

City of Grandfield, Oklahoma

Independent Auditor's Report and Financial Statements

**For the Fiscal Year Ended
June 30, 2014**

City of Grandfield, Oklahoma

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Violet F. Kirkendall CPA, PC

Certified Public Accountants

405 W. Claremore St.

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Independent Auditor's Report

Board of Trustees
City of Grandfield

I have audited the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of ***City of Grandfield***, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

As discussed in Note 1, the ***City of Grandfield, Oklahoma***, prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

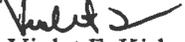
As discussed in Note 1, management has expensed capital assets when acquired in governmental activities instead of recording capital assets on the balance sheet, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America, when applied to such a modified cash basis of accounting, require that capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the modified cash basis assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the modified cash basis financial position of the ***City of Grandfield, Oklahoma*** as of June 30, 2014, or the changes in its modified cash basis financial position or its cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued our report dated December 30, 2014 on my consideration of the ***City of Grandfield*** internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, and contracts.

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

My audit was made for the purpose of forming an opinion on the basic financial statements of *City of Grandfield* taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Violet F. Kirkendall CPA, PC
Certified Public Accountant

December 30, 2014

Violet F. Kirkendall CPA, PC
Certified Public Accountants
405 W. Claremore St.
Claremore, OK 74017
(918) 342-5474

***Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards***

Board of Trustees
City of Grandfield

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***City of Grandfield, Oklahoma*** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise which comprise ***City of Grandfield, Oklahoma*** basic financial statements, and have issued my report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered ***City of Grandfield's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***City of Grandfield*** internal control. Accordingly, I do not express an opinion on the effectiveness of ***City of Grandfield*** internal control.

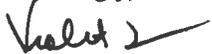
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I consider the deficiencies in internal control described in the accompanying schedule of findings as item 2014 – 1 and 2014-2 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***City of Grandfield*** financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Violet F. Kirkendall CPA, PC
Certified Public Accountant

December 30, 2014

City of Grandfield, Oklahoma
Statement of Net Assets
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 198,299.55	\$ 290,746.98	\$ 489,046.58
Accounts receivable		32,055.22	32,055.22
Investments	45,000.00	11,290.00	56,290.00
Total Current Assets	<u>243,299.55</u>	<u>334,092.10</u>	<u>577,397.65</u>
Non-current Assets:			
Cash, restricted		16,324.34	16,324.34
Investments, restricted		31,000.00	31,000.00
Capital Assets:			
Property, plant and equipment, net of accumulated depreciation		43,647.68	43,647.68
Total Non-current Assets	<u>0.00</u>	<u>90,972.02</u>	<u>90,972.02</u>
Total Assets	<u>243,299.55</u>	<u>425,064.12</u>	<u>668,363.67</u>
LIABILITIES			
Current Liabilities:			
Accounts payable		8,609.12	8,609.12
Current portion of LT Debt		9,149.59	9,149.59
Total Current Liabilities	<u>0.00</u>	<u>17,758.71</u>	<u>17,758.71</u>
Non-current Liabilities:			
Payable from Restricted Assets:			
Meter deposits payable		47,366.54	47,366.54
Notes payable		28,904.84	28,904.84
Total Non-current Liabilities	<u>0.00</u>	<u>76,271.38</u>	<u>76,271.38</u>
Total Liabilities	<u>0.00</u>	<u>94,030.05</u>	<u>94,030.05</u>
NET ASSETS			
Invested in capital assets, net of related debt	0.00	5,593.25	5,593.25
Restricted		(42.20)	(42.20)
Reserved for specific purpose	75,868.07		75,868.07
Unrestricted	167,431.48	325,482.98	492,914.46
Total Net Assets	<u>\$ 243,299.55</u>	<u>\$ 331,034.03</u>	<u>\$ 574,333.58</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Activities
For The Year Ended June 30, 2014

<u>Functions/Programs:</u>	<u>Program Revenues</u>				Net (Expense) Revenue
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General Government	\$ 105,660.45	\$	\$	\$	\$ (105,660.45)
Public Safety	27,176.86	100.00	4,549.98		(22,526.88)
Transportation	24,135.03				(24,135.03)
Cemetery and Parks	14,483.34	300.00	545.00		(13,638.34)
Utilities and Sanitation	48,062.13		20,440.64		(27,621.19)
Other Functions	<u>146,546.11</u>	<u>166,621.59</u>	<u>16,409.22</u>		<u>20,075.48</u>
Total Governmental Activities	<u>366,068.52</u>	<u>167,021.59</u>	<u>41,944.84</u>	<u>0.00</u>	<u>(157,097.49)</u>
Business Type Activities:					
Business Type Activities	<u>567,303.40</u>	<u>602,862.25</u>	<u>0.00</u>	<u>0.00</u>	<u>35,558.83</u>
Total	<u>\$ 933,367.32</u>	<u>\$ 769,883.82</u>	<u>\$ 41,944.84</u>	<u>\$ 0.00</u>	<u>\$ (121,538.66)</u>

	<u>Primary Government</u>		<u>Totals</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Changes in Net Assets:			
Net (expense) revenue	\$ (157,097.49)	\$ 35,558.83	\$ (121,538.66)
General revenues:			
Taxes:			
Sales Tax	94,475.39		94,475.39
Use Tax	8,275.23		8,275.23
Alcoholic Beverage Tax	13,826.36		13,826.36
Franchise Tax	24,603.35		24,603.35
Cigarette Tax	1,084.41		1,084.41
Other Tax	2,738.75		2,738.75
Restricted for transportation purposes:			
Motor Vehicle Tax	8,894.39		8,894.39
Gasoline Tax	1,841.10		1,841.10
Interest income	158.99	512.89	671.88
Sale/rent of property	3,240.00		3,240.00
Reimbursements	<u>1,400.00</u>		<u>1,400.00</u>
Total General Revenues and Transfers	<u>160,537.97</u>	<u>512.89</u>	<u>161,050.86</u>
Change in Net Assets	3,440.48	36,071.72	39,512.20
Net Assets-beginning	<u>239,859.07</u>	<u>294,962.31</u>	<u>534,821.38</u>
Net Assets-ending	<u>\$ 243,299.55</u>	<u>\$ 331,034.03</u>	<u>\$ 574,333.58</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund	Capital Improvement Plan Fund	Other Governmental Governmental Funds	Totals
ASSETS				
Cash	\$ 167,431.48	\$	\$ 30,868.07	\$ 198,299.55
Investments			45,000.00	45,000.00
Total Assets	\$ 167,431.48	\$ 0.00	\$ 75,868.07	\$ 243,299.55
 LIABILITIES & FUND EQUITY				
Fund Equity:				
Restricted for specific purposes	\$	\$	\$ 75,868.07	\$ 75,868.07
Unreserved	167,431.48	0.00	0.00	167,431.48
Total Fund Equity	167,431.48	0.00	75,868.07	243,299.55
Total Liabilities & Fund Equity	\$ 167,431.48	\$ 0.00	\$ 75,868.07	\$ 243,299.55

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Reconciliation of Governmental Funds Balance Sheet
June 30, 2014

Total Fund Balances – Governmental Funds \$ 243,299.55

Amounts reported for governmental activities in the statement of net assets are different
Because:

Capital assets used in governmental activities are not financial resources and
Therefore are not reported in the funds. These assets consist of:

Net Capital Assets 0.00

Net Assets of Governmental Activities \$ 243,299.55

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Improvement Plan Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES				
<u>Taxes:</u>				
Sales Tax	\$ 94,475.39	\$	\$	\$ 94,475.39
Use Tax	8,275.23			8,275.23
Alcoholic Beverage	13,826.36			13,826.36
Cigarette Tax	1,084.41			1,084.41
Motor Vehicle Tax	8,894.39			8,894.39
Franchise Tax	24,603.35			24,603.35
Gas Excise Tax	1,841.10			1,841.10
Other Tax	2,738.75			2,738.75
<u>Other:</u>				
Charges for services	19,081.91		36,999.09	56,081.00
Sale of property	1,000.00		300.00	1,300.00
Donations			12,936.22	12,936.22
Interest Income	158.99		294.74	453.73
Rental Income	2,240.00			2,240.00
Miscellaneous	90,206.48		166.09	90,372.57
Police Fines			238.00	238.00
Grant revenues			28,008.62	28,008.62
Insurance Reimbursement	1,400.00			1,400.00
Licenses/Permits	550.00		19,185.28	19,735.28
Total Revenues	<u>270,376.36</u>	<u>0.00</u>	<u>99,128.04</u>	<u>369,504.40</u>
EXPENDITURES				
General Government	105,660.45			105,660.45
Public Safety	27,176.86			27,176.86
Transportation	24,135.03			24,135.03
Cemetery & Parks	19,270.07			19,270.07
Utilities and Sanitation	48,062.13			48,062.13
Other functions	24,249.14		117,296.97	146,546.71
Total Expenditures	<u>248,766.95</u>	<u>0.00</u>	<u>117,296.97</u>	<u>366,063.92</u>
Net Change in Fund Balance	21,609.41	0.00	(18,168.93)	3,440.48
Fund Balance-Beginning	145,822.07	0.00	94,037.00	239,859.07
Fund Balance-Ending	<u>\$ 167,431.48</u>	<u>\$ 0.00</u>	<u>\$ 75,868.07</u>	<u>\$ 243,299.55</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances -- Total Governmental Funds \$ 3,440.48

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

Capital outlay expenditures	
Depreciation expenses	<u>0.00</u>

Change in Net Assets of Governmental Activities \$ 3,440.48

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Net Assets
Proprietary Funds-Enterprise Funds
June 30, 2014

	<u>Public Works Authority</u>	<u>Economic Develop Authority</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 270,824.12	\$ 19,922.86	\$ 290,746.98
Investments		11,290.00	11,290.00
Accounts and notes receivable	<u>8,734.03</u>	<u>23,321.09</u>	<u>32,055.12</u>
Total Current Assets	<u>279,558.15</u>	<u>54,533.95</u>	<u>334,092.10</u>
Noncurrent Assets:			
Cash, restricted	16,324.34		16,324.34
Investments, restricted	31,000.00		31,000.00
Capital Assets:			
Property, plant and equipment, net of depreciation	<u>43,647.68</u>		<u>43,647.68</u>
Total Non-current Assets	<u>90,972.02</u>	<u>0.00</u>	<u>90,972.02</u>
Total Assets	<u>370,530.17</u>	<u>54,533.95</u>	<u>425,064.12</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	8,609.12		8,609.12
Current Portion of Long-term Liabilities	<u>9,149.59</u>		<u>9,149.59</u>
Total Current Liabilities	<u>17,758.71</u>	<u>0.00</u>	<u>17,758.71</u>
Non-current Liabilities:			
Payable from Restricted Assets:			
Meter Deposits Payable	47,366.54		47,366.54
Note payable	<u>28,904.84</u>		<u>28,904.84</u>
Total Non-current Liabilities	<u>76,271.38</u>	<u>0.00</u>	<u>76,271.38</u>
Total Liabilities	<u>94,030.09</u>	<u>0.00</u>	<u>94,030.09</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,593.25		5,593.25
Restricted	(42.20)		(42.20)
Unrestricted	<u>270,949.03</u>	<u>54,533.95</u>	<u>325,482.98</u>
Total Net Assets	<u>\$ 276,500.08</u>	<u>\$ 54,533.95</u>	<u>\$ 331,034.03</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Public Works Authority</u>	<u>Economic Develop Authority</u>	<u>Totals</u>
<u>Operating Revenues:</u>			
Charges for services	\$ 574,363.22	\$	\$ 574,363.22
Miscellaneous		200.56	200.56
Rental income	<u>26,108.20</u>	<u>1,725.00</u>	<u>27,833.20</u>
Total Operating Revenues	<u>600,471.42</u>	<u>1,925.56</u>	<u>602,396.98</u>
<u>Operating Expenses:</u>			
Water	378,522.58		378,522.58
Sewer	9,477.00		9,477.00
Sanitation	117,012.31		117,012.31
Airport	28,416.49		28,416.49
Administrative/general	14,957.70	574.00	15,531.70
Depreciation	<u>13,734.40</u>		<u>13,734.40</u>
Total Operating Expenses	<u>562,120.48</u>	<u>574.00</u>	<u>562,120.48</u>
Operating Income (Loss)	<u>38,350.94</u>	<u>1,351.56</u>	<u>38,125.54</u>
<u>Non-Operating Revenues (Expenses):</u>			
Interest Income	940.46	37.68	978.14
Interest expenses	<u>(4,608.92)</u>		<u>(4,608.92)</u>
Total Non-Operating Revenues (Expenses)	<u>(3,668.40)</u>	<u>37.68</u>	<u>(3,630.78)</u>
Change in Net Assets	34,682.48	1,389.24	36,071.72
Prior Period Adjustment			
Total Net Assets-Beginning	<u>241,817.60</u>	<u>53,144.71</u>	<u>294,962.31</u>
Total Net Assets-Ending	<u>\$ 276,500.08</u>	<u>\$ 54,533.95</u>	<u>\$ 331,034.03</u>

The accompanying notes are an integral part of the combined financial statements.

City of Grandfield, Oklahoma
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2014

	Public Works Authority	Economic Develop Authority	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Inflows:			
Cash received from customers	\$ 577,121.12	\$	\$ 577,121.12
Cash received from rental	26,108.20	1,925.56	28,033.76
Cash Outflows:			
Cash paid for operating expenses	(386,228.14)	(574.00)	(388,353.54)
Cash paid to employees and benefits	(162,157.94)	_____	(162,157.94)
Net Cash Provided (Used) by Operating Activities	54,843.24	1,351.56	56,194.80
 <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Loans repaid	_____	3,100.00	3,100.00
Increase in meter deposits payable	(20.63)	_____	(20.63)
Net Cash Provided (Used) by NonCapital Financing Activities	(20.63)	3,100.00	3,079.87
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Principal payments on Capital Debt	(17,733.78)	_____	(17,733.78)
Interest paid on Capital Debt	(4,608.92)	_____	(4,608.92)
Net Cash Provided (Used) by Capital and Related Financing Activities	(22,342.70)	0.00	(22,342.70)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income	940.56	37.68	978.14
Net Cash Inflow (Outflow) from All Activities	33,420.37	1,389.24	34,809.51
Cash and cash equivalents, beginning of year	284,728.09	18,533.62	305,261.71
Cash and cash equivalents, end of year	\$ 318,148.46	\$ 19,922.86	\$ 349,361.32
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (Loss)	\$ 38,350.94	\$ 1,351.56	\$ 39,702.50
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	13,734.40	_____	13,734.40
(Increase) Decrease in:			
Accounts receivable and notes receivable	2,757.90	_____	2,757.90
Net Cash Provided (Used) by Operating Activities	\$ 54,843.24	\$ 1,351.56	\$ 56,194.80

The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the City's financial statements.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America. These financial statements do not include the management discussion and analysis, which should be included in order to conform with accounting principles generally accepted in the United States of America. As discussed further in Note 1, these financial statements do not include the capital assets for the governmental funds, which should be included in order to conform with accounting principles generally accepted in the United States of America.

Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Grandfield, Oklahoma
Blended Component Unit:	Public Works Authority
	Economic Development Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's fund is blended into those of the City's by appropriate activity type to comprise the primary government presentation.

Blended Component Units

Component units that are blended into the reporting activity types of the City's reports are presented below:

Component Unit	Brief Description/Inclusive Criteria	Reporting
Public Works Authority	Created to finance, develop and operate the utility services activities. The current City Council serves as the governing body (Trustees). Any issuance of debt would Require a two-thirds approval of the City Council.	Enterprise Fund

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

GOVERNMENTAL FUNDS

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government , except those required to be accounted for in another fund.

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

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation (continued)

PROPRIETARY FUND

Enterprise Fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Public Works Authority	Accounts for activities of the public trust in providing utility services to the public.
------------------------	--

MAJOR AND NON-MAJOR FUNDS

<i>Major:</i>	General fund	
	Proprietary Fund	Accounts for activities of the public trust in providing water and sewer services to the public.

Non-Major:

Special Revenues Funds:
Cemetery Fund
Bail Bond Fund
Library Fund
Rodeo Committee
Ambulance Surcharge
Police Department Dare Fund
Fire Department Donations
Drug Dog Donations
POW WOW Donations
REAP Grant Fund
WFACF FD Fund
Fire Dept Ops Fund
NSPRA Fund
Child Reading Fund
Disaster Relief Fund

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting

Measurement focus is a term used to describe “when” 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

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- 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 net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) 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, the governmental activities are presented using the modified accrual basis of accounting and business-like activities are presented using the accrual basis of accounting. Under the modified accrual basis of accounting the funds recognize assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they are cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash and Investments

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the City. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Business-type activities report water and sewer charges as its major receivable.

Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Fixed Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are not accounted for as capital assets. All fixed assets for governmental funds are expensed when acquired. Generally accepted accounting principles requires capital assets to be capitalized and depreciated over its useful life. However, the City has not maintained a record of capital assets acquired in previous years and therefore capital assets are not presented in the financial statement for governmental fund types.

All fixed assets for proprietary fund types are capitalized and acquired at historical cost. Depreciation of all exhaustible fixed assets in the proprietary funds is recorded as an allocated expense in the Statement of Activities 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.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture & Equipment	5-10
Water & Sewer System	20

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive 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 Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserved by terms of promissory notes.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. 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 borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenues, Expenditures and Expenses

SALES TAX

The City presently levies a sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the City in July and August have been accrued and are included under the caption "Due from other governments".

USE TAX

The City levies a use-tax on personal property purchased outside the City limits but stored, used or consumed within the City. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the City in July and August are included under the caption "Due from other governments".

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds – By Character: Current (further classified by function), Debt Service,
Capital Outlay
- Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

INTERFUND TRANSFERS

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations.

Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority	Trust Indenture
Economic Development Authority	Trust Indenture

CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The City does not have a deposit policy for custodial credit risk. As of June 30, 2014, none of the City's investments were exposed to custodial credit risk.

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Investments of the City (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
- 4- County, municipal or school City tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school City;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deposits and Investment Laws and Regulations (cont.d)

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2014, the City and its public trusts complied, in all material respects, with these investment restrictions.

State statutes govern the City's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The City invests entirely in certificates of deposit.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, none of the City's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

Component Unit Deposits

The bank deposits of \$291,894 of the discretely presented component unit were fully insured with FDIC Insurance and securities held in the Authority's name.

Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2014 the City complied, in all material respects, with those revenue restrictions.

Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Furniture & Equipment	\$ 834,254.15	\$ 0.00	\$ 0.00	\$ 834,854.15
Less accumulated depreciation	<u>777,472.07</u>	<u>\$ 13,734.40</u>	<u>\$ 0.00</u>	<u>791,206.41</u>
Business-type activity capital assets, net	<u>\$ 57,382.08</u>			<u>\$ 43,647.68</u>

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Debt Restrictions and Covenants

GENERAL OBLIGATION DEBT

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2014, the City had no outstanding general obligation debt.

OTHER LONG-TERM DEBT

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2014, the City incurred no such indebtedness.

Fund Equity Restrictions

DEFICIT PROHIBITION

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2014.

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

Restricted Assets

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Grandfield Public Works Authority related to amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2014 are \$42,507 in meter deposits.

Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2014 is as follows:

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 0.00	\$ 32,055.12	\$ 32,055.12

Notes Receivable

Notes receivable of the proprietary activities consists of LEAP loans made to local businesses. The amount reported as of June 30, 2014 was \$181,652– with an estimated uncollectible amount of \$158,331.

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

Long Term Debt

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Type Activities

As of June 30, 2014, the governmental funds had no Long Term Debt.

Business-Type Activities

As of June 30, 2014, the long term debt payable from proprietary fund resources consisted of the following:

Note to Capmark Commercial Mortgage – the note is for a period of forty years bearing interest at 5% per annum with monthly payments of \$945 for interest and principal. The note is collateralized by a deed of trust on the project and any real property connected therewith and a first lien on and pledge of net revenues derived from the ownership and operations on the project. The balance at June 30, 2014 was \$47,964.

The note matures as follows:

Year Ended June 30,	<u>Principal</u>
2015	\$ 9,617.70
2016	10,109.76
2017	10,627.00
2018	<u>7,699.97</u>
Totals	<u>\$ 38,054.43</u>

CHANGES IN LONG-TERM DEBT

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2014</u>
<i>Business-Type Activities:</i>				
Notes Payable	<u>\$ 55,788.21</u>	<u>\$ 0.00</u>	<u>\$ 17,733.78</u>	<u>\$ 38,054.43</u>

City of Grandfield, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 4: OTHER INFORMATION

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; or acts of God. The City purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Employee Retirement System and Pension Plan

The City, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes and state appropriations, as necessary.

During the year ending June 30, 2014, the City was required to contribute \$60 per volunteer. The City contributed \$1080 during the current fiscal year, which represented 100% of the required contribution.

The City participates in the Oklahoma Public Employees Retirement System for their employees. During the year ended June 30, 2014, the City made contributions of 7% and employees made contributions of 6.5%.

Subsequent Events

As of the date of the audit report – there were not subsequent events to be disclosed.

City of Grandfield, Oklahoma
Combining Balance Sheet –
Non-Major Governmental Funds
June 30, 2014

	<u>Veterns Wall Fd</u>	<u>Bail Bond Fund</u>	<u>Disaster Relief and Child Reading Funds</u>	<u>Fire Dept Donation Fund</u>	<u>Ambulance Surcharge Fund</u>	<u>Police Dept. Dare Grant Fund</u>	<u>Library ODL Fund</u>
ASSETS							
Cash	\$ 783.78	\$ 3,250.25	\$ 4,046.09	\$ 3,701.06	\$ 102.14	\$ 308.45	\$ 1,866.76
Investments							
Total Assets	<u>\$ 783.78</u>	<u>\$ 3,250.25</u>	<u>\$ 4,046.09</u>	<u>\$ 3,701.06</u>	<u>\$ 102.14</u>	<u>\$ 308.45</u>	<u>\$ 1,866.76</u>
LIABILITIES & FUND EQUITY							
Liabilities:							
Accounts payable	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fund Equity:							
Reserved for Specific Purpose	<u>783.78</u>	<u>3,250.25</u>	<u>4,046.09</u>	<u>3,701.06</u>	<u>102.14</u>	<u>308.45</u>	<u>1,866.76</u>
Total Liabilities & Fund Equity	<u>\$ 783.78</u>	<u>\$ 3,250.25</u>	<u>\$ 4,046.09</u>	<u>\$ 3,701.06</u>	<u>\$ 102.14</u>	<u>\$ 308.45</u>	<u>\$ 1,866.76</u>

<u>Fire Ops Grant</u>	<u>Rodeo Committee & NSPRA</u>	<u>General Fd REAP Fund</u>	<u>Cemetery Fund</u>	<u>Library Bldg Fund</u>	<u>POW WOW Fund</u>	<u>WFACF FD Fund</u>	<u>Totals</u>
\$1,483.28	\$ 25.10	\$ 2,166.54	\$ 12,249.25	\$ 229.50	\$ 555.87	\$ 100.00	\$ 30,868.07
			45,000.00				45,000.00
<u>\$1,483.28</u>	<u>\$ 25.10</u>	<u>\$ 2,166.54</u>	<u>\$ 57,249.25</u>	<u>\$ 229.50</u>	<u>\$ 555.87</u>	<u>\$ 100.00</u>	<u>\$ 75,868.07</u>

\$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00

<u>1,483.25</u>	<u>25.10</u>	<u>2,166.54</u>	<u>57,249.25</u>	<u>229.50</u>	<u>555.87</u>	<u>100.00</u>	<u>75,868.07</u>
<u>\$ 1,483.25</u>	<u>\$ 25.10</u>	<u>\$ 2,166.54</u>	<u>\$ 57,249.25</u>	<u>\$ 229.50</u>	<u>\$ 555.87</u>	<u>\$ 100.00</u>	<u>\$ 75,868.07</u>

City of Grandfield, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Non-Major Governmental Funds
June 30, 2014

	Veterans Wall Fd	Bail Bond Fund	Disaster Relief and Child Read Fund	Fire Dept Donation Fund	Ambulance Surcharge Fund	Police Dept. Dare Grant Fund	Library ODL Fund
REVENUES:							
Police fines	\$	\$ 238.00	\$	\$	\$	\$	\$
Charges for services					36,999.09		
Licenses, permits & fees							
Lot sales							
Grant income							4,018.00
Donations			5,041.22				
Investment income							
Rental income							
Total Revenues	<u>0.00</u>	<u>238.00</u>	<u>5,041.22</u>	<u>0.00</u>	<u>36,999.09</u>	<u>0.00</u>	<u>4,018.00</u>
EXPENDITURES:							
Cemetery							
Library							3,131.62
Public Safety		165.00		1,541.46	37,213.38		
Other Functions	211.22		4,812.92				
General Govt.							
Total Expenditures	<u>211.22</u>	<u>165.00</u>	<u>4,812.92</u>	<u>1,521.46</u>	<u>37,213.38</u>	<u>0.00</u>	<u>3,131.62</u>
Net Change in Fund Balance	(211.22)	73.00	228.30	(1,521.46)	(214.29)	0.00	886.38
Fund Balance – Beginning	<u>995.00</u>	<u>3,177.25</u>	<u>3,817.79</u>	<u>5,222.52</u>	<u>316.43</u>	<u>308.45</u>	<u>980.38</u>
Fund Balance – Ending	<u>\$ 783.78</u>	<u>\$ 3,250.25</u>	<u>\$ 4,046.09</u>	<u>\$ 3,701.06</u>	<u>\$ 102.14</u>	<u>\$ 308.45</u>	<u>\$ 1,866.76</u>

<u>Fire Ops Grant</u>	<u>Rodeo Committee & NSPRA</u>	<u>General Fd REAP Fund</u>	<u>Cemetery Fund</u>	<u>Drug Dog Fund</u>	<u>POW WOW Fund</u>	<u>WFACF FD Fund</u>	<u>Totals</u>
\$	\$	\$	\$	\$	\$	\$	\$ 238.00
	19,185.28						36,999.09
			300.00				19,185.28
4,549.98		20,440.64					300.00
	7,350.00		545.00				29,008.62
			294.74				12,936.22
			166.09				294.74
<u>4,549.98</u>	<u>26,535.28</u>	<u>20,440.64</u>	<u>1,139.74</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>166.09</u>
							<u>99,128.04</u>
			5,030.98				5,030.98
4,649.71							3,131.62
	41,672.68						43,549.55
		18,888.00					46,696.82
<u>4,649.71</u>	<u>41,672.68</u>	<u>18,888.00</u>	<u>5,030.98</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>18,888.00</u>
							<u>117,296.97</u>
(99.73)	(15,137.40)	1,552.64	(3,891.24)	0.00	0.00	0.00	(18,335.02)
<u>1,583.01</u>	<u>15,162.50</u>	<u>613.90</u>	<u>61,140.49</u>	<u>0.00</u>	<u>555.87</u>	<u>100.00</u>	<u>94,203.09</u>
<u>\$ 1,483.28</u>	<u>\$ 25.10</u>	<u>\$ 2,166.54</u>	<u>\$ 57,249.25</u>	<u>\$ 0.00</u>	<u>\$ 555.87</u>	<u>\$ 100.00</u>	<u>\$ 75,868.07</u>

City of Grandfield, Oklahoma
Budget and Actual
 Budgeted General Fund Types
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Budget Variance	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Charges for services	\$ 11,550	\$ 11,550	\$ 19,081	\$ 0	\$ 7,532
Local sources	8,584	8,584	95,555	0	86,971
State Sources	140,211	140,211	155,739	0	15,528
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenues	<u>160,345</u>	<u>160,345</u>	<u>270,375</u>	<u>0</u>	<u>110,030</u>
Expenditures					
General Government	96,357	96,357	105,660	0	(9,303)
Public Safety	38,315	38,315	27,177	0	11,138
Transportation	32,130	32,130	24,135	0	7,995
Cemetery & Parks	13,221	13,221	14,483	0	(1,262)
Utilities & Sanitation	55,398	55,398	48,062	0	7,336
Other	<u>52,963</u>	<u>52,963</u>	<u>29,250</u>	<u>0</u>	<u>23,714</u>
	<u>288,384</u>	<u>288,384</u>	<u>248,767</u>	<u>0</u>	<u>39,617</u>
Excess of Revenues over/ (under) expenditures	(128,039)	(128,039)	21,608	0	149,647
Fund Balance, beginning	<u>128,039</u>	<u>128,039</u>	<u>145,822</u>	<u>0</u>	<u>17,783</u>
Fund Balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	167,430	<u>\$ 0</u>	<u>\$ 167,430</u>

Amounts reported for general fund cash fund
 In the Balance Sheet for Governmental Funds
 Is different because this schedule is prepared on
 a regulatory basis of accounting. The differences
 are attributable to:

Amounts due from other governments	<u>0</u>
Cash Fund Balance – General Fund	<u>\$ 167,430</u>

City of Grandfield, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A. Audit Findings

PRIOR YEAR

2013-1: SAS 115

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. I consider the deficiencies describe below to be significant deficiencies:

The City of Grandfield and the Grandfield Public Works Authority currently does not have the capability report their financial data reliably in accordance with generally accepted accounting principles. According to SAS No. 115, the inability to produce materially accurate financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Management Response:

Management is unable to implement steps to comply with SAS 115 at this time.

2013 – 2: Segregation of Duties

Currently, individual responsible for receiving payments of the Town and of the Town are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2014, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

Management Response:

Due to financial constraints, hiring additional personnel is not feasible at this time. The governing body (Board) will continue to exercise oversight to minimize risk.

2013 – 3: Payroll Tax Filing

During the performance of the audit – the auditor found that the required payroll tax forms were not prepared and submitted timely as required by the Internal Revenue Service. This failure to file could result in penalties and interest being assessed to the City and Public works Authority.

Recommendation

Management should ensure that the responsible individuals are properly trained and advised regarding the filing requirements of all the required tax forms regarding payroll liabilities and submit them timely.

Response

Management will ensure that the individuals responsible for reporting and submitting payroll tax forms for liabilities are prepared and submitted timely in accordance with the requirements of the Internal Revenue Service.

City of Grandfield, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A. Audit Findings

CURRENT YEAR

2014-1: SAS 115

Criteria – 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 believe that the following deficiencies constitute material weaknesses:

I, as auditor, was required to prepare the City financial statements because the City does not have adequate resources or resources with the knowledge required to prepare the City’s financial statements in accordance with generally accepted accounting principles. Additionally, I, as auditor, was required to make year-end adjustments including: accrual for notes payable during the current year because the City doesn’t have adequate resources or resources with the knowledge required to propose and book the City’s financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with generally accepted accounting principles.

Condition – I, as auditor, was required to prepare the City financial statements because the City does not have adequate resources or resources with the knowledge required to prepare the City’s financial statements in accordance with generally accepted accounting principles. Additionally, I, as auditor, was required to make year-end adjustments including: accrual for notes payable during the current year because the City doesn’t have adequate resources or resources with the knowledge required to propose and book the City’s financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with generally accepted accounting principles.

Cause – The above procedures were required for the financial statements to be presented in accordance with generally accepted accounting principles.

Effect – Net assets were increased/decreased as a result of making the necessary adjustments.

Recommendation – Management should continuously monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

Views of Responsible officials and planned corrective action – Management will monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with generally accepted accounting principles.

2014 – 2: Minutes and Agenda

Criteria – The City is required to maintain minutes and agendas in accordance with the Open Meeting Act.

Condition - The auditor found that in the review of the minutes and agendas of the minutes of the meetings held that at times there was no agenda present in the permanent records, instances in which the agendas and minutes were not signed as approved by the board, and instances in which the minutes did not reflect the outcome of items on which the board voted.

Cause – Not maintaining the proper recordkeeping of the agendas and minutes of meetings held by the City – the City is in non-compliance with the Open Meeting Act..

Effect – Net assets were increased/decreased as a result of making the necessary adjustments.

Recommendation – Management should ensure that the minutes of the meetings are properly maintained containing all signed agendas and minutes of meetings. In addition, the minutes should be kept in a manner that establishes a quorum and has the outcome of each agenda item noted in the minutes.

Views of Responsible officials and planned corrective action – Management will ensure that the individuals responsible for maintaining the minutes of the meetings will ensure that all permanent copies are properly signed and minutes of the meetings contain the necessary information that is required by the Oklahoma Meeting Act.

B. Questioned Costs

NONE