

**TOWN OF OCHELATA GOVERNMENTAL UNIT**

Ochelata, Oklahoma

**FINANCIAL STATEMENTS**

*For The Year Ended June 30, 2014*

Together With Independent Auditor's Report

**JUDITH K. BALLARD, CPA, PC**

*Certified Public Accountant*

220 West Main Street - PO Box 746

Stroud, Oklahoma 74079

**Town of Ochelata, Oklahoma**  
**Audit of Financial Statements**  
**June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Town Council  
Town of Ochelata  
Ochelata, Oklahoma

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ochelata, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Ochelata's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions 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 the standards applicable to financial audits contained in *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 of 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In my 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 Town of Ochelata, Oklahoma, as of June 30, 2014, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof, for the year then ended in accordance with the basis of accounting described in Note 2.

### **Basis of Accounting**

The Town prepares its annual financial statements and schedules on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

# JUDITH K. BALLARD, CPA, PC

*Certified Public Accountant  
(Member AICPA & OSCP)*

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## **Other Matters**

### *Required Supplementary Information*

Management has elected not to present management's discussion and analysis and budgetary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ochelata, Oklahoma's basic financial statements.

The accompanying combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2014 on my consideration of the Town of Ochelata's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ochelata, Oklahoma's internal control over financial reporting and compliance.



JUDITH K. BALLARD, CPA, PC  
Stroud, Oklahoma

November 12, 2014

**Town of Ochelata, Oklahoma**  
**Statement of Net Position**  
**Modified Cash Basis**

June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	229,924	312,199	542,123
Investments	129,573	101,579	231,152
Internal balances	(97,101)	97,101	-
Total current assets	<u>\$ 262,396</u>	<u>\$ 510,879</u>	<u>\$ 773,275</u>
Noncurrent assets:			
Restricted cash and investments	-	15,476	15,476
Capital assets	334,108	1,086,539	1,420,647
Total noncurrent assets	<u>334,108</u>	<u>1,102,015</u>	<u>1,436,123</u>
Total assets	<u>596,504</u>	<u>1,612,894</u>	<u>2,209,398</u>
<b>Liabilities</b>			
Current liabilities:			
Customer deposits	-	15,476	15,476
Current portion of long-term debt	-	8,854	8,854
Total current liabilities	<u>-</u>	<u>24,330</u>	<u>24,330</u>
Noncurrent liabilities:			
Notes payable	-	74,816	74,816
Total noncurrent liabilities	<u>-</u>	<u>74,816</u>	<u>74,816</u>
Total liabilities	<u>-</u>	<u>99,146</u>	<u>99,146</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	334,108	1,002,869	1,336,977
Restricted for economic development	-	9,504	9,504
Restricted for cemetery purposes	14,442	-	14,442
Unrestricted	247,954	501,375	749,329
Total net position	<u>\$ 596,504</u>	<u>\$ 1,513,748</u>	<u>\$ 2,110,252</u>

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

**Town of Ochelata, Oklahoma**  
**Statement of Activities**  
**Modified Cash Basis**  
Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	57,989	600	-	-	(57,389)	-	(57,389)
Public safety	5,651	-	-	-	(5,651)	-	(5,651)
Public works	26,660	-	-	38,200	11,540	-	11,540
Total government activities	<u>90,300</u>	<u>600</u>	<u>-</u>	<u>38,200</u>	<u>(51,500)</u>	<u>-</u>	<u>(51,500)</u>
Business-type activities:							
Water and sewer	207,853	253,180	-	-	-	45,327	45,327
Interest Expense	3,973	-	-	-	-	(3,973)	(3,973)
Economic Development	963	-	-	-	-	(963)	(963)
Sanitation	41,999	46,210	-	-	-	4,211	4,211
Total business-type activities	<u>254,788</u>	<u>299,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,602</u>	<u>44,602</u>
Total government	<u>\$ 345,088</u>	<u>\$ 299,990</u>	<u>\$ -</u>	<u>\$ 38,200</u>	<u>\$ (51,500)</u>	<u>\$ 44,602</u>	<u>\$ (6,898)</u>
General revenues:							
Taxes:							
Sales and use					83,211	-	83,211
Franchise					10,031	-	10,031
Alcoholic Beverage					1,264	-	1,264
Tobacco					1,017	-	1,017
Gas					460	-	460
Motor Vehicle					3,288	-	3,288
Interest income					307	397	704
Miscellaneous					2,648	-	2,648
Rental Income					-	7,000	7,000
Transfers - internal activity					(25,052)	25,052	-
Capital Contributions					-	8,000	8,000
Total general revenues and transfers					<u>77,174</u>	<u>40,449</u>	<u>117,623</u>
Change in net position					25,674	85,051	110,725
Net position, beginning					<u>570,830</u>	<u>1,428,697</u>	<u>1,999,527</u>
Net position, ending					<u>\$ 596,504</u>	<u>\$ 1,513,748</u>	<u>2,110,252</u>

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

**Town of Ochelata, Oklahoma**  
**Balance Sheet**  
**Modified Cash Basis - Governmental Funds**  
June 30, 2014

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	201,619	9,215	19,090	229,924
Investments	98,216	27,357	4,000	129,573
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 299,835</b>	<b>\$ 36,572</b>	<b>\$ 23,090</b>	<b>\$ 359,497</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Due to other funds	97,183	118	(200)	97,101
<b>Total liabilities</b>	<b>97,183</b>	<b>118</b>	<b>(200)</b>	<b>97,101</b>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	14,442	14,442
Committed	-	-	-	-
Assigned	-	36,454	8,848	45,302
Unassigned	202,652	-	-	202,652
<b>Total fund balances</b>	<b>202,652</b>	<b>36,454</b>	<b>23,290</b>	<b>262,396</b>
<b>Total liabilities and fund balances</b>	<b>\$ 299,835</b>	<b>\$ 36,572</b>	<b>\$ 23,090</b>	

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

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

Governmental capital assets	418,706	
Less accumulated depreciation	(84,598)	334,108
<b>Net position of governmental activities</b>		<b>\$ 596,504</b>

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

**Town of Ochelata, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Modified Cash Basis - Governmental Funds**

Year Ended June 30, 2014

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	95,523	-	3,748	99,271
Intergovernmental	38,200	-	-	38,200
Charges for services	-	600	-	600
Other	108	2,540	-	2,648
Donations	-	-	-	-
Interest	173	114	20	307
<b>Total revenues</b>	<u>\$ 134,004</u>	<u>\$ 3,254</u>	<u>\$ 3,768</u>	<u>\$ 141,026</u>
<b>Expenditures</b>				
Personal services	30,184	2,465	-	32,649
Maintenance and operations	25,437	730	2,648	28,815
Capital Outlay	40,000	-	7,500	47,500
Grant Expense	38,200	-	-	38,200
<b>Total expenditures</b>	<u>133,821</u>	<u>3,195</u>	<u>10,148</u>	<u>147,164</u>
Excess of revenues over (under) expenditures	183	59	(6,380)	(6,138)
<b>Other financing sources (uses)</b>				
Transfers (in)	2,685	-	75	2,760
Transfers (out)	(27,737)	(75)	-	(27,812)
Capital Contributions	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(25,052)</u>	<u>(75)</u>	<u>75</u>	<u>(25,052)</u>
<b>Net change in fund balances</b>	<u>(24,869)</u>	<u>(16)</u>	<u>(6,305)</u>	<u>(31,190)</u>
Fund balances, beginning	<u>227,521</u>	<u>36,470</u>	<u>29,595</u>	<u>293,586</u>
Fund balances, ending	<u>\$ 202,652</u>	<u>\$ 36,454</u>	<u>\$ 23,290</u>	<u>\$ 262,396</u>

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

**Town of Ochelata, Oklahoma**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended June 30, 2014

Net change in fund balances - total governmental funds (31,190)

Adjustments for the statement of activities:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.

Excess of capital outlay expenditures over depreciation expense 56,864

Change in net position of governmental activities \$ 25,674

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

**Town of Ochelata, Oklahoma**  
**Statement of Net Position**  
**Modified Cash Basis - Proprietary Funds**

June 30, 2014

	Ochelata Utilities Authority	Ochelata Economic Development Authority	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	302,695	9,504	312,199
Investments	101,579	-	101,579
Due from other funds	97,101	-	97,101
Total current assets	<b>\$ 501,375</b>	<b>\$ 9,504</b>	<b>\$ 510,879</b>
Noncurrent assets:			
Restricted Cash and Cash Equivalents	15,476	-	15,476
Capital assets	1,086,539	-	1,086,539
Total noncurrent assets	1,102,015	-	1,102,015
Total assets	1,603,390	9,504	1,612,894
<b>Liabilities</b>			
Current liabilities:			
Customer deposits	15,476	-	15,476
Current portion of long-term debt	8,854	-	8,854
Due to other funds	-	-	-
Total current liabilities	24,330	-	24,330
Noncurrent liabilities:			
Notes payable	74,816	-	74,816
Total noncurrent liabilities	74,816	-	74,816
Total liabilities	99,146	-	99,146
<b>Net position</b>			
Invested in capital assets, net of related debt	1,002,869	-	1,002,869
Restricted for economic development		9,504	9,504
Unrestricted	501,375	-	501,375
Total net position	<b>\$ 1,504,244</b>	<b>\$ 9,504</b>	<b>\$ 1,513,748</b>

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

**Town of Ochelata, Oklahoma**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Position - Modified Cash Basis - Proprietary Funds**  
Year Ended June 30, 2014

	<u>Ochelata Utilities Authority</u>	<u>Ochelata Economic Development Authority</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services:			
Water	169,559	-	169,559
Wastewater	76,012	-	76,012
Sanitation	46,210	-	46,210
Other	7,609	-	7,609
Total operating revenues	<u>\$ 299,390</u>	<u>\$ -</u>	<u>\$ 299,390</u>
<b>Operating expenses</b>			
Water and sewer	156,888	-	156,888
Sanitation	41,999	-	41,999
Depreciation Expense	50,965	-	50,965
Total operating expenses	<u>249,852</u>	<u>-</u>	<u>249,852</u>
Net operating income (loss)	49,538	-	49,538
<b>Nonoperating revenues (expenses)</b>			
Premier wax expense	(963)		(963)
Interest income	393	4	397
Rental income	-	7,000	7,000
Interest expense	(3,973)	-	(3,973)
Total nonoperating revenues (expenses)	<u>(4,543)</u>	<u>7,004</u>	<u>2,461</u>
<b>Special Items and Transfers</b>			
Transfers in	27,737	-	27,737
Transfers out	(2,685)	-	(2,685)
Capital Contributions	8,000	-	8,000
Total special items and transfers	<u>33,052</u>	<u>-</u>	<u>33,052</u>
Net Income (loss)	78,047	7,004	85,051
Net position, beginning	<u>1,426,197</u>	<u>2,500</u>	<u>1,428,697</u>
Net position, ending	<u>\$ 1,504,244</u>	<u>\$ 9,504</u>	<u>\$ 1,513,748</u>

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

**Town of Ochelata, Oklahoma**  
**Statement of Cash Flows**  
**Modified Cash Basis - Proprietary Funds**  
June 30, 2014

	<b>Ochelata Utilities Authority</b>	<b>Ochelata Economic Development Authority</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	299,390	-	299,390
Payments to suppliers	(162,483)	-	(162,483)
Payments to employees	(36,404)	-	(36,404)
Net cash provided (used) by operating activities	<u>100,503</u>	<u>-</u>	<u>100,503</u>
<b>Cash flows from noncapital financing activities</b>			
Meter deposit increase	161	-	161
Increase in Due from General Fund	(27,737)	-	(27,737)
Premier wax expense	(963)	-	(963)
Net cash provided (used) by noncapital financing activities	<u>(28,539)</u>	<u>-</u>	<u>(28,539)</u>
<b>Cash flows from capital and related financing activities</b>			
Rental income	-	7,000	7,000
Principal paid on long-term debt	(8,464)	-	(8,464)
Interest expense and fiscal charges	(3,973)	-	(3,973)
Transfers in/(out) - net	25,052	-	25,052
Capital Contributions	8,000	-	8,000
Acquisition/construction of capital assets	(34,539)	-	(34,539)
Net cash provided (used) by capital and related financing activities	<u>(13,924)</u>	<u>7,000</u>	<u>(6,924)</u>
<b>Cash flows from investing activities</b>			
Increase in long term certificate of deposit	(62)	-	(62)
Interest income	393	4	397
Net cash provided (used) by investing activities	<u>331</u>	<u>4</u>	<u>335</u>
Net increase (decrease) in cash and cash equivalents	58,371	7,004	65,375
Cash and cash equivalents, beginning	259,800	2,500	262,300
Cash and cash equivalents, ending	<u>\$ 318,171</u>	<u>\$ 9,504</u>	<u>\$ 327,675</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Net operating income (loss)	49,538	-	49,538
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	50,965	-	50,965
Changes in assets and liabilities:			
Total adjustments	<u>50,965</u>	<u>-</u>	<u>50,965</u>
Net cash provided (used) by operating activities	<u>\$ 100,503</u>	<u>\$ -</u>	<u>\$ 100,503</u>

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

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**

June 30, 2014

**Note 1: Organization**

The Town of Ochelata, Oklahoma, (the Town) operates under a Town Board of Trustees form of government under Title 11 of the *Oklahoma Statutes*. The Town provides the following services to its citizens: streets and cemetery; sanitation; utilities; and general administrative services.

**Note 2: Summary of significant accounting policies**

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The modified cash basis of accounting includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**A. Reporting entity**

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town's financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town.

Blended component units - **The Ochelata Utilities Authority (OUA)** serves all the citizens of the Town and is governed by a board comprised by the Town's elected board of trustees. The rates for user charges and debt authorizations are approved by the Town Board of Trustees. OUA has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate utility facilities within the boundaries of the Town. OUA is reported as an enterprise fund.

**The Ochelata Economic Development Authority (OEDA)** has as its purpose to promote economic development within the Town. The OEDA is governed by a board comprised of the Town's elected board of trustees. During the year, the OEDA began receiving monthly rental payments totalling \$7,000 from a wax plant constructed in the Town. OEDA is reported as an enterprise fund.

Separate financial statements have not been prepared for the component units.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 activities 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.

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**

June 30, 2014

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

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. Revenues are recorded when received and expenses when paid, with the exception of proceeds from long term debt which are recorded as a liability, and capital assets acquired, which are capitalized, with a provision for depreciation.

In the fund financial statements, the current financial resources measurement focus, as applied to the modified cash basis of accounting, is used for governmental funds, while the economic resources measurement focus is used for proprietary funds. The current financial resources measurement focus includes only current financial assets and liabilities on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period.

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed and provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Cemetery General fund accounts for the general financial resources of the cemetery.

The Town reports the following major proprietary funds:

The Ochelata Utilities Authority accounts for the Town's water and wastewater utility operations.

The Ochelata Economic Development Authority promotes economic development in the Town.

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

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**

June 30, 2014

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

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 Ochelata Utilities Authority enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales, services, and administrative expenses. 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

***Deposits and investments***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, and Oklahoma County, school district, or municipality.

Investments for the Town, as well as for its component units are reported at fair value and consist of certificates of deposit with maturities in excess of three months.

***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town 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 an 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.

***Long-term obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. As of June 30, 2014, the Ochelata Utilities Authority had outstanding debt.

# Town of Ochelata, Oklahoma

## Notes to Financial Statements

June 30, 2014

### ***Fund equity***

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

Nonspendable – This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This is the portion of the fund balance that has constraints placed on the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from restricted fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned. Constraints imposed on the use of committed amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that commit amounts to specific purposes is not considered to be legally enforceable.

Assigned – This is the portion of the fund balance constrained by the intent of the Town Council to be used for specific purposes, but is neither restricted nor committed.

Unassigned – This is the residual classification of fund balance in the general fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

### **Note 3: Budgetary information**

Budgets are prepared on the budget basis of accounting, which demonstrates compliance with cash basis and budget laws of State of Oklahoma, and is another comprehensive basis of accounting. The Town did prepare a legal budget for the current fiscal year for the general fund and special revenue funds.

### **Note 4: Detailed notes on all funds**

#### **A. Deposits and investments**

##### ***Deposits***

The Town's carrying amount of deposits as well as the bank balances reflected \$788,751 as of June 30, 2014. Deposits are carried at cost.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2014 all of the Town's bank balance of \$788,751 was covered by FDIC insurance and bank pledges, except for \$77,675.

#### **B. Restricted assets**

The Ochelata Utilities Authority is required to set aside funds representing the meter deposits received from town customers. At June 30, 2014, the meter deposits on hand from customers was \$15,476 and the amount set aside in the bank was \$15,476.

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**  
June 30, 2014

The Utilities Authority is also required, by loan covenant, to set up a debt reserve account where they set aside funds equal to twelve months of loan payments which is \$12,436.56. The funds are to be set aside at the rate of \$103.63 per month over the loan term. At June 30, 2014, the Town had not set up the debt reserve account.

**C. Deposits subject to refund**

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2014, cash and investments included \$15,476 available for refund of customer deposits.

**D. Long-term debt**

Long-term liabilities of the Ochelata Utilities Authority as of June 30, 2014 are summarized as follows:

Note payable with Community Resource Group, Inc., dated June 25, 2012, with an original amount of \$100,000 due and payable in 120 monthly payments of \$1,036 including interest of 4.5%. The note is secured by revenues generated by the utility system. As of June 30, 2014 the balance owed on this note was \$83,670. Principal and interest in the amount of \$8,464 and \$3,973 were paid during the year. The debt obligation to maturity for this note is as follows for the years ending:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	8,854	3,578
2016	9,259	3,177
2017	9,685	2,752
2018	10,129	2,307
2019	10,595	1,842
2020-2024	35,148	2,020
<b>Total</b>	<b>\$ 83,670</b>	<b>\$ 15,676</b>

This note was obtained to help fund the installation of electronic read water meters.

***Debt Reserve Requirement***

The loan agreement stipulates that a debt reserve fund shall be funded at a rate of not less than \$103.63 per month starting no later than the last day of the first full month following the loan closing. The reserve fund will be used only to repay Community Resource Group, Inc. and only in the event that adequate revenue is not available from operations to make a monthly installment. Once the fund has accumulated \$12,436.56, no more deposits are required. At June 30, 2014, the Town had not set up a debt reserve fund and no deposits were made.

**E. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental	General	82
Other Governmental	Other governmental	118
Ochelata Utilities Authority	General Fund	97,101
<b>Total</b>		<b>\$ 97,301</b>

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**  
June 30, 2014

Interfund transfers:

	<b>Transfers In/(Out) - Net</b>	
	<b>Ochelata Utilities Authority</b>	<b>Total</b>
<b>Transfers Out</b>		
General Fund	25,052	25,052
<b>Total</b>	<b>\$ 25,052</b>	<b>\$ 25,052</b>

**Note 5: Other information**

**A. Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town has insurance for the major risks such as property and general liability. Commercial insurance is used to cover general liability claims and the risk of loss to city buildings and mobile equipment. Judgments against the Town may be paid by a property tax assessment over a three-year period.

**B. Commitments and contingencies**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**Note 6: Grants Received**

The Town of Ochelata received a \$38,200 REAP grant during the fiscal year for Town improvements. During the fiscal year ended June 30, 2014, \$38,200 was disbursed in accordance with the grant for concrete paving and water lines.

**Note 7: Related Party Transactions**

Wax Plant

A world-wide wax producing company has a manufacturing business in the Town of Ochelata. One of the company's employees who oversees the various plants' technical issues is the brother of the Town's mayor and is the son of the Town's city clerk as well as of one of the Town Council. The company signed a lease agreement with the Ochelata Economic Development Authority in which the company will pay rent, for the use of the facilities, in the amount of \$1,000 per month, to be paid quarterly. The rent payments began in fiscal year June 30, 2014 and totalled \$7,000.

**Note 8: Plans for Future Sewer Improvements**

The Town, operating under a DEQ consent order, is planning major improvements to the sewer system during the fiscal year ending June 30, 2015. The base project cost is estimated at \$1,672,000. The Town received \$402,000 as a donation from the Cherokee Nation in October 2014. The Town expects the remaining funding for this project to come as follows: \$350,000 CDBG grant from the Oklahoma Department of Commerce and the remaining \$920,000 to come in the form of a bank loan.

**Note 9: Consideration of Subsequent Events**

Subsequent events have been evaluated through November 12, 2014, which is the date the financial statements are available to be issued.

**Town of Ochelata, Oklahoma**  
**Notes to Financial Statements**  
June 30, 2014

**Note 10: Summary of Capital Assets:**

Capital asset activity for the year ended June 30, 2014, was as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	27,200	-	-	27,200
Depreciable Assets:				
Infrastructure	179,579	75,015		254,594
Buildings	35,679	-	-	35,679
Equipment	93,779	-	-	93,779
Vehicles	-	-	-	-
Furniture/Fixtures	7,454	-	-	7,454
<b>Totals at historical cost</b>	<b>343,691</b>	<b>75,015</b>	<b>-</b>	<b>418,706</b>
Less accumulated depreciation for:				
Infrastructure	7,230	7,143		14,373
Buildings	7,263	1,402	-	8,665
Equipment	48,108	8,860	-	56,968
Vehicles	-	-	-	-
Furniture/Fixtures	3,846	746	-	4,592
<b>Total accumulated depreciation</b>	<b>66,447</b>	<b>18,151</b>	<b>-</b>	<b>84,598</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 277,244</b>	<b>\$ 56,864</b>	<b>\$ -</b>	<b>\$ 334,108</b>
<b>Business-type Activities</b>				
Non-Depreciable Assets				
Construction in Progress	\$ 117,293	\$ 16,268	\$ -	\$ 133,561
Depreciable Assets				
Equipment	51,581	5,900	-	57,481
Buildings	3,825	-	-	3,825
Sewer system	1,277,716	-	-	1,277,716
Water system	655,450	12,371	-	667,821
<b>Totals at historical cost</b>	<b>2,105,865</b>	<b>34,539</b>	<b>-</b>	<b>2,140,404</b>
Less accumulated depreciation for:				
Equipment	23,387	5,563	-	28,950
Buildings	1,470	340	-	1,810
Sewer system	745,364	26,956	-	772,320
Water system	232,679	18,106	-	250,785
<b>Total accumulated depreciation</b>	<b>1,002,900</b>	<b>50,965</b>	<b>-</b>	<b>1,053,865</b>
<b>Business-type activities capital asset, net</b>	<b>\$ 1,102,965</b>	<b>\$ (16,426)</b>	<b>\$ -</b>	<b>\$ 1,086,539</b>
<b>Depreciation expense was charged to governmental functions as follows:</b>				
Public Works				\$ 7,143
Public Safety				2,501
General Government				8,507
<b>Total depreciation expense</b>				<b>\$ 18,151</b>

**Town of Ochelata, Oklahoma**  
**Combining Balance Sheet**  
**Modified Cash Basis - Nonmajor Governmental Funds**

Year Ended June 30, 2014

	<b>Special Revenue</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Street and Alley</b>	<b>Cemetery Perpetual Care</b>	
<b>Assets</b>			
Cash and cash equivalents	8,766	10,324	19,090
Investments	-	4,000	4,000
Due from other funds	82	118	200
Total assets	<u>\$ 8,848</u>	<u>\$ 14,442</u>	<u>\$ 23,290</u>
<b>Liabilities</b>			
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	-	14,442	14,442
Committed	-	-	-
Assigned	8,848	-	8,848
Unassigned	-	-	-
Total fund balances	<u>8,848</u>	<u>14,442</u>	<u>23,290</u>
Total liabilities and fund balances	<u>\$ 8,848</u>	<u>\$ 14,442</u>	<u>\$ 23,290</u>

**Town of Ochelata, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Modified Cash Basis - Nonmajor Governmental Funds**

Year Ended June 30, 2014

	<b>Special Revenue</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Street and Alley</b>	<b>Cemetery Perpetual Care</b>	
<b>Revenues</b>			
Taxes	3,748	-	3,748
Intergovernmental	-	-	-
Charges for services	-	-	-
Other	-	-	-
Interest	7	13	20
Total revenues	<u>\$ 3,755</u>	<u>\$ 13</u>	<u>\$ 3,768</u>
<b>Expenditures</b>			
Maintenance and operations	2,648	-	2,648
Capital Outlay	7,500	-	7,500
Total expenditures	<u>10,148</u>	<u>-</u>	<u>10,148</u>
Excess of revenues over (under) expenditures	(6,393)	13	(6,380)
<b>Other financing sources (uses)</b>			
Transfers in	-	75	75
Transfers (out)	-	-	-
Capital Contributions	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>75</u>	<u>75</u>
Net change in fund balances	(6,393)	88	(6,305)
Fund balances, beginning	<u>15,241</u>	<u>14,354</u>	<u>29,595</u>
Fund balances, ending	<u>\$ 8,848</u>	<u>\$ 14,442</u>	<u>\$ 23,290</u>

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

To the Mayor and City Council  
Town of Ochelata, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 the Town of Ochelata, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Ochelata, Oklahoma's basic financial statements and have issued my report thereon dated November 12, 2014. As described in my report on the financial statements the Town 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.

**Internal Control Over Financial Reporting**

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

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

My 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 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. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Ochelata, Oklahoma's financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses (2014-1).

**Town of Ochelata, Oklahoma's Response to Findings**

Town of Ochelata, Oklahoma's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. Town of Ochelata, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

# JUDITH K. BALLARD, CPA, PC

*Certified Public Accountant  
(Member AICPA & OSCP)*

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Phone: 918-968-3511 [Fax: 918-968-3512]

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JUDITH K. BALLARD, CPA, PC  
Stroud, Oklahoma

November 12, 2014

**TOWN OF OCHELATA**  
**Schedule of Findings and Responses**  
**June 30, 2014**

**#2014-1 Federal Form 941 Payroll Tax Deposits**

**Criteria:** Federal form 941 payroll tax deposits are to be made to the Internal Revenue Service on a timely basis throughout the year.

**Condition:** The Town did not make some of the required form 941 payroll tax deposits during the fiscal year.

**Cause:** The Town had an outside accountant who prepared all their payroll and payroll taxes. This accountant quit doing this last fiscal year and the Town did not get another accountant.

**Effect:** The Town is in violation of the Internal Revenue Service rules requiring timely payroll tax deposits.

**Recommendation:** The Town needs to find another accountant immediately and get the taxes calculated and paid in to the IRS.

**Views of Town:** The Town will find another accountant and pay the payroll taxes due to the IRS.