OF BARNSDALL, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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6. Claims Payable

Claims payable represent commitments related to performed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

7. General Fixed Assets

As the City acquires fixed assets such as land, buildings, and equipment, the related costs are charged as capital outlay expenditures of the respective fund. No depreciation is recorded.

8. Pension Plan

Firefighter's Pension and Retirement System

The City of Barnsdall participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of firefighters. The systems are administered by agencies of the State of Oklahoma. The City paid 100% of its share, \$1,120.00, and has no future liability.

The City's employees with two year service receive a payment into a money purchase plan. In this year \$8,302.00 was the cost of the plan. The City has no future liability.

9. Estimates

The preparation of financial statements in conformity with the modified accrual basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF BARNSDALL, OKLAHOMA  
 STATEMENT OF ACTIVITIES – BUDGET TO ACTUAL  
 YEAR ENDED JUNE 30, 2012

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE <UNFAVORABLE>
<b>INCOME:</b>			
Sales and Use Tax	\$210,000	\$328,369	\$118,369
Franchise Tax	30,000	25,801	< 4,199>
Transfer – Public Works Authority	36,000	18,000	< 18,000>
Other Taxes	28,000	39,682	11,682
Fines	5,000	4,694	< 306>
Cemetery	15,000	6,565	< 8,435>
Interest and Miscellaneous	21,000	297	< 20,703>
	<u>\$345,000</u>	<u>\$423,408</u>	<u>\$78,408</u>
<b>EXPENSES:</b>			
Personnel Services	\$209,000	\$208,757	\$ 243
Maintenance and Operations	180,000	171,350	8,650
	<u>\$389,000</u>	<u>\$380,107</u>	<u>\$ 8,893</u>

Notes to financial statements are an integral part of these statements.

CITY OF BARNSDALL, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENT FUNDS  
 JUNE 30, 2012

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND		TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	STREET & ALLEY FUND	CEMETERY CARE FUND	LIBRARY	CAPITAL IMPROVEMENT FUND	GRANT FUNDS	
<u>Assets</u>						
Cash	\$1,691	\$22,794	\$158	\$22,649	\$1,530	\$48,822
Certificates of Deposit		48,000				48,000
	<u>\$1,691</u>	<u>\$70,794</u>	<u>\$158</u>	<u>\$22,649</u>	<u>\$1,530</u>	<u>\$96,822</u>
<u>Net Assets</u>						
Restricted for Capital Improvements		\$56,497				\$56,497
Restricted for Maintenance & Operations	\$1,691	14,297		\$22,649	\$1,530	40,167
Unrestricted			\$158			158
	<u>\$1,691</u>	<u>\$70,794</u>	<u>\$158</u>	<u>\$22,649</u>	<u>\$1,530</u>	<u>\$96,822</u>

Notes to financial statements are an integral part of these statements.

CITY OF BARNSDALL, OKLAHOMA  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN NET ASSETS  
 NON-MAJOR GOVERNMENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND		TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	STREET & ALLEY FUND	CEMETERY CARE FUND	LIBRARY	CAPITAL IMPROVEMENT FUND	GRANT FUNDS	
<u>Revenues</u>						
Taxes	\$11,178					\$ 11,178
Charges for Services		\$ 1,012		\$13,250		14,262
Grants			\$5,487	8,713	\$19,000	33,200
Interest		257		5		262
	<u>\$11,178</u>	<u>\$ 1,269</u>	<u>\$5,487</u>	<u>\$21,968</u>	<u>\$19,000</u>	<u>\$ 58,902</u>
<u>Expenditures</u>						
Streets	\$15,452					\$ 15,452
Cemetery						
Library			\$5,448			5,448
Capital Outlay		\$ 8,519		\$19,562	\$19,000	47,081
	<u>\$15,452</u>	<u>\$ 8,519</u>	<u>\$5,448</u>	<u>\$19,562</u>	<u>\$19,000</u>	<u>\$ 67,981</u>
Excess (Deficiency) of Revenue Over Expenditures	<\$ 4,274>	<\$7,250>	\$ 39	\$ 2,406	---	<\$ 9,079>
Net Assets – Beginning of Year	\$ 5,965	\$78,044	\$ 119	\$20,243	\$ 1,530	\$105,901
Net Assets – End of Year	<u>\$ 1,691</u>	<u>\$70,794</u>	<u>\$ 158</u>	<u>\$22,649</u>	<u>\$1,530</u>	<u>\$ 96,822</u>

Notes to financial statements are an integral part of these statements.

**JIM RUSH**  
CERTIFIED PUBLIC ACCOUNTANT  
9726 East 42<sup>nd</sup> Street, Suite 230  
Tulsa, Oklahoma 74146-3674  
Telephone (918) 664-9190

**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***

Honorable Mayor and City Council  
City of Barnsdall, Oklahoma

We have audited the financial statements of the governmental activities, of the general fund, and the aggregate remaining information of the City of Barnsdall, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Barnsdall, Oklahoma's basic financial statements and have issued our report thereon dated October 24, 2012. The City of Barnsdall has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. The City also did not present capital asset in the Statement of Net Asset. 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.

Internal Control over Financial Reporting

Management of City of Barnsdall, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Barnsdall, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures 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 of Barnsdall, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Barnsdall, Oklahoma's internal control over financial reporting.

*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.

Honorable Mayor and Board of Trustees  
City of Barnsdall, Oklahoma

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Barnsdall, Oklahoma'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.

This report is intended solely for the information and use of management, City Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant  
Tulsa, Oklahoma

October 24, 2012