

CITY OF BARNSDALL, OKLAHOMA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| Independent Auditor's Report | 1-3 |
| Financial Statements: | |
| Statement of Financial Position | 4 |
| Statement of Activities and Changes in Net Assets | 5 |
| Balance Sheet | 6 |
| Statement of Revenue and Expenditures and Changes in Net Assets | 7 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Net Assets to the Statement of Activities | 8 |
| Notes to Financial Statements | 9-11 |
| Supplementary Information: | |
| Statement of Activities – Budget and Actual | 12 |
| Combining Balance Sheet – Non-Major Government Funds | 13 |
| Combining Statement of Revenue, Expenditures and Changes in Net Assets | 14 |
| Report on Internal Control and Compliance | 15-16 |

JIM RUSH
CERTIFIED PUBLIC ACCOUNTANT
9726 East 42nd Street, Suite 230
Tulsa, Oklahoma 74146-3645
Telephone (918) 664-9190

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Barnsdall, Oklahoma

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Barnsdall, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, as shown on pages 1 to 16, which collectively comprise a portion of the City's basic financial statements required by accounting principles generally accepted in the United States of America.

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 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 opinion.

To the City Council
City of Barnsdall, Oklahoma

Basis for Adverse Opinion

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require 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 governmental activities, business-type activities, and discretely presented component units have not been determined.

As discussed in Note seven 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 position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net positions, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our 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 financial position of the governmental activities of the City of Barnsdall, Oklahoma, as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance 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 the management's budgetary comparison information on page 12 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.

Other Information

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.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of Barnsdall Public Works Authority, City of Barnsdall, Oklahoma, as of and for the year ended June 30, 2014, and our report thereon, dated October 1, 2014, expressed an unmodified opinion on those financial statements.

To the City Council
City of Barnsdall, Oklahoma

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, on our consideration of the City of Barnsdall, Oklahoma'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 on 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 of Barnsdall, Oklahoma's internal control over financial reporting and compliance.



Certified Public Accountant
Tulsa, Oklahoma

October 16, 2014

CITY OF BARNSDALL, OKLAHOMA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS:

| | |
|-------------------------|-----------|
| Cash | \$ 42,754 |
| Certificates of Deposit | 48,000 |
| Receivables: | |
| Taxes | 18,544 |
| | \$109,298 |

LIABILITIES AND NET ASSETS:

| | |
|----------------|-----------|
| Claims Payable | \$ 19,103 |
|----------------|-----------|

NET ASSETS:

| | |
|--|-----------|
| Restricted for Capital Improvements – Cemetery | \$ 49,184 |
| Unrestricted | 41,011 |
| Total Net Assets | \$ 90,195 |
| | \$109,298 |

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, 2014

| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRI- BUTIONS | GOVERNMENT ACTIVITIES |
|--------------------------------------|------------------|----------------------------|---|--------------------------|
| Governmental Activities: | | | | |
| General Government | \$289,678 | \$ 2,646 | \$212,025 | \$ 75,007 |
| Police | 197,947 | 4,495 | | 193,452 |
| Streets | 100,752 | | 11,750 | 89,002 |
| Cemetery | 28,496 | 11,353 | | 17,143 |
| Fire | 12,724 | | | 12,724 |
| Library | 24,315 | | 5,417 | 18,898 |
| Managerial | 18,413 | | | 18,413 |
| Legal | 12,640 | | | 12,640 |
| Total Governmental Activities | <u>\$684,965</u> | <u>\$18,494</u> | <u>\$229,192</u> | <u>\$437,279</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Sales | | | | \$247,786 |
| Franchise | | | | 32,872 |
| Other | | | | 52,452 |
| Interest | | | | 297 |
| Miscellaneous | | | | 24,479 |
| Transfer from Public Works Authority | | | | -- |
| Total General Revenues | | | | <u>\$357,886</u> |
| Net Change in Net Assets | | | | <\$ 79,393> |
| Net Assets – Beginning of Year | | | | <u>\$169,588</u> |
| Net Assets – End of Year | | | | <u>\$ 90,195</u> |

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

CITY OF BARNSDALL, OKLAHOMA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

| | GENERAL FUND | NON-MAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENT FUNDS |
|-------------------------|-----------------|------------------------------------|------------------------------|
| <u>Assets</u> | | | |
| Cash | \$ 2,616 | \$40,138 | \$ 42,754 |
| Certificates of Deposit | -- | 48,000 | 48,000 |
| Taxes Receivable | 18,544 | | 18,544 |
| | <u>\$21,160</u> | <u>\$88,138</u> | <u>\$109,298</u> |
| <u>Liabilities</u> | | | |
| Claims Payable | \$19,103 | | \$ 19,103 |
| | <u>2,057</u> | <u>88,138</u> | <u>90,195</u> |
| <u>Net Assets</u> | <u>\$21,160</u> | <u>\$88,138</u> | <u>\$109,298</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, 2014

| | GENERAL FUND | OTHER GOVERNMENT FUNDS | TOTAL GOVERNMENT FUNDS |
|--|------------------|------------------------------|------------------------------|
| REVENUE: | | | |
| Sales/Use Tax | \$247,786 | | \$247,786 |
| Franchise Tax | 32,872 | | 32,872 |
| Assessment | | \$ 19,919 | 19,919 |
| Motor Vehicle Tax | | 11,750 | 11,750 |
| Cigarette Tax | 2,697 | | 2,697 |
| Cemetery Sales | 11,353 | | 11,353 |
| Alcoholic Beverage Tax | 29,836 | | 29,836 |
| Grants | | 229,192 | 229,192 |
| Licenses and Permits | 2,646 | | 2,646 |
| Fines and Forfeitures | 4,495 | | 4,495 |
| Transfer from Public Works Authority | 0 | | 0 |
| Interest | 34 | 263 | 297 |
| Miscellaneous | 12,729 | | 12,729 |
| Total Revenue | \$344,448 | \$261,124 | \$605,572 |
| EXPENDITURES: | | | |
| General Government | \$ 44,891 | \$244,787 | \$289,678 |
| Police | 197,947 | | 197,947 |
| Managerial | 18,413 | | 18,413 |
| Library | 18,909 | 5,406 | 24,315 |
| Streets | 91,618 | 9,134 | 100,752 |
| Fire | 12,724 | | 12,724 |
| Cemetery | 28,496 | | 28,496 |
| Legal | 12,640 | | 12,640 |
| Total Expenditures | \$425,638 | \$259,327 | \$684,965 |
| Excess (Deficiency) of Revenue Over Expenditures | <\$ 81,190> | 1,797 | <\$ 79,393> |
| Net Assets – Beginning of Year | \$ 83,247 | \$ 86,341 | \$169,588 |
| Net Assets – End of Year | \$ 2,057 | \$ 88,138 | \$ 90,195 |

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, 2014

Reconciliation to the Statement of Activities:

Net changes in fund balances – total governmental funds <\$79,393>

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

No reconciling items

Change in Net Assets of Governmental Activities <\$79,393>

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

CITY OF BARNSDALL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

-1-

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, 2014

-2-

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. The general fund has a year to year subordinate pledge of a one percent sales tax on the Barnsdall Public Works Authority note.

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.

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.

CITY OF BARNSDALL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

-3-

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, \$1,200.00, and has no future liability.

The City's employees with two year service receive a payment into a money purchase plan. In this year \$9,865.00 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, 2014

| | ORIGINAL & FINAL BUDGET | ACTUAL | VARIANCE FAVORABLE <UNFAVORABLE> |
|-----------------------------------|-------------------------------|------------------|--|
| INCOME: | | | |
| Sales and Use Tax | \$350,000 | \$247,786 | <\$102,214> |
| Franchise Tax | 36,000 | 32,872 | < 3,128> |
| Transfer – Public Works Authority | -- | -- | -- |
| Other Taxes | 27,000 | 41,189 | 14,189 |
| Fines | 5,000 | 4,495 | < 505> |
| Cemetery | 6,600 | 11,353 | 4,753 |
| Interest and Miscellaneous | 12,400 | 6,753 | < 5,647> |
| | <u>\$437,000</u> | <u>\$344,448</u> | <u><\$92,552></u> |
| EXPENSES: | | | |
| Personnel Services | \$279,200 | \$275,855 | \$ 3,345 |
| Maintenance and Operations | 183,940 | 149,783 | 34,157 |
| | <u>\$463,140</u> | <u>\$425,638</u> | <u>\$ 37,502</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, 2014

| | 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 | \$3,774 | \$16,097 | \$68 | \$13,341 | \$6,858 | \$40,138 |
| Certificates of Deposit | | 48,000 | | | | 48,000 |
| | <u>\$3,774</u> | <u>\$64,097</u> | <u>\$68</u> | <u>\$13,341</u> | <u>\$6,858</u> | <u>\$88,138</u> |
| <u>Net Assets</u> | | | | | | |
| Restricted for Capital Improvements | | \$49,184 | | | | \$49,184 |
| Restricted for Maintenance & Operations | \$3,774 | 14,913 | | \$13,341 | \$6,858 | 38,886 |
| Unrestricted | | | \$68 | | | 68 |
| | <u>\$3,774</u> | <u>\$64,097</u> | <u>\$68</u> | <u>\$13,341</u> | <u>\$6,858</u> | <u>\$88,138</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, 2014

| | 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 | \$11,750 | | | | | \$11,750 |
| Charges for Services | | \$ 1,590 | | \$18,329 | | 19,919 |
| Grants | | | \$5,417 | 4,687 | \$219,088 | 229,192 |
| Interest | | 236 | | 27 | | 263 |
| | <u>\$11,750</u> | <u>\$ 1,826</u> | <u>\$5,417</u> | <u>\$23,043</u> | <u>\$219,088</u> | <u>\$261,124</u> |
| <u>Expenditures</u> | | | | | | |
| Streets | \$ 9,134 | | | | | \$ 9,134 |
| Cemetery | | | | | | |
| Library | | | \$5,406 | | | 5,406 |
| Capital Outlay | | | | \$31,027 | \$213,760 | \$244,787 |
| | <u>\$9,134</u> | | <u>\$5,406</u> | <u>\$31,027</u> | <u>\$213,760</u> | <u>\$259,327</u> |
| Excess (Deficiency) of Revenue Over Expenditures | <u>\$ 2,616</u> | <u>\$ 1,826</u> | <u>\$ 11</u> | <u><\$ 7,984></u> | <u>\$ 5,328</u> | <u>\$ 1,797</u> |
| Net Assets – Beginning of Year | <u>\$ 1,158</u> | <u>\$62,271</u> | <u>\$ 57</u> | <u>\$21,325</u> | <u>\$ 1,530</u> | <u>\$ 86,341</u> |
| Net Assets – End of Year | <u>\$ 3,774</u> | <u>\$64,097</u> | <u>\$ 68</u> | <u>\$13,341</u> | <u>\$6,858</u> | <u>\$ 88,138</u> |

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

Member of the American Institute
of Certified Public Accountants

JIM RUSH
CERTIFIED PUBLIC ACCOUNTANT
9726 East 42nd Street, Suite 230
Tulsa, Oklahoma 74146-3645
Telephone (918) 664-9190

Member of the Oklahoma Society
of Certified Public Accountants

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

To the City Council
City of Barnsdall, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Barnsdall, 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 Barnsdall, Oklahoma's basic financial statements, and have issued our report thereon dated October 16, 2014. It was adverse due to capital assets and depreciation being omitted, the omission of government-wide financial statements, and the management discussion and analysis was not presented.

Internal Control Over Financial Reporting

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

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

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

To the City Council
City of Barnsdall, Oklahoma

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Barnsdall, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.



Certified Public Accountant
Tulsa, Oklahoma

October 16, 2014