

CITY OF GERONIMO, OKLAHOMA

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

City of Geronimo, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of City of Geronimo, Oklahoma, as of and for the year ended June 30, 2017 and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits; contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 policies used and the reasonableness of significant 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Geronimo, Oklahoma as of June 30, 2017 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that the accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated April 25, 2018, on our consideration of the District'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 considering internal control over City of Geronimo, Oklahoma's financial reporting and compliance.

Handwritten signature of Turnbull & Brin LLP in black ink.

April 25, 2018

Lawton, OK

City of Geronimo, Oklahoma
Government-Wide Statement of Net Position
(Modified Accrual Basis)
As of June 30, 2017

<u>Assets</u>	<u>Governmental Activities</u>	<u>Primary Government Business Type Activities</u>	<u>Total</u>
Current Assets			
Cash & Equivalents	\$ 248,341	\$ 569,980	\$ 818,321
Other Receivables	-	6,218	6,218
Prepaid Expenses	1,738	3,222	4,960
Total Current Assets	<u>250,079</u>	<u>579,420</u>	<u>829,499</u>
Property and Equipment			
Capital Assets	224,334	2,459,192	2,683,526
Less Accumulated Depreciation	(162,683)	(1,023,160)	(1,185,843)
Net Property and Equipment	<u>61,651</u>	<u>1,436,032</u>	<u>1,497,683</u>
Total Assets	<u>\$ 311,730</u>	<u>\$ 2,015,452</u>	<u>\$ 2,327,182</u>
Liabilities			
Current Liabilities			
Due to Depositors	-	53,782	53,782
Accounts Payable	6,360	25,541	31,901
Other Current Liabilities & Accrued Expenses	1,159	8,329	9,488
Total Current Liabilities	<u>7,519</u>	<u>87,652</u>	<u>95,171</u>
Long-Term Liabilities			
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,519</u>	<u>87,652</u>	<u>95,171</u>
Net Assets			
Invested in Capital, Net of Related Debt	61,651	1,436,032	1,497,683
Temporarily Restrictged for Lagoon Repairs	-	146,777	146,777
Unrestricted	242,560	344,991	587,551
Total Net Assets	<u>304,211</u>	<u>1,927,800</u>	<u>2,232,011</u>
Total Liabilities and Net Assets	<u>\$ 311,730</u>	<u>\$ 2,015,452</u>	<u>\$ 2,327,182</u>

The accompanying notes are an integral part of these financial statements.

City of Geronimo, Oklahoma
Government-Wide Statement of Activities
(Modified Accrual Basis)
Year Ended June 30, 2017

	Program Revenues		Net (Expense) Revenue & Changes in Net Position	
	Charges for Services	Operating Grants & Contributions	Governmental Activities	Business Type Activities
Primary Government				
Governmental Activities:				
General Government	\$ 112,983	\$ -	(\$111,216)	(111,216)
Public Safety	63,960	15,603	(18,897)	(18,897)
Street & Public Works	1,632	-	(1,632)	(1,632)
Culture & Recreation	30,468	1,905	6,351	6,351
Total Governmental Activities	209,043	17,508	(125,394)	(125,394)
Business Type Activities:				
Water Service	265,885	-		(14,745)
Garbage Service	138,442	-		32,981
Sewer Service	80,603	-		98,660
Equipment Rental & Other Fees	39,599	-		(18,533)
Total Business Type Activities	524,529	-		98,363
Total Primary Government	733,572	17,508		(27,031)

General Revenue

Taxes:

Sales & Use Taxes	85,071	-	85,071
Franchise Taxes	17,537	-	17,537
Alcoholic Beverage Tax	4,218	-	4,218
Cigarette Tax	876	-	
Mileage Tax	10,612	-	10,612
Investment Income	169	310	479
Miscellaneous	31,943		31,943
Reimbursements	598	(3)	595
Transfers	(4,723)	2,732	(1,991)
Total General Revenue	146,301	3,039	148,464
Change in Net Position	20,907	101,402	122,309
Net Position, June 30, 2016	283,304	1,826,398	2,109,702
Net Position, June 30, 2017	\$304,211	\$1,927,800	\$2,232,011

The accompanying notes are an integral part of these financial statements.

City of Geronimo, Oklahoma
Balance Sheet
(Modified Cash Basis)
Governmental Funds
As of June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 46,535	\$ 201,806	\$ 248,341
Prepaid Expenses	<u>1,738</u>	<u>-</u>	<u>1,738</u>
Total Assets	<u><u>48,273</u></u>	<u><u>201,806</u></u>	<u><u>250,079</u></u>
Liabilities & Fund Balances			
Accounts Payable	6,360	-	6,360
Payroll Taxes Payable	<u>1,159</u>	<u>-</u>	<u>1,159</u>
Total Liabilities	<u>7,519</u>	<u>-</u>	<u>7,519</u>
Net Assets			
Unreserved	<u>40,754</u>	<u>201,806</u>	<u>242,560</u>
Total Liabilities and Net Assets	<u><u>\$ 48,273</u></u>	<u><u>\$ 201,806</u></u>	<u><u>\$ 250,079</u></u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund

\$ 61,651

Net position of governmental activities

\$ 304,211

The accompanying notes are an integral part of these financial statements.

City of Geronimo, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Governmental Funds
Year Ended June 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Gov. Funds</u>
Revenue			
Taxes	\$ 107,702	\$ 10,612	\$ 118,314
Charges for Services	1,767	24,466	26,233
Fines & Forfeitures	17,610	-	17,610
Contributions	-	17,508	17,508
Bull Riding Revenue	-	22,298	22,298
Reimbursement	598	-	598
Rental Income	32,112	-	32,112
Total Sales	<u>159,789</u>	<u>74,884</u>	<u>234,673</u>
Expenditures			
General Government:			
General Government	90,049	-	90,049
Clerk-Treasurer	7,332	-	7,332
Municipal Court	15,602	-	15,602
Public Safety:			
Animal Control	4,567	-	4,567
Police	44,852	-	44,852
Fire	-	14,541	14,541
Street & Public Works:			
Streets	-	1,632	1,632
Culture & Recreation:			
Bull Riding Expenses	-	22,502	22,502
Nutrition Center	-	5,176	5,176
Parks	-	2,790	2,790
Capital Outlay			
General Government	21,250	-	21,250
Total Expenditures	<u>183,652</u>	<u>46,641</u>	<u>230,293</u>
Revenue Over(Under) Expenditures	\$ (23,863)	\$ 28,243	\$ 4,380
Other Financing Sources (Uses)			
Transfers In	(1,836)	11,749	9,913
Transfers Out	(7,800)	(1,836)	(9,636)
Total Other Financing Sources(Uses)	<u>(9,636)</u>	<u>9,913</u>	<u>277</u>
Net Change in Fund Balance	<u>(33,499)</u>	<u>38,156</u>	<u>4,657</u>
Fund Balance, June 30, 2016	141,998	136,306	278,304
Fund Balance, June 30, 2017	<u>\$ 108,499</u>	<u>\$ 174,462</u>	<u>\$ 282,961</u>

The accompanying notes are an integral part of these financial statements.

City of Geronimo, Oklahoma
Statement of Revenue, Expenditures, and Changes in Fund Balance
(Modified Cash Basis)
Governmental Funds
Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Gov. Funds
Amounts reported for governmental activities in the statement of net position are different because:			
Governmental funds report capital outlays as expenditures		\$	21,250
Net position of governmental activities		\$	304,211

The accompanying notes are an integral part of these financial statements.

City of Geronimo, Oklahoma
Geronimo Public Works Authority
Enterprise Fund
Statement of Net Position
(Modified Accrual Basis)
As of June 30, 2017

Assets

Current Assets

Cash	569,980
Accounts Receivable	6,218
Prepaid Expenses	<u>3,222</u>

Total Current Assets 579,420

Property and Equipment

Capital Assets	2,459,192
Less Accumulated Depreciation	<u>(1,023,160)</u>

Net Property and Equipment 1,436,032

Total Assets \$ 2,015,452

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 25,541
Due to Depositors	53,782
Other Current Liabilities	<u>8,329</u>

Total Current Liabilities 87,652

Noncurrent Liabilities

Total Liabilities

87,652

Invested in Capital Assets, Net of Related Debt, Restricted	1,436,032
Temporarily Restricted for Lagoon Repairs	146,777
Unrestricted	<u>344,991</u>

Total Net Assets 1,927,800

Total Liabilities and Net Assets \$ 2,015,452

The accompanying notes are an integral part of these financial statements.

City of Geronimo, Oklahoma
Geronimo Public Works Authority
Enterprise Fund
Statement of Revenue, Expenses, and Change in Fund Net Assets
(Modified Accrual Basis)
Year Ended June 30, 2017

Operating Revenue	
Water Revenue	\$251,140
Garbage Revenue	171,423
Sewer Revenue	179,263
Reimbursements	(3)
Equipment Rental & Other Fees	21,066
Total Operating Revenue	622,889
Operating Expenses	
Water Purchased	146,315
Personnel Services	123,671
Garbage Expense	61,417
Depreciation	64,934
Operating Expense	18,687
Building Rent	24,000
Professional Expense	5,377
Equipment Maintenance	38,476
Utilities	13,007
Insurance	13,464
Office Expense	4,001
Other Expenses	11,181
Total Operating Expenses	524,530
Net Operating Income (Loss)	98,359
Nonoperating Revenue (Expense)	
Interest Income	310
Net Transfers	2,733
Net Nonoperating Revenue (Expense)	3,043
Net Revenue (Loss)	101,402
Total Net Position, June 30, 2016	1,826,398
Total Net Position, June 30, 2017	\$ 1,927,800

The accompanying notes are an integral part of these financial statements.

City of Geronimo, Oklahoma
Statement of Cash Flows
For the 1 Year Ended June 30, 2017

Cash Flows from Operating Activities	
Cash received from customers	\$ 591,563
Cash payments to suppliers	(337,168)
Cash payments to employees	(113,604)
Net Cash provided by Operating Activities	<u>140,791</u>
 Cash flows from capital and related financing activities	
Purchase of capital assets	(12,608)
Principal paid on capital debt	(36,871)
Net Cash used by Capital and Related Financing Activities	<u>(49,479)</u>
 Cash flows from investing activities	
Interest Received	310
Net Cash provided by Investing Activities	<u>310</u>
 Cash Transfers from other funds	
Net Increase in Cash and Cash Equivalents	<u>91,622</u>
Beginning Cash and Cash Equivalents	<u>478,358</u>
Ending Cash and Cash Equivalents	<u>\$ 569,980</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating Income	98,359
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	64,934
Increase(Decrease) in:	
Due to depositors	(28,953)
Accounts payable	13
Accrued liabilities	532
Decrease (Increase) in:	
Accounts Receivable	(2,373)
Prepaid expenses	8,279
Net cash provided by operating activities	<u>\$ 140,791</u>

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

City of Geronimo (the City) uses the modified cash basis of accounting for its governmental funds for preparing its financial statements. Generally accepted accounting principles would require the City to use the accrual basis of accounting and to report its assets and infrastructures in its financial statements. The City has elected not to follow the generally accepted accounting principles and to continue using the modified cash basis of accounting.

Basis of accounting refers to the time when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The accounting records of the Enterprise Funds are kept on a modified accrual basis of accounting, under which customer revenues are recorded when measurable and billable, other revenue are recorded when received, and expenses are recorded when the liability is incurred. Uncollectible accounts receivable are charged to a provision for bad debts at the time the accounts are estimated to be uncollectible, based upon an age analysis of the accounts.

If the books of the governmental fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenue would be recorded when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current fund liability is incurred. If the books of the proprietary fund types were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recognized when earned and expenses would be recorded when the liability is incurred.

The modified cash basis of accounting is an acceptable method of accounting under the budgetary laws of the State of Oklahoma.

B. Reporting Entity

For financial reporting purposes the City includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent of the City's executive or legislative branches; their presentation is rendered in accordance with GASB No. 61. Control by or dependence on the City was determined on the basis of oversight responsibility, scope of public services, and special financing relationships. Oversight responsibility includes financial dependency, selections of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based on an overall evaluation of the foregoing criteria, the Geronimo Public Works Authority (the Authority) is included in the City's annual report. The Authority is a public trust created under Title 90 of the Oklahoma Statutes. The City is sole beneficiary of the trust which was organized to provide utility services to the residents of the City. The Authority is accounted for as the City's Enterprise Fund in these financial statements.

The Authority is empowered to lease, acquire or construct the properties necessary to provide and maintain these services. It is also empowered to obtain funds for these purposes and in doing so, to incur indebtedness whether unsecured or secured by all or any part of the Trust Estate and its revenues. The Authority is also permitted to transfer monies to the City for the use of the City. The members of City Council act as Trustees of the Authority.

C. Fund Accounting

The accounts of the City are organized on a basis of funds and account groups, each of which is considered to be a separate accounting entity, accordance with GASB No. 54. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements and are classified as governmental, proprietary and fiduciary fund types. The following types are used by the City.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2017

1. Governmental Fund Types

a. General Fund

The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general operating revenues not restricted as to use are recorded in the General Fund.

b. Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally or administratively restricted to expenditures for specific purposes.

2. Proprietary Fund Types

a. Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The Geronimo Public Works Authority is accounted for as the City's Enterprise Fund.

D. Financial Statement Amounts

Cash and Cash Equivalents – The City and the Authority considers all cash in hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Investments – Investments consist of certificate of deposits maturing beyond three months and direct obligations of the United States government and agencies. Investments are stated at cost, which approximates market value.

Capital Assets – Capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital asset which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenue, Expenses, and Changes in Fund Balance, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40 Years
Improvements other than buildings	10-13 years
Machinery and equipment	5-10 years
Vehicles	4-6 years
Infrastructure	25-40years

Restricted Assets – Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits and trustee accounts restricted for debt service and construction purposes.

Due to Depositor – Represents the fund received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the services.

Long-Term Debt – Long-term debt arising from cash transactions to be repaid from business-type resources are reported as liabilities in the Statement of Net Assets.

Compensated Absences – As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end), are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has not been tracked by the Authority.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2017

Equity Classifications – In the proprietary fund financial statements, equity is classified as net position, previously termed “net assets,” and displayed in three components:

Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net assets with constraints placed on the use by either 1) external groups such as creditor, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provision or enabling legislation.

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first use restricted net assets prior to the use of unrestricted net assets when both restricted and unrestricted assets are available.

E. Operating Revenue and Expenses

The Authority’s proprietary fund distinguishes between operating and non-operating revenue and expenses. Operating revenue and expenses consist of changes for services and the cost of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as non-operating.

F. Use of Estimates

The preparation of financial statement in conformity with the comprehensive basis of accounting used by the Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Operating Revenue and Expenses

The Authority’s proprietary fund distinguishes between operating and non-operating revenue and expenses. Operating revenue and expenses consist of changes for services and the cost of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as non-operating.

H. Use of Estimates

The preparation of financial statement in conformity with the comprehensive basis of accounting used by the Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain difference between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation of the \$61,651 difference between fund balance – total government funds and net assets – governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” This would include the long term portion of Capital lease payments. There are no long term Capital lease payments due at this time.

Another element of that reconciliation is capital assets used in governmental activities that are not financial resources. The net value of these assets is \$61,651.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2017

Capital Assets, Land, & Construction	224,334
Less: Accumulated Depreciation	<u>(162,683)</u>
	<u>61,651</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$21,250 difference between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures." However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

NOTE 3: BUDGETARY INFORMATION

The City Manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2017

Note 4- CAPITAL ASSETS

Beginning in the year 2004/2005, in accordance with Governmental Account Standards Board Statement No. 34, the City reported assets resulting from cash transactions and reports depreciation where appropriate. Depreciation for the year was \$20,174 and was charged to general government.

	Fixed Asset	Accumulated Depreciation
Balance June 30, 2016	213,474	150,052
Additions	21,250	19,798
Total	234,724	169,850
Disposals	(10,390)	(7,167)
Balance June 30, 2017	<u>224,334</u>	<u>162,683</u>

Certain fixed assets acquired by the Enterprise Fund have been capitalized as property equipment within the fund, and contain a provision for depreciation expense. Depreciation for the current year was \$64,934, which was charged to current operations.

Changes in fixed assets of the Enterprise Fund during they year ended Jun 30, 2017 were as follows:

	Fixed Asset	Accumulated Depreciation
Balance June 30, 2016	2,447,341	961,165
Additions	15,000	64,934
Total	2,462,341	1,026,099
Disposals	(3,149)	(2,939)
Balance June 30, 2017	<u>2,459,192</u>	<u>1,023,160</u>

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2017

NOTE 5: DEPOSITS

Deposit custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of federally insured limits, but was out of compliance with that statute, holding \$564,923 in excess of federally insured limits and corresponding collateral at Jun 30, 2017.

NOTE 6: LONG TERM DEBT

The Authority was liable under a long-term loan agreement with Oklahoma Water Resources Board. The balance under the original contract was \$395,000 dated September 10, 2007. It is secured by revenues derived from the operation of the system and a mortgage with a variable rate, currently 2.93%. The note was paid in full during the current fiscal year.

	<u>Beginning Balance</u>
Balance as of June 30, 2016	\$ 36,871
Principal Payments	<u>(36,871)</u>
Balance as of June 30, 2017	<u>\$ -</u>

NOTE 7: COMMITMENTS AND CONTINGENCIES

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2017 has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

The City and its trusts are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City and the Authority carry the following insurance coverage as protection against possible loss contingencies:

- Worker Compensation and Employer Liability
- Comprehensive General & Auto Liability
- Building and Contents Property Damage
- Automobile Physical Damage
- Equipment Physical Damage
- Fire Equipment Liability and Physical Damage
- Fire Vehicle Liability
- Public Official Position Bond

The City elected not to ensure several buildings it owns and would be subject to the related loss if those buildings were damaged or destroyed. The value of the uninsured property was not reasonably estimable at issuance date of these financial statements.

City of Geronimo, Oklahoma
Notes to the Financial Statements
June 30, 2017

Litigation – The City of Geronimo and its public trust is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statement does not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court-assessed judgment rendered against the City. While the outcome of the above noted proceeding cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that a settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Compensated Absences – According to the City and its public trust personnel policies, employees are granted vacation, sick leave, and compensated absences in varying amounts, however, no accumulative of this liability has been maintained by the City or the Public Works Authority.

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 Directors:

City of Geronimo, Oklahoma

We have audited, in accordance with auditing standard 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 City of Geronimo, Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated April 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Geronimo, Oklahoma's internal control over financial reporting (internal control) to determine our 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 Geronimo, Oklahoma's internal controls.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Geronimo, 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*.

City of Geronimo, Oklahoma 's Response to Findings

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

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, 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.

Handwritten signature in black ink that reads "Turnbull & Brin LLP". The signature is written in a cursive, slightly slanted style.

Lawton, Oklahoma

April 25, 2018