

**CITY OF LONE GROVE, OKLAHOMA**  
Financial Statements  
June 30, 2012

City of Lone Grove, Oklahoma  
**TABLE OF CONTENTS**  
For the Fiscal Year Ended June 30, 2012

	Page
FINANCIAL SECTION	
Independent Auditor’s Report	1
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Assets, Liabilities and Net Assets– Modified Cash Basis	3
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis	4
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balance-Modified Cash Basis Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balances-Modified Cash Basis- Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis- of Governmental Funds to the Statement of Revenues, Expenses and Changes in Net Assets –Modified Cash Basis	7
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis – Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets- Modified Cash Basis- Proprietary Fund	9
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund	10
Notes to the Financial Statements	11
<b>Supplementary Information:</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances-Modified Cash Basis - Budget and Actual: General Fund	25
<b>Combining Nonmajor Fund Statements:</b>	
Combining Statement of Assets, Liabilities and Fund Balance-Modified Cash Basis - Nonmajor Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Modified Cash Basis – Nonmajor Governmental Funds	27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Schedule of Findings and Responses	30

**FINANCIAL**

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### INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Lone Grove, Oklahoma

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

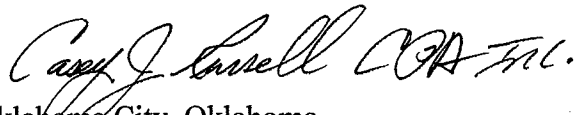
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I(B) the City of Lone Grove prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lone Grove, Oklahoma, as of June 30, 2012, and the respective changes in financial positions – modified cash basis, and where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note I(B).

In accordance with *Government Auditing Standards*, we have issued our report dated June 17, 2013, on our consideration of City of Lone Grove, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lone Grove, Oklahoma's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, and budgetary comparison schedules are presented for purpose of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.



Oklahoma City, Oklahoma  
June 17, 2013

## BASIC FINANCIAL STATEMENTS

City of Lone Grove, Oklahoma  
Government-Wide Statement of Assets, Liabilities and Net Assets – Modified Cash Basis  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalent	\$ 2,039,568	\$ 785,811	\$ 2,825,379
Restricted Cash and Cash Equivalent	-	85,701	85,701
Total Current Assets	<u>2,039,568</u>	<u>871,512</u>	<u>2,911,080</u>
Noncurrent Assets			
Capital Assets			
Land, Land Improvements and Construction in Progress	116,500	1,335,928	1,452,428
Other Capital Assets, Net of Depreciation	<u>645,987</u>	<u>1,068,550</u>	<u>1,714,537</u>
Total Noncurrent Assets	<u>762,487</u>	<u>2,404,478</u>	<u>3,166,965</u>
Total Assets	<u>2,802,055</u>	<u>3,275,990</u>	<u>6,078,045</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Bonds Pending Court	\$ 13,412	\$ -	\$ 13,412
Refundable Meter Deposits	-	74,159	74,159
Capital Lease Obligations - Current	12,850	-	12,850
Notes Payable - Current	<u>-</u>	<u>10,690</u>	<u>10,690</u>
Total Current Liabilities	<u>26,262</u>	<u>84,849</u>	<u>111,111</u>
Noncurrent Liabilities			
Capital Lease Obligation	4,374	-	4,374
Notes Payable	<u>-</u>	<u>34,149</u>	<u>34,149</u>
Total Noncurrent Liabilities	<u>4,374</u>	<u>34,149</u>	<u>38,523</u>
Total Liabilities	<u>30,636</u>	<u>118,998</u>	<u>149,634</u>
Net Assets			
Invested in Capital Assets	745,263	2,359,639	3,104,902
Restricted			
Public Safety	421,819	-	421,819
Streets	29,730	-	29,730
Capital Improvements	(26,140)	-	(26,140)
Sewer	766,007	-	766,007
Cemetery	7,127	-	7,127
Unrestricted	<u>827,613</u>	<u>797,353</u>	<u>1,624,966</u>
Total Net Assets	<u>\$ 2,771,419</u>	<u>\$ 3,156,992</u>	<u>\$ 5,928,411</u>

The notes to the financial statements are an integral part of this statement

City of Lone Grove, Oklahoma  
Government-Wide Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis  
For the Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Functions/Programs</i>							
Primary Government							
Governmental Activities							
General Government	\$ 220,356	\$ 261,128	\$ -	\$ -	\$ 40,772	\$ -	\$ 40,772
Highways and Streets	352,069	-	-	-	(352,069)	-	(352,069)
Public Safety	849,867	158,052	4,413	137,745	(549,657)	-	(549,657)
Culture and Recreation	56,893	-	-	-	(56,893)	-	(56,893)
Cemetery / Parks	14,804	4,550	-	-	(10,254)	-	(10,254)
Interest	1,318	-	-	-	(1,318)	-	(1,318)
Total Governmental Activities	<u>1,495,307</u>	<u>423,730</u>	<u>4,413</u>	<u>137,745</u>	<u>(929,419)</u>	<u>-</u>	<u>(929,419)</u>
Business-Type Activities							
Water	305,808	546,705	-	-	-	240,897	240,897
Sewer	83,787	88,975	-	-	-	5,188	5,188
Sanitation	318,405	378,303	-	-	-	59,898	59,898
General Government	190,923	-	-	-	-	(190,923)	(190,923)
Interest Expense	2,423	-	-	-	-	(2,423)	(2,423)
Total Business Type Activities	<u>901,346</u>	<u>1,013,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,637</u>	<u>112,637</u>
Total Primary Government	<u>\$ 2,396,653</u>	<u>\$ 1,437,713</u>	<u>\$ 4,413</u>	<u>\$ 137,745</u>	<u>\$ (929,419)</u>	<u>112,637</u>	<u>(816,782)</u>
General Revenues							
Taxes					1,271,267	-	1,271,267
Interest					8,933	2,522	11,455
Rent					-	8,745	8,745
Miscellaneous					-	9,998	9,998
Transfers					107,300	(107,300)	-
Total General Revenues and Transfers					<u>1,387,500</u>	<u>(86,035)</u>	<u>1,301,465</u>
Change in Net Assets					458,081	26,602	484,683
Contributed Capital					(793,445)	793,445	-
Net Assets - Beginning					3,106,783	2,336,945	5,443,728
Net Assets - Ending					<u>\$ 2,771,419</u>	<u>\$ 3,156,992</u>	<u>\$ 5,928,411</u>

The notes to the financial statements are an integral part of this statement



City of Lone Grove, Oklahoma  
Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis  
Governmental Funds  
June 30, 2012

	General Fund	Special Sales Tax Fund	Sales Tax Sewer Fund	Other Governmental Funds	Total
Assets					
Cash	\$ 825,787	\$ 395,679	\$ 781,245	\$ 36,857	\$ 2,039,568
Total Assets	\$ 825,787	\$ 395,679	\$ 781,245	\$ 36,857	\$ 2,039,568
Liabilities					
Bonds Pending Court	\$ 13,412	\$ -	\$ -	\$ -	\$ 13,412
Total Liabilities	13,412	-	-	-	13,412
Fund Balances					
Restricted	-	395,679	766,007	36,857	1,198,543
Committed	-	-	-	-	-
Assigned	-	-	15,238	-	15,238
Unassigned	812,375	-	-	-	812,375
Total Fund Balances	812,375	395,679	781,245	36,857	2,026,156
Total Liabilities and Fund Balances	\$ 825,787	\$ 395,679	\$ 781,245	\$ 36,857	

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 fund.

762,487

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

(17,224)

Net assets of governmental activities.

\$ 2,771,419

The notes to the financial statements are an integral part of this statement

City of Lone Grove, Oklahoma  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Modified Cash Basis – Governmental Funds  
For the Year Ended June 30, 2012

	General Fund	Special Sales Tax Fund	Sales Tax Sewer Fund	Other Governmental Funds	Total
<b>REVENUE</b>					
Taxes	\$ 705,257	\$ 261,554	\$ 261,554	\$ 42,902	\$ 1,271,267
Interest	3,331	-	5,602	137,745	146,678
Cemetery	3,075	-	-	1,474	4,549
License and Permits	28,898	-	-	-	28,898
Fines	148,052	-	-	-	148,052
Franchise Fees	183,964	-	-	-	183,964
Grants	4,413	-	-	-	4,413
Miscellaneous	58,267	1	(1)	-	58,267
Total Revenue	<u>1,135,257</u>	<u>261,555</u>	<u>267,155</u>	<u>182,121</u>	<u>1,846,088</u>
<b>EXPENDITURES</b>					
Current					
General Government	133,672	125,313	-	137,745	396,730
Highways and Streets	145,472	101,058	-	24,734	271,264
Public Safety	614,783	62,161	-	-	676,944
Cemetery / Parks	5,450	-	-	5,384	10,834
Culture and Recreation	56,893	-	-	-	56,893
Capital Outlay					
Sewer	-	-	793,445	-	793,445
Public Safety	-	38,490	-	-	38,490
Debt Service					
Principal	-	22,418	-	-	22,418
Interest	-	1,318	-	-	1,318
Total Expenditures	<u>956,270</u>	<u>350,758</u>	<u>793,445</u>	<u>167,863</u>	<u>2,268,336</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	178,987	(89,203)	(526,290)	14,258	(422,248)
Other Financing Sources					
Capital Lease Financing	-	25,620	-	-	25,620
Transfers In	-	60,000	60,000	-	120,000
Transfers Out	(12,700)	-	-	-	(12,700)
Total Other Financing Sources	<u>(12,700)</u>	<u>85,620</u>	<u>60,000</u>	<u>-</u>	<u>132,920</u>
Net Change in Fund Balances	166,287	(3,583)	(466,290)	14,258	(289,328)
Fund Balances - Beginning	<u>646,088</u>	<u>399,262</u>	<u>1,247,535</u>	<u>22,599</u>	<u>2,315,484</u>
Fund Balances - Ending	<u>\$ 812,375</u>	<u>\$ 395,679</u>	<u>\$ 781,245</u>	<u>\$ 36,857</u>	<u>\$ 2,026,156</u>

The notes to the financial statements are an integral part of this statement

City of Lone Grove, Oklahoma  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances – Modified Cash Basis – Governmental Funds  
 to the Statement of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis  
 For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$ (289,328)
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<p>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. This is the amount by which capital outlays exceeded depreciation expense in the current period, and the amount of capital assets contributed to enterprise funds.</p>	750,611
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<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	(3,202)
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Change in net assets of governmental activities.	\$ 458,081
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The notes to the financial statements are an integral part of this statement

City of Lone Grove, Oklahoma  
Statement of Assets, Liabilities, Net Assets – Modified Cash Basis – Proprietary Fund  
June 30, 2012

	Lone Grove Water Trust
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalent	\$ 785,811
Restricted Cash and Cash Equivalent	85,701
Total Current Assets	871,512
Noncurrent Assets	
Capital Assets	
Land	102,499
Construction in Progress	1,233,429
Other Capital Assets, Net of Depreciation	1,068,550
Total Noncurrent Assets	2,404,478
Total Assets	\$ 3,275,990
<b>LIABILITIES AND EQUITY</b>	
Current Liabilities	
Refundable Meter Deposits	\$ 74,159
Notes Payable - Current	10,690
Total Current Liabilities	84,849
Noncurrent Liabilities	
Notes Payable	34,149
Total Noncurrent Liabilities	34,149
Total Liabilities	118,998
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,359,639
Unrestricted	797,353
Total Net Assets	\$ 3,156,992

The notes to the financial statements are an integral part of this statement

City of Lone Grove, Oklahoma  
Statement of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis – Proprietary  
Fund  
For the Year Ended June 30, 2012

	<u>Lone Grove Water Trust</u>
Operating Revenues:	
Water	\$ 505,795
Sewer	88,975
Sanitation	378,303
Water and Sewer Taps	12,200
Penalties	28,710
Rent	8,745
Miscellaneous	<u>9,998</u>
Total Operating Revenue	<u>1,032,726</u>
Operating Expenses:	
Water	305,808
Sewer	83,787
Trustees	190,923
Sanitation	<u>318,405</u>
Total Operating Expenses	<u>898,923</u>
Operating Income (Loss)	<u>133,803</u>
Nonoperating Revenues (Expenses):	
Transfers	(107,300)
Interest Income	2,522
Interest Expense	<u>(2,423)</u>
Total Nonoperating Revenues (Expenses)	<u>(107,201)</u>
Net Change in Net Assets	26,602
Capital Contributions	793,445
Total Net Assets - Beginning	<u>2,336,945</u>
Total Net Assets - Ending	<u><u>\$ 3,156,992</u></u>

The notes to the financial statements are an integral part of this statement

City of Lone Grove, Oklahoma  
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund  
For the Year Ended June 30, 2012

	Lone Grove Water Trust
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,036,290
Payments to Employees for Services	(269,808)
Payments to Vendors for Goods and Services	(575,174)
Net Cash Provided by Operating Activities	191,308
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund Transfers from Other Funds	12,700
Interfund Transfers to Other Funds	(120,000)
Net Cash Used by Noncapital Financing Activities	(107,300)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(54,333)
Principal Paid on Capital Debt	(10,278)
Interest Paid on Capital Debt	(2,423)
Net Cash Used by Capital Financing Activities	(67,034)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	2,522
Net Cash Provided by Investing Activities	2,522
Net Increase in Cash and Cash Equivalents	19,496
Cash and Cash Equivalents, Beginning of Year	852,016
Cash and Cash Equivalents, End of Year	\$ 871,512
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 133,803
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	53,940
Increase in Refundable Meter Deposits	3,565
Total Adjustments	57,505
Net Cash Provided by Operating Activities	\$ 191,308

The notes to the financial statements are an integral part of this statement

**NOTES TO FINANCIAL STATEMENTS**

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. The Reporting Entity**

The City of Lone Grove, Oklahoma, (the City) is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The accompanying financial statements present the City of Lone Grove and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

The Lone Grove Water Trust Authority (Authority) serves all the citizens of the government and is governed by a board comprised of the government's elected council and two appointed members. The rates for user charges and bond issuance authorizations are approved by the government's council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is presented as an Enterprise fund.

**B. Government-wide and fund financial statements**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of assets, liabilities and net assets and the statement of revenues, expenses and changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of revenues, expenses and changes in net assets demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.



City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

**B. Government-wide and fund financial statements (continued)**

The government-wide financial statements of the City are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in each fund-type financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt is not recorded.

The City reports the following major government funds:

General Fund - is the Government'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 Sales Tax Fund - is a capital project fund which accounts for a one percent dedicated sales tax to be used for capital expenditures.

Sewer Sales Tax Fund - is a capital project fund which accounts for one percent dedicated sales tax to be used for sewer improvements.

Nonmajor Governmental Funds are the Cemetery Care, and Street and Alley funds.

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

**B. Government-wide and fund financial statements (continued)**

The City reports the Authority as a major proprietary fund. The Authority accounts for the activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations.

Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Assets, liabilities, and net assets or equity**

**1. *Deposits and investments***

For purposes of the statement of cash flows, the City considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Oklahoma Statutes authorize the City to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposits of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits of financial institutions located outside the state; savings accounts, and county, municipal or school district general obligation debt.

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**C. Assets, liabilities, and net assets or equity (continued)**

**2. *Interfund transactions***

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. The balances result from the time lag between the dates that interfund reimbursable expenditures occur and the payments between funds are made. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**3. *Restricted assets***

Customer utility deposits are reported as restricted cash.

**4. *Capital assets***

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Infrastructure	50
System infrastructure	30
Vehicles, Office and computer equipment	5
Machinery and equipment	10

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**C. Assets, liabilities, and net assets or equity (continued)**

**5. *Governmental fund balances***

Beginning July 1, 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. City of Lone Grove did not have any nonspendable resources as of June 30, 2012.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. City of Lone Grove has restricted resources by state law and from grants as of June 30, 2012.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by City of Lone Grove's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the manager through the budgetary process.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**C. Assets, liabilities, and net assets or equity (continued)**

As of June 30, 2012, fund balances are composed of the following:

	General Fund	Special Sales Tax Fund	Sales Tax Sewer Fund	Other Governmental Funds	Total Governmental Funds
<i>Restricted</i>					
Public Safety	\$ -	\$ 421,819	\$ -	\$ -	\$ 421,819
Streets	-	-	-	29,730	29,730
Capital Improvements	-	(26,140)	-	-	(26,140)
Sewer	-	-	766,007	-	766,007
Cemetery	-	-	-	7,127	7,127
<i>Assigned</i>					
Sewer	-	-	15,238	-	15,238
<i>Unassigned</i>					
	812,375	-	-	-	812,375
	<u>\$ 812,375</u>	<u>\$ 395,679</u>	<u>\$ 781,245</u>	<u>\$ 36,857</u>	<u>\$ 2,026,156</u>

The City would typically use restricted fund balances first, followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**6. Government-wide Net Assets**

Government-wide net assets are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets – consist of net assets that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net assets are reported in this category.

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation of the \$745,263 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

One element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Capital assets, not being depreciated	\$ 116,500
Capital assets, being depreciated	3,550,911
Less Accumulated Depreciation	<u>(2,904,924)</u>
	<u><u>\$ 762,487</u></u>

The next element of the reconciliation is long term liabilities that are not due and payable in the current period, and are not reported in the funds.

Capital Lease Payable	<u><u>\$ (17,224)</u></u>
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**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 \$747,409 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.”

Capital Outlay	\$ 108,415
Depreciation Expense	(151,249)
Capital Assets Contributed to Enterprise Funds	<u>793,445</u>
	<u><u>\$ 750,611</u></u>

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (continued)

**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 – (continued)**

Another element of the reconciliation explains issuance and repayment of debt does affect net assets.

Capital lease proceeds	\$ (25,620)
Capital lease principal payments	22,418
	<u>\$ (3,202)</u>

III. 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.

IV. DEPOSITS AND INVESTMENTS

*Deposit Custodial Credit Risk:* 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 Federal Deposit Insurance. At June 30, 2012, the bank balance was \$2,935,520. This amount was insured and collateralized.

*Interest Rate Risk:* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk:* Credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. The City does not have a formal investment policy limiting the types of investments measured by assignment of a credit rating by a nationally recognized rating organization.

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

IV. DEPOSITS AND INVESTMENTS – (continued)

*Concentration of credit risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City does not have a formal policy limiting the amount that may be invested with one issuer.

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund balances as of June 30, 2012.

Interfund transfers:

		Transfer From		
		Public Works		
		General Fund	Authority	Total
T r a n s f e r	General Fund	\$ -	\$ -	\$ -
	Sales Tax Sewer Fund	-	60,000	60,000
	Special Sales Tax Fund	-	60,000	60,000
	Lone Grove Water Authority	12,700	-	12,700
	<b>Total</b>	<b>\$ 12,700</b>	<b>\$ 120,000</b>	<b>\$ 132,700</b>

VI. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental Activities					
Capital Lease Obligations	\$ 14,022	\$ 25,620	\$ 22,418	\$ 17,224	\$ 12,850
Business-Type Activities					
Notes Payable	55,118	-	10,279	44,839	10,690
	<u>\$ 69,140</u>	<u>\$ 25,620</u>	<u>\$ 32,697</u>	<u>\$ 62,063</u>	<u>\$ 23,540</u>

Capital Leases

The City has entered into a lease agreement for financing the acquisition of equipment. The lease agreement qualifies as a capital lease. Equipment and the related accumulated depreciation under capital lease is as follows:

Equipment	\$ 25,620
less accumulated depreciation	<u>(5,124)</u>
	<u>\$ 20,496</u>



City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

VI. LONG-TERM LIABILITIES – (continued)

As of June 30, 2012, capital lease annual amortization is as follows:

	Year Ending June 30			
	2013	\$	13,208	
	2014		4,403	
			4,403	
Present value of future minimum lease payments		\$	17,611	
less: Interest			(387)	
Net Minimum lease payments		\$	17,224	
Current portion			(12,850)	
Long-term portion		\$	4,374	
			4,374	

Business-type activities long-term liabilities at June 30, 2012, consisted of the following:

Type of Indebtedness(purpose)	Maturity	Interest Rates	Annual Installments	Original Issue Amount	Outstanding at June 30, 2012
<u>Business-Type Activities</u>					
American National Bank (financed costs of land and equipment purchase)	May, 2016	4.75%	\$ 12,624	\$ 99,999	\$ 44,839

As of June 30, 2012, annual debt service requirements of the business-type activities to maturity are as follows:

	Year Ending June 30	Prinicipal	Interest
	2013	\$ 10,690	\$ 1,932
	2014	11,230	1,399
	2015	11,768	854
	2016	11,151	275
		\$ 44,839	\$ 4,460

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

**VII. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Government Activities:</b>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 116,500	\$ -	\$ -	\$ 116,500
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>116,500</u>	<u>-</u>	<u>-</u>	<u>116,500</u>
<i>Capital assets, being depreciated</i>				
Buildings	365,017	-	-	365,017
Computers and Electronics	122,935	-	-	122,935
Vehicles	1,010,497	38,490	-	1,048,987
Machinery and Equipment	778,551	69,925	-	848,476
Infrastructure	1,165,496	-	-	1,165,496
Total capital assets, being depreciated	<u>3,442,496</u>	<u>108,415</u>	<u>-</u>	<u>3,550,911</u>
Less Accumulated Depreciation	<u>2,753,675</u>	<u>151,249</u>	<u>-</u>	<u>2,904,924</u>
Total capital assets, being depreciated, net	<u>688,821</u>	<u>(42,834)</u>	<u>-</u>	<u>645,987</u>
Governmental activities capital assets, net	<u>805,321</u>	<u>(42,834)</u>	<u>-</u>	<u>762,487</u>
<b>Business-type Activities:</b>				
<i>Capital assets, not being depreciated</i>				
Land, Lagoons, Construction	\$ 542,483	\$ 793,445	\$ -	\$ 1,335,928
Total capital assets, not being depreciated	<u>542,483</u>	<u>793,445</u>	<u>-</u>	<u>1,335,928</u>
<i>Capital assets, being depreciated</i>				
Buildings	212,000	-	-	212,000
Computers and Electronics	60,613	-	-	60,613
Vehicles	130,638	-	-	130,638
Machinery and Equipment	183,634	16,979	-	200,613
Infrastructure	13,891,860	37,354	-	13,929,214
Total capital assets, being depreciated	<u>14,478,745</u>	<u>54,333</u>	<u>-</u>	<u>14,533,078</u>
Less Accumulated Depreciation	<u>13,410,588</u>	<u>53,940</u>	<u>-</u>	<u>13,464,528</u>
Total capital assets, being depreciated, net	<u>1,068,157</u>	<u>393</u>	<u>-</u>	<u>1,068,550</u>
Business activities capital assets, net	<u>1,610,640</u>	<u>793,838</u>	<u>-</u>	<u>2,404,478</u>
<b>Total Primary Government</b>	<u><u>\$ 2,415,961</u></u>	<u><u>\$ 751,004</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,166,965</u></u>

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

VII. CAPITAL ASSETS (continued)

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

Government activities:	
General government	\$ 31,296
Public safety	35,178
Highways and streets	80,805
Cemetery/Parks	3,970
Total depreciation expense - governmental activities	<u>\$ 151,249</u>
Business-type activities	
Water	\$ 30,485
Sewer	13,121
General government	10,334
Total depreciation expense - business-type activities	<u>\$ 53,940</u>

VIII. PENSION PLANS

Municipal Retirement Plan

The City of Lone Grove and its employees participate in the Oklahoma Municipal Retirement Fund (OMRF) as a defined contribution plan. All regular full-time employees, except those covered under another retirement system are eligible. Employees are vested at 7 years. The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at City Hall.

Funding Policy: The contribution requirements are established and may be amended by the OMRF board. Employees are required to contribute 2 percent of their annual covered salary after tax. The City's required contribution rate is five percent.

Annual Pension Cost: For the year ended June 30, 2012, the City and the Authority's annual pension cost of \$23,359 and \$10,565, respectively, was equal to the required contributions.

Firefighters' Retirement Plan

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

VIII. PENSION PLANS (continued)

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years. The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% per the year June 30, 2012. Participating members are required to contribute 8%.

The Oklahoma State Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the System and is required by statute to make appropriations as necessary to insure benefit payments are made.

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2012	\$ 67,797	\$ 14,237	\$ 8,814	\$ 5,423	\$ 18,034
2011	63,369	13,840	8,568	5,272	15,589
2010	65,271	16,743	8,508	8,235	14,229

Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK 73105.

IX. CONTINGENCIES

Federal Programs

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, 2012, 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.

DEQ Consent Order

On June 30, 2010, the Department of Environmental Quality issued a consent order assessing the City a total penalty of \$30,000. The City made a cash payment of \$5,000 within sixty days. Payment of the remaining \$25,000 was deferred pending full compliance with the terms and conditions of the consent order. If the City fails to perform any task set forth in the order by the task's due date, the full deferred penalty will become due and payable.

City of Lone Grove, Oklahoma  
Notes to Financial Statements  
June 30, 2012

X. RISK MANAGEMENT

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

XI. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2013, the date which the financial statements were available and issued.

**SUPPLEMENTAL INFORMATION**

City of Lone Grove, Oklahoma  
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
Budget to Actual  
General Fund  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 541,500	\$ 541,500	\$ 705,257	\$ 163,757
Interest	3,300	3,300	3,331	31
Cemetery	3,600	3,600	3,075	(525)
License and Permits	32,100	32,100	28,898	(3,202)
Fines	95,000	95,000	148,052	53,052
Franchise Fees	160,800	160,800	183,964	23,164
Grants	-	-	4,413	4,413
Miscellaneous	23,700	23,700	58,267	34,567
Total Revenue	<u>860,000</u>	<u>860,000</u>	<u>1,135,257</u>	<u>275,257</u>
<b>EXPENDITURES</b>				
Current				
General Government	193,884	193,884	133,672	60,212
Highways and Streets	160,521	160,521	145,472	15,049
Public Safety	655,568	678,068	614,783	63,285
Cemetery / Parks	5,193	5,193	5,450	(257)
Culture and Recreation	61,783	61,783	56,893	4,890
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,076,949</u>	<u>1,099,449</u>	<u>956,270</u>	<u>143,179</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(216,949)</u>	<u>(239,449)</u>	<u>178,987</u>	<u>418,436</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(12,700)	(12,700)	(12,700)	-
Total Other Financing Sources (Uses)	<u>(12,700)</u>	<u>(12,700)</u>	<u>(12,700)</u>	<u>-</u>
Net Change in Fund Balances	(229,649)	(252,149)	166,287	418,436
Fund Balance - Beginning	229,649	252,149	646,088	393,939
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,375</u>	<u>\$ 812,375</u>

**COMBINING NONMAJOR FUND  
STATEMENTS AND SCHEDULES**



City of Lone Grove, Oklahoma  
Combining Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis  
Nonmajor Governmental Funds  
June 30, 2012

	<u>Street and Alley</u>	<u>Grants</u>	<u>Cemetery Care</u>	<u>Total</u>
Assets				
Cash	\$ 29,730	\$ -	\$ 7,127	\$ 36,857
Total Assets	<u>\$ 29,730</u>	<u>\$ -</u>	<u>\$ 7,127</u>	<u>\$ 36,857</u>
Fund Balances				
Restricted	\$ 29,730	\$ -	\$ 7,127	\$ 36,857
Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>29,730</u>	<u>-</u>	<u>7,127</u>	<u>36,857</u>
Total Liabilities and Fund Balances	<u>\$ 29,730</u>	<u>\$ -</u>	<u>\$ 7,127</u>	<u>\$ 36,857</u>

City of Lone Grove, Oklahoma  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	<u>Street and Alley</u>	<u>Grants</u>	<u>Cemetery Care</u>	<u>Total</u>
<b>REVENUE</b>				
Taxes	\$ 42,902	\$ -	\$ -	\$ 42,902
Grant Revenue	-	137,745	-	137,745
Cemetery	<u>-</u>	<u>-</u>	<u>1,474</u>	<u>1,474</u>
Total Revenue	<u>42,902</u>	<u>137,745</u>	<u>1,474</u>	<u>182,121</u>
<b>EXPENDITURES</b>				
Current				
Public Health and Welfare	-	137,745	-	137,745
Highways and Streets	24,734	-	-	24,734
Cemetery / Parks	<u>-</u>	<u>-</u>	<u>5,384</u>	<u>5,384</u>
Net Change in Fund Balances	18,168	-	(3,910)	14,258
Fund Balances - Beginning	<u>11,562</u>	<u>-</u>	<u>11,037</u>	<u>22,599</u>
Fund Balances - Ending	<u>\$ 29,730</u>	<u>\$ -</u>	<u>\$ 7,127</u>	<u>\$ 36,857</u>

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL AND COMPLIANCE**

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### REPORT ON INTENRAL CONROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the City Council  
City of Lone Grove, Oklahoma

We have audited the financial statements of the governmental activities, the business –type activities, each major fund, and the aggregate remaining fund information of City of Lone Grove, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon on dated June 17, 2013. Our report on the financial statements disclosed that, as described in Note I(B) to the financial statements, the City prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of the City of Lone Grove, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Lone Grove’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lone Grove’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lone Grove’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 result of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these parties.



Oklahoma City, Oklahoma  
June 17, 2013

City of Lone Grove, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2012

None.