

CITY OF BEGGS, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Ralph Osborn, CPA  
P.O. Box 1015  
500 South Chestnut  
Bristow, Oklahoma 74010-1015

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council  
City of Beggs, Oklahoma

I was engaged to audit the accompanying financial statements of the City of Beggs, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Beggs's basic financial statements.

### 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 A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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 statement that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

My responsibility is to express opinions on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Basis for Disclaimer of Opinion

City of Beggs failed to maintain sufficient records and documentation to support financial transactions. I was not able to obtain the documentation from other sources.

Disclaimer of Opinion

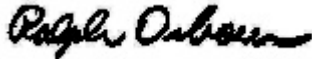
Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, the auditor has been unable to obtain sufficient appropriate evidence to provide the basis for an audit opinion, and, accordingly, does not express an opinion on the financial statements.

Basis of Accounting

I draw attention to Note A 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 opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 17, 2015, on my consideration of City of Beggs's internal control over financial reporting and 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 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* in considering City of Beggs, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
June 17, 2015

CITY OF BEGGS, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2013

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 369,416	\$ 195,123	\$ 564,539
<b>Total current assets</b>	<u>369,416</u>	<u>195,123</u>	<u>564,539</u>
Non-current assets:			
Capital Assets:			
Land	20,000	34,480	54,480
Other capital assets net of accumulated depreciation	<u>507,512</u>	<u>5,386,267</u>	<u>5,893,779</u>
<b>Total non-current assets</b>	<u>527,512</u>	<u>5,420,747</u>	<u>5,948,259</u>
<b>Total assets</b>	<u>896,928</u>	<u>5,615,870</u>	<u>6,512,798</u>
<b>LIABILITIES</b>			
Current liabilities:			
Utility deposits	-	78,787	78,787
Notes Payable, Current	-	178,752	178,752
Capital leases payable, current	<u>25,824</u>	<u>-</u>	<u>25,824</u>
<b>Total current liabilities</b>	<u>25,824</u>	<u>257,539</u>	<u>283,363</u>
Non-current liabilities:			
Note Payable, Current	-	3,807,321	3,807,321
Capital leases payable, non-current	<u>38,614</u>	<u>-</u>	<u>38,614</u>
<b>Total non-current liabilities</b>	<u>38,614</u>	<u>3,807,321</u>	<u>3,845,935</u>
<b>Total liabilities</b>	<u>64,438</u>	<u>4,064,860</u>	<u>4,129,298</u>
<b>NET ASSETS</b>			
Nonspendable	463,074	1,355,887	1,818,961
Assigned	93,295	195,123	288,418
Unassigned	<u>276,121</u>	<u>-</u>	<u>276,121</u>
<b>Total net assets</b>	<u>\$ 832,490</u>	<u>\$1,551,010</u>	<u>\$2,383,500</u>

See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Function/Programs	Expenses	Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
General government	\$ 100,622	\$ 2,725	\$ 8,918	\$ -	\$ (88,979)
Public safety	464,561	138,779	-	-	(325,782)
Street	1,600	-	8,796	-	7,196
Cemetery	1,792	18,785	-	-	16,993
Total governmental activities	<u>568,575</u>	<u>160,289</u>	<u>17,714</u>	<u>-</u>	<u>(390,572)</u>
<b>Business-type activities</b>					
Public Works	819,479	718,199	-	22,400	(78,880)
Total business-type activities	<u>819,479</u>	<u>718,199</u>	<u>-</u>	<u>22,400</u>	<u>(78,880)</u>
Total primary government	<u>\$1,388,054</u>	<u>\$ 878,488</u>	<u>\$ 17,714</u>	<u>\$ 22,400</u>	<u>\$ (469,452)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (390,572)	\$ (78,880)	\$ (469,452)
<b>General revenues</b>			
<b>Taxes</b>			
Sales/use tax	489,714	-	489,714
Franchise	47,193	-	47,193
Cigarette	4,641	-	4,641
Other	14,767	-	14,767
Interest	1,001	618	1,619
Transfers	(143,256)	-	(143,256)
Total general revenue and transfers	<u>414,060</u>	<u>618</u>	<u>414,678</u>
Change in net assets	23,488	(78,262)	(54,774)
Net assets - beginning	<u>809,002</u>	<u>1,629,272</u>	<u>2,438,274</u>
Net assets - ending	<u>\$ 832,490</u>	<u>\$ 1,551,010</u>	<u>\$ 2,383,500</u>

See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General Fund</u>	<u>Special Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 263,617	\$ 37,868	\$ 67,931	\$ 369,416
Due from other funds	<u>(2,296)</u>	<u>-</u>	<u>2,296</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 261,321</u>	<u>\$ 37,868</u>	<u>\$ 70,227</u>	<u>\$ 369,416</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>FUND BALANCES</b>				
Assigned	<u>261,321</u>	<u>37,868</u>	<u>70,227</u>	<u>369,416</u>
<b>TOTAL FUND BALANCES</b>	<u>261,321</u>	<u>37,868</u>	<u>70,227</u>	<u>369,416</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 261,321</u>	<u>\$ 37,868</u>	<u>\$ 70,227</u>	<u>\$ 369,416</u>

See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL  
FUNDS WITH THE STATEMENT OF NET ASSETS  
YEAR ENDED JUNE 30, 2013

Total fund balance \$ 369,416

Amounts reported in the statement of net assets are different because:

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

Capital assets	988,876	
Accumulated depreciation	<u>(461,364)</u>	527,512

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:

Lease obligations	<u>(64,438)</u>
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Total net assets	<u><u>\$ 832,490</u></u>
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See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Sales/use tax	\$ 411,848	\$ 77,866	\$ -	\$ 489,714
Franchise tax	47,193	-	-	47,193
Gasoline and auto tax	8,796	-	-	8,796
Alcoholic beverage tax	8,918	-	-	8,918
Cigarette tax	4,641	-	-	4,641
Cemetery	16,721	-	2,064	18,785
License and permits	2,725	-	-	2,725
Fines and forfeitures	54,079	-	84,700	138,779
Other	8,981	-	5,786	14,767
Interest	776	121	104	1,001
<b>Total revenue</b>	<u>564,678</u>	<u>77,987</u>	<u>92,654</u>	<u>735,319</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	128,233	-	-	128,233
Public safety	339,970	77,725	13,898	431,593
Cemetery	615	-	660	1,275
<b>Total expenditures</b>	<u>468,818</u>	<u>77,725</u>	<u>14,558</u>	<u>561,101</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>95,860</u>	<u>262</u>	<u>78,096</u>	<u>174,218</u>
<b>Other financing sources (uses)</b>				
Transfer in	346,877	-	-	346,877
Transfer out	(426,072)	-	(64,061)	(490,133)
<b>Total other financing sources (uses)</b>	<u>79,195</u>	<u>-</u>	<u>(64,061)</u>	<u>(143,256)</u>
<b>Net change in fund balance</b>	16,665	262	14,035	30,962
<b>Fund balances, beginning</b>	<u>244,656</u>	<u>37,606</u>	<u>56,192</u>	<u>338,454</u>
<b>Fund balances, ending</b>	<u>\$ 261,321</u>	<u>\$ 37,868</u>	<u>\$ 70,227</u>	<u>\$ 369,416</u>

See accompanying notes to financial statements.



CITY OF BEGGS, OKLAHOMA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ 30,962

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(44,812)	
Capital outlay, net	<u>37,338</u>	<u>(7,474)</u>

Change in net assets \$ 23,488

See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2013

	<u>Public Works</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 195,123
Total current assets	<u>195,123</u>
Non-current assets	
Capital assets:	
Land	34,480
Other capital assets, net of accumulated depreciation	<u>5,386,267</u>
Total non-current assets	<u>5,420,747</u>
Total assets	<u>5,615,870</u>
<b>LIABILITIES</b>	
Current liabilities:	
Utility deposits	78,787
Notes payable, current	<u>178,752</u>
Total current liabilities	<u>257,539</u>
Non-current liabilities:	
Notes payable, non-current	<u>3,807,321</u>
Total non-current liabilities	<u>3,807,321</u>
Total liabilities	<u>4,064,860</u>
<b>NET ASSETS</b>	
Nonspendable	1,355,887
Assigned	<u>195,123</u>
Net assets of business-type activities	<u>\$ 1,551,010</u>

See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	307,215
Wastewater charges	154,037
Sanitation charges	74,153
Capital improvement fee	82,537
Penalty	11,745
Other	67,859
Total operating revenues	<u>697,546</u>
<u>OPERATING EXPENSES</u>	
Personal services	152,191
Sanitation contractor	69,581
Insurance	6,622
Supplies	76,336
Office	2,045
Professional services	97,503
Other	13,949
Utilities and telephone	40,206
Licenses and permits	5,678
Depreciation	172,044
Total operating expenses	<u>636,155</u>
Operating income (loss)	<u>61,391</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Grant income	22,400
Grant expense	(22,400)
Emergency medical service revenue	20,653
Emergency medical service expense	(24,721)
Investment income	618
Interest and fees on notes payable	(136,203)
Total non-operating revenue (expenses)	<u>(139,653)</u>
Income (loss) before contributions and transfers	(78,262)
Transfer to other funds	(295,662)
Transfer from other funds	295,662
Total transfers to/from other funds	<u>-</u>
Change in net assets of business type activities	(78,262)
Total net assets, beginning	<u>1,629,272</u>
Total net assets, ending	<u>\$ 1,551,010</u>

See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 703,757
Cash payments to employees	(221,772)
Cash payments to suppliers for goods and services	<u>(242,339)</u>
Net cash provided (used) by operating activities	<u>239,646</u>
Cash flows from non-capital financing activities	
Emergency medical service revenue	20,653
Emergency medical service expense	<u>(24,721)</u>
Net cash provided by non-capital financing activities	<u>(4,068)</u>
Cash flows from capital and related financing activities	
Grant income	22,400
Grant expense	(22,400)
Acquisition of fixed assets	(23,480)
Interest paid on notes payable and fiscal fees	(134,404)
Principal paid on bonds and leases payable	<u>(173,056)</u>
Net cash used for capital and related financing activities	<u>(330,940)</u>
Cash flows from investing activities	
Interest revenue	<u>618</u>
Net cash provided by investing activities	<u>618</u>
Net increase in cash and cash equivalents	(90,676)
Cash and cash equivalents, beginning	<u>285,799</u>
Cash and cash equivalents, ending	<u>\$ 195,123</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ 61,391
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	172,044
Changes in assets and liabilities:	
Increase in utility deposits	<u>6,211</u>
Net cash provided by operating activities	<u>\$ 239,646</u>

See accompanying notes to financial statements.

CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Beggs, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The City operates under a Council/Mayor form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the City Council exercises oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria the Beggs Public Works Authority (the Authority) is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the City), and activities for which the primary government is financially accountable, and the activities of the Authority. Financial accountability exists if a primary government appoints a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the City's financial statements.

Beggs Public Works Authority was created under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes 1961. The Authority is managed by a Board of Trustees made up of members of the City Council plus the Mayor. The Authority operates water, sanitation, and sewer services for the City of Beggs.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**Fund Financial Statements**

Fund financial statements of the City are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

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

CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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 billed or provided services not yet collected) 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.

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

FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Special Sales Tax - Accounts for sales tax revenue dedicated to public safety.

Proprietary Funds - The City reports the following major enterprise funds:

Beggs Public Works Authority - The Authority provides certain utility services for the City.

Budgetary Accounting and Control

The Mayor submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and allocation of resources. In June, the City Council adopts the annual fiscal year budgets for the City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit an annual budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without City approval.

The budgets for the governmental funds and proprietary fund operations are 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. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Investments

The City follows Governmental Accounting Standards Council (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The City considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepays

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The City has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepays are similarly reported in government-wide and fund financial statements. Under the modified cash basis of accounting, prepays are not reported. The expense is included in the period the liability is paid.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The City maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.



CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture, machinery, and equipment	3-30
Utility system	5-60

Compensated Absences

Employees have up to two(2) weeks vacation leave and fourteen(14) days sick leave per year. Sick leave and vacation leave must be used in the year earned. Therefore, no amounts are reported for accrued compensated absences.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ from those estimates.

**NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the City will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the City, and are held by counterparty or the counterparty's trust department but not in the name of the City. The City's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the City's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The City had deposits at financial institutions with a carrying amount of approximately \$564,539 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$578,263.

CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Credit Risk

Fixed-income securities are subject to credit risk. However, the City did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the City's interest rate risk. As of June 30, 2013, the City's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at June 30, 2013 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$ 2,296	Cemetery Care	General Fund
<u>\$ 2,296</u>		

The governmental financial statements report all interfund receivables. The governmental fund interfund receivables have been eliminated in preparation of the government-wide financial statements.

CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE D - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Balance, June 30, 2012	\$ 99,442	\$ -	\$ 832,096	\$ 931,538	\$ 20,000
Increases	-	-	37,338	37,338	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>99,442</u>	<u>-</u>	<u>869,434</u>	<u>968,876</u>	<u>20,000</u>
Accumulated Depreciation					
Balance, June 30, 2012	14,924	-	401,628	416,552	
Increase	1,657	-	43,155	44,812	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>16,581</u>	<u>-</u>	<u>444,783</u>	<u>461,364</u>	
Governmental activities Capital Assets, Net	<u>\$ 82,861</u>	<u>\$ -</u>	<u>\$ 424,651</u>	<u>\$ 507,512</u>	<u>\$ 20,000</u>
Business-type activities					
Balance, June 30, 2012	\$ 318,170	\$ 6,394,763	\$ 151,570	\$ 6,864,503	\$ 34,480
Increases	-	-	23,480	23,480	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>318,170</u>	<u>6,394,763</u>	<u>175,050</u>	<u>6,887,983</u>	<u>34,480</u>
Accumulated Depreciation					
Balance, June 30, 2012	84,392	1,108,764	136,516	1,329,672	
Increase	7,954	160,255	3,835	172,044	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>92,346</u>	<u>1,269,019</u>	<u>140,351</u>	<u>1,501,716</u>	
Business-type Activities Capital Assets, Net	<u>\$ 225,824</u>	<u>\$ 5,125,744</u>	<u>\$ 34,699</u>	<u>\$ 5,386,267</u>	<u>\$ 34,480</u>
<b>PRIMARY GOVERNMENT</b>					
Capital Assets, Net	<u>\$ 308,685</u>	<u>\$ 5,125,744</u>	<u>\$ 459,350</u>	<u>\$ 5,893,779</u>	<u>\$ 54,480</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES

General Government	\$ 9,727
Public Safety	32,968
Street	1,600
Cemetery	517

BUSINESS-TYPE ACTIVITIES

Public Works	\$ 172,044
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CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE E - PROPRIETARY FUND NOTES PAYABLE

The Authority has issued and outstanding its Clean Water SRF Promissory Note to Oklahoma Water Resources Board, Series 2008 in the original amount of \$4,220,000. The payments beginning September 15, 2012, continuing for 20 years. The note incurs interest at fixed rate of 2.72%. The Authority has drawn down \$4,204,129 as of June 30, 2013.

Revenue bond transactions for the year ended June 30, 2013 are as follows:

	Payable at <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2013</u>
OWRB, Series 2008	\$ 4,159,129	\$ -	\$ (173,056)	\$ 3,986,073
	<u>\$ 4,159,129</u>	<u>\$ -</u>	<u>\$ (173,056)</u>	<u>\$ 3,986,073</u>

The annual debt service requirements for retirement of bond principal and payment of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	178,752	108,722	287,474
2015	184,636	103,752	288,388
2016	190,398	98,885	289,283
2017	196,979	93,325	290,304
2018	203,463	87,848	291,311
2019-2023	1,122,016	350,798	1,472,814
2024-2028	1,319,446	184,194	1,503,640
2029-2030	590,383	20,558	610,941
Total	<u>\$ 3,986,073</u>	<u>\$ 1,048,082</u>	<u>\$ 5,034,155</u>

The Authority paid interest in the amount of \$134,404 and \$500 in fiscal fees on its outstanding bonds during the fiscal year.

NOTE F - DEBT SERVICE COVERAGE

The revenue bond indenture requires the Authority maintain a schedule of rates or charges for services sufficient to provide funds which together with other revenues pledged will provide net revenues available for debt service equal to at least 125% of the maximum annual debt services requirement. The ratio for the current year is calculated as follows:

Operating income	\$ 61,391
Depreciation	172,044
Sales tax appropriations	295,662
Net revenue	<u>\$ 529,097</u>
Maximum annual debt service	<u>\$ 306,314</u>
Ratio	<u>1.73 to 1</u>

The City was in compliance.

CITY OF BEGGS, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE G - CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the City the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2013 are as follows:

Payable at July 1, 2012	Additions	Retirements	Balance at June 30, 2013
\$ 53,318	\$ 30,834	\$ (19,714)	\$ 64,438
<u>\$ 53,318</u>	<u>\$ 30,834</u>	<u>\$ (19,714)</u>	<u>\$ 64,438</u>

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Fire Truck	Tractor	Total
2014	18,960	6,864	25,824
2015	18,960	6,864	25,824
2016	-	6,864	6,864
2017	-	6,864	6,864
2018	-	4,004	4,004
Total minimum lease payment	37,920	31,460	69,380
Less: Amount representing interest	<u>1,506</u>	<u>3,436</u>	<u>4,942</u>
Total	<u>\$ 36,414</u>	<u>\$ 28,024</u>	<u>\$ 64,438</u>

NOTE H - PENSION OBLIGATIONS

The City participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

The City participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45

CITY OF BEGGS, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

Fiscal <u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 0	0%
2012	0	0%
2011	0	0%

The City created its Savings Incentive Match Plan for Employees under the Internal Revenue Code of 1986 to be effective August 1, 2001. Employees may contribute any amount of compensation. The City matches the employee contribution up to 3%. Employees are vested upon entering the plan. The employee may transfer contributions to another trustee or custodian by notifying the trustee (American Funds Service Company). Benefits from the Plan depend on the amount of contributions and earnings on the contributions. During the year ended June 30, 2013 the City contributed \$1,828 and employees \$1,828.

**NOTE M - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF BEGGS, OKLAHOMA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013

NOTE N - FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE O - SUBSEQUENT EVENTS

The City has evaluated subsequent events and contingencies through June 17, 2015, the date which financial statements were available. The City believes there are no events requiring disclosure.

CITY OF BEGGS, OKLAHOMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	<u>Auxiliary Police</u>	<u>Cemetery Care</u>	<u>Police Equipment</u>	<u>Court</u>	<u>Medical Trust</u>	<u>Reap Grant</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 206	\$ 37,946	\$ 13,406	\$ 11,279	\$ 4,944	\$ 150	\$ 67,931
Due from other funds	<u>-</u>	<u>2,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,296</u>
<b>TOTAL ASSETS</b>	<u>\$ 206</u>	<u>\$ 40,242</u>	<u>\$ 13,406</u>	<u>\$ 11,279</u>	<u>\$ 4,944</u>	<u>\$ 150</u>	<u>\$ 70,227</u>
<b>LIABILITIES</b>							
Due to others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Assigned	<u>206</u>	<u>40,242</u>	<u>13,406</u>	<u>11,279</u>	<u>4,944</u>	<u>150</u>	<u>70,227</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 206</u>	<u>\$ 40,242</u>	<u>\$ 13,406</u>	<u>\$ 11,279</u>	<u>\$ 4,944</u>	<u>\$ 150</u>	<u>\$ 70,227</u>

See accompanying notes to financial statements.



CITY OF BEGGS, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Auxiliary	Cemetery	Police		Medical	Reap	Total
	Police	Care	Equipment	Court	Trust	Grant	Nonmajor
REVENUES							Funds
Cemetery sales	\$ -	\$ 2,064	\$ -	\$ -	\$ -	\$ -	\$ 2,064
Fines and forfeits	-	-	11,986	72,714	-	-	84,700
Other	-	4,930	856	-	-	-	5,786
Interest	-	44	22	25	10	3	104
<b>TOTAL REVENUES</b>	<b>-</b>	<b>7,038</b>	<b>12,864</b>	<b>72,739</b>	<b>10</b>	<b>3</b>	<b>92,654</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	5,905	7,993	-	-	13,898
Cemetery	-	660	-	-	-	-	660
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>660</b>	<b>5,905</b>	<b>7,993</b>	<b>-</b>	<b>-</b>	<b>14,558</b>
Excess of revenues over (under) expenditures	-	6,378	6,959	64,746	10	3	78,096
<b>Other financing sources (uses)</b>							
Transfer in	-	-	-	-	-	-	-
Transfer out	-	(2,917)	-	(61,144)	-	-	(64,061)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(2,917)</b>	<b>-</b>	<b>(61,144)</b>	<b>-</b>	<b>-</b>	<b>(64,061)</b>
Net change in fund balance	-	3,461	6,959	3,602	10	3	14,035
Fund balances, beginning	206	36,781	6,447	7,677	4,934	147	56,192
Fund balances, ending	<u>\$ 206</u>	<u>\$ 40,242</u>	<u>\$ 13,406</u>	<u>\$ 11,279</u>	<u>\$ 4,944</u>	<u>\$ 150</u>	<u>\$ 70,227</u>

See accompanying notes to financial statements.

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 Board of Trustees  
City of Beggs  
Beggs, Oklahoma

We were engaged to audit, 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 State, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Beggs, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the City of Beggs, Oklahoma's, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Beggs, Oklahoma's basic financial statements and have issued my report thereon dated June 17, 2015 which has a disclaimed opinion.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the City of Beggs, Oklahoma's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Beggs, Oklahoma's internal control. Accordingly, I do not express an opinion of the effectiveness of City of Beggs, Oklahoma's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned cost, we identified certain deficiencies in internal control that we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, reference number 2013-1 and 2013-2.

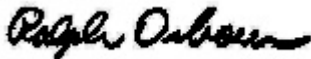
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, reference number 2013-1 and 2013-2.

Compliance and Other Matters

In connection with my engagement to audit the financial statements of the City of Beggs, Oklahoma, 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 are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

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 engagement to perform an audit 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.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
June 17, 2015

CITY OF BEGGS, OKLAHOMA  
BEGGS, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

2013-1: Failure to pay the City's required contribution to the Oklahoma Firefighter's Pension program.

Finding: The City does not qualify for exemption from payment of the required municipal contribution to the Oklahoma Firefighter's Pension for the volunteer firefighters.

Recommendation: The City should calculate the amount owed based on \$60 per firefighter and remit payment to the Oklahoma Firefighter's Pension Program.

2013-2: The City failed to maintain adequate financial records.

Finding: The City did not have adequate records of financial transactions and minutes for the year.

Recommendation: The City should maintain financial records to support actions taken each year.