

TOWN OF OCHELATA GOVERNMENTAL UNIT

Ochelata, Oklahoma

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Town of Ochelata, Oklahoma
Audit of Financial Statements
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Members of the Town Council
Town of Ochelata
Ochelata, Oklahoma

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, 2012 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 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. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 2, the Town of Ochelata, Oklahoma, prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2012, and the respective changes in financial position-modified cash basis and cash flows, where applicable, thereof, for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, I have also issued my report dated June 21, 2013, on my consideration of the Town of Ochelata's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such 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. The Town of Ochelata has elected not to present the management's discussion and analysis. The budgetary comparison information is on page 18. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ochelata, Oklahoma's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
June 21, 2013

Town of Ochelata, Oklahoma
Statement of Net Assets
Modified Cash Basis

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	358,447	314,601	673,048
Internal balances	(51,447)	51,447	-
Total current assets	\$ 307,000	\$ 366,048	\$ 673,048
Noncurrent assets:			
Restricted cash and investments	-	14,131	14,131
Capital assets	205,942	1,037,288	1,243,230
Total noncurrent assets	205,942	1,051,419	1,257,361
Total assets	512,942	1,417,467	1,930,409
Liabilities			
Current liabilities:			
Customer deposits	-	14,131	14,131
Total current liabilities	-	14,131	14,131
Noncurrent liabilities:			
Notes payable	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	-	14,131	14,131
Net assets			
Invested in capital assets, net of related debt	205,942	1,037,288	1,243,230
Restricted for:			
Capital improvements	14,304	-	14,304
Unrestricted	292,696	366,048	658,744
Total net assets	\$ 512,942	\$ 1,403,336	\$ 1,916,278

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, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	71,297	1,200	-	-	(70,097)	-	(70,097)
Public safety	10,463	-	-	-	(10,463)	-	(10,463)
Public works	25,547	-	-	124,668	99,121	-	99,121
Total government activities	<u>107,307</u>	<u>1,200</u>	<u>-</u>	<u>124,668</u>	<u>18,561</u>	<u>-</u>	<u>18,561</u>
Business-type activities:							
Water and sewer	233,652	234,393	-	-	-	741	741
Interest Expense	-	-	-	-	-	-	-
Sanitation	24,117	27,956	-	-	-	-	-
Total business-type activities	<u>257,769</u>	<u>262,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,839</u>	<u>3,839</u>
Total government	<u>\$ 365,076</u>	<u>\$ 263,549</u>	<u>\$ -</u>	<u>\$ 124,668</u>	<u>\$ 18,561</u>	<u>\$ 4,580</u>	<u>\$ 23,141</u>
General revenues:							
Taxes:							
Sales and use					88,319	-	88,319
Franchise					10,048	-	10,048
Alcoholic Beverage					1,182	-	1,182
Tobacco					1,305	-	1,305
Gas					-	-	-
Motor Vehicle					2,936	-	2,936
Dog Tags					3	-	3
Interest income					487	502	989
Miscellaneous					6,176	2	6,178
Transfers - internal activity					(29,440)	29,440	-
Capital Contributions					4,900	23,321	28,221
Total general revenues and transfers					<u>85,916</u>	<u>53,265</u>	<u>139,181</u>
Change in net assets					104,477	57,845	162,322
Net assets, beginning					408,465	1,345,491	1,753,956
Net assets, ending					<u>\$ 512,942</u>	<u>\$ 1,403,336</u>	<u>\$ 1,916,278</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, 2012

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	279,427	41,649	37,371	358,447
Due from other funds	(51,529)	(1,490)	1,572	(51,447)
Total assets	\$ 227,898	\$ 40,159	\$ 38,943	\$ 307,000
Liabilities and fund balances				
Liabilities:				
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	14,304	14,304
Committed	-	-	-	-
Assigned	-	40,159	24,639	64,798
Unassigned	227,898	-	-	227,898
Total fund balances	227,898	40,159	38,943	307,000
Total liabilities and fund balances	\$ 227,898	\$ 40,159	\$ 38,943	

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

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

Governmental capital assets	254,971	
Less accumulated depreciation	(49,029)	205,942
Net assets of governmental activities		\$ 512,942

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

June 30, 2012

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	100,857	-	2,936	103,793
Intergovernmental	24,328	-	-	24,328
Charges for services	-	1,200	-	1,200
Other	3,891	2,285	-	6,176
Donations	100,340	-	-	100,340
Interest	421	40	26	487
Total revenues	<u>\$ 229,837</u>	<u>\$ 3,525</u>	<u>\$ 2,962</u>	<u>\$ 236,324</u>
Expenditures				
Personal services	35,828	-	-	35,828
Maintenance and operations	27,525	3,480	3,516	34,521
Capital Outlay	115,837	-	4,900	120,737
Grant Expense	23,321	-	-	23,321
Total expenditures	<u>202,511</u>	<u>3,480</u>	<u>8,416</u>	<u>214,407</u>
Excess of revenues over (under) expenditures	27,326	45	(5,454)	21,917
Other financing sources (uses)				
Transfers (in)	-	-	181	181
Transfers (out)	(29,440)	(181)	-	(29,621)
Capital Contributions	-	-	4,900	4,900
Total other financing sources (uses)	<u>(29,440)</u>	<u>(181)</u>	<u>5,081</u>	<u>(24,540)</u>
Net change in fund balances	(2,114)	(136)	(373)	(2,623)
Fund balances, beginning	230,012	40,295	39,316	309,623
Fund balances, ending	<u>\$ 227,898</u>	<u>\$ 40,159</u>	<u>\$ 38,943</u>	<u>\$ 307,000</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, 2012

Net change in fund balances - total governmental funds	(2,623)
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	<u>107,100</u>
Change in net assets of governmental activities	<u>\$ 104,477</u>

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

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

June 30, 2012

**Business -Type
Activities -
Enterprise Funds**

**Ochelata Utilities
Authority**

Assets

Current assets:

Cash and cash equivalents	314,601
Due from other funds	51,447
Total current assets	\$ 366,048

Noncurrent assets:

Restricted Cash and Cash Equivalents	14,131
Capital assets	1,037,288
Total noncurrent assets	1,051,419
Total assets	1,417,467

Liabilities

Current liabilities:

Customer deposits	14,131
Current portion of long-term debt	-
Due to other funds	-
Total current liabilities	14,131

Noncurrent liabilities:

Notes payable	-
Total noncurrent liabilities	-
Total liabilities	14,131

Net assets

Invested in capital assets, net of related debt	1,037,288
Unrestricted	366,048
Total net assets	\$ 1,403,336

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

Town of Ochelata, Oklahoma
Statement of Revenues, Expenses and Changes in
Fund Net Assets - Modified Cash Basis - Proprietary Funds
June 30, 2012

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Operating revenues	
Charges for services:	
Water	148,347
Wastewater	78,633
Sanitation	27,956
Other	7,413
Total operating revenues	<u>\$ 262,349</u>
Operating expenses	
Water and sewer	182,902
Sanitation	24,117
Depreciation Expense	45,339
Total operating expenses	<u>252,358</u>
Net operating income (loss)	9,991
Nonoperating revenues (expenses)	
Interest income	502
Miscellaneous	2
Total nonoperating revenues (expenses)	<u>504</u>
Special Items and Transfers	
Transfers in	29,440
Meter deposit adjustment-prior year	(5,411)
Capital contributions	23,321
Total special items and transfers	<u>47,350</u>
Net Income (loss)	57,845
Net assets, beginning	<u>1,345,491</u>
Net assets, ending	<u>\$ 1,403,336</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, 2012

**Business -Type
Activities -
Enterprise Funds**

**Ochelata Utilities
Authority**

Cash flows from operating activities	
Receipts from customers	262,349
Payments to suppliers	(159,559)
Payments to employees	(47,460)
Net cash provided (used) by operating activities	55,330
Cash flows from noncapital financing activities	
Meter deposit adjustment	(5,411)
Miscellaneous	3
Net cash provided (used) by noncapital financing activities	(5,408)
Cash flows from capital and related financing activities	
Principal paid on long-term debt	-
Interest expense and fiscal charges	-
Capital Contributions	2,782
Acquisition/construction of capital assets	(98,957)
Net cash provided (used) by capital and related financing activities	(96,175)
Cash flows from investing activities	
Interest income	502
Net cash provided (used) by investing activities	502
Net increase (decrease) in cash and cash equivalents	(45,751)
Cash and cash equivalents, beginning	360,352
Cash and cash equivalents, ending	\$ 314,601
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Net operating income (loss)	9,991
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	45,339
Changes in assets and liabilities:	
Total adjustments	45,339
Net cash provided (used) by operating activities	\$ 55,330

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

Town of Ochelata, Oklahoma
Notes to Financial Statements

June 30, 2012

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). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board, (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the modified cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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 (the Authority) 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.

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

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.

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 fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 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.

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.

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.

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 assets. As of June 30, 2012, the Town did not have any debt.

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.

Note 4: Detailed notes on all funds

A. Deposits and investments

Deposits

The Town's carrying amount of deposits was \$687,179 as of June 30, 2012, and the bank balances totaled \$699,077. 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. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2012 all of the Town's bank balance of \$699,077 was covered by FDIC insurance and bank pledges.

B. Restricted assets

Cash and investments that are restricted as to use includes customer meter deposits as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Customer meter deposits	14,131	-	14,131

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, 2012, cash and investments included \$14,131 available for refund of customer deposits.

D. Long-term debt

The Town had no debt during the year ended June 30, 2012.

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2012, 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	1,490
Ochelata Utilities Authority	General	51,447
Total		<u>\$ 53,019</u>

Interfund transfers:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Ochelata Utilities Authority</u>	<u>Total</u>
General fund	29,440	29,440
Total	<u>\$ 29,440</u>	<u>\$ 29,440</u>

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 reimbursements under two grants during the fiscal year. One of the grants was a REAP grant awarded by Grand Gateway Economic Development Association for sewer and water improvements in the amount of \$48,619.80. On this grant, expenditures totalling \$11,483 were reimbursed in the current fiscal year. The second grant, for \$250,000 was awarded by the Oklahoma Department of Commerce for sewer improvements. During the fiscal year ended June 30, 2012, \$11,838 was expended and reimbursed under this grant.

Note 7: Related Party TransactionsWax Plant

A world-wide wax producing company has opened a manufacturing business in the Town of Ochelata. One of the company's employees who oversees the various plants' technical issues was instrumental in bringing the business to the Town. The employee 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 will begin in fiscal year June 30, 2013.

Note 8: Significant Donation

The Cherokee Nation granted the Town of Ochelata the sum of \$100,000 to pay for street overlay in the Town. The Town expended this amount during the current fiscal year.

Note 9: Summary of Capital Assets:

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities				
Non-Depreciable Assets:				
Land	14,687	12,513	-	27,200
Depreciable Assets:				
Infrastructure	-	104,900	-	104,900
Buildings	35,679	-	-	35,679
Equipment	76,739	2,999	-	79,738
Vehicles	-	-	-	-
Furniture/Fixtures	7,454	-	-	7,454
Totals at historical cost	134,559	120,412	-	254,971
Less accumulated depreciation for:				
Infrastructure	-	2,226	-	2,226
Buildings	4,459	1,402	-	5,861
Equipment	28,904	8,938	-	37,842
Vehicles	-	-	-	-
Furniture/Fixtures	2,354	746	-	3,100
Total accumulated depreciation	35,717	13,312	-	49,029
Governmental activities capital assets, net	\$ 98,842	\$ 107,100	\$ -	\$ 205,942
Business-type Activities				
Non-Depreciable Assets				
Construction in Progress	\$ 117,798	\$ 33,580	\$ (38,591)	\$ 112,787
Depreciable Assets				
Equipment	38,153	-	-	38,153
Buildings	3,825	-	-	3,825
Sewer system	1,252,563	25,153	-	1,277,716
Water system	479,074	78,815	-	557,889
Totals at historical cost	1,891,413	137,548	(38,591)	1,990,370
Less accumulated depreciation for:				
Equipment	12,565	4,754	-	17,319
Buildings	790	340	-	1,130
Sewer system	691,486	26,922	-	718,408
Water system	202,902	13,323	-	216,225
Total accumulated depreciation	907,743	45,339	-	953,082
Business-type activities capital asset, net	\$ 983,670	\$ 92,209	\$ (38,591)	\$ 1,037,288
Depreciation expense was charged to governmental functions as follows:				
Highways and Streets				\$ 2,226
Public Safety				1,308
General Government				9,778
Total depreciation expense				\$ 13,312

REQUIRED SUPPLEMENTARY INFORMATION

Town of Ochelata, Oklahoma
Budgetary Comparison Schedule
Budgetary Basis - General Fund
Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	67,353	67,353	100,857	33,504
Intergovernmental	24,838	24,838	24,328	(510)
Miscellaneous	-	-	3,891	3,891
Donations	-	-	100,340	100,340
Interest	918	918	421	(497)
Total revenues	<u>\$ 93,109</u>	<u>\$ 93,109</u>	<u>\$ 229,837</u>	<u>\$ 136,728</u>
Expenditures				
Personal services	40,000	40,000	35,828	(4,172)
Maintenance and operations	55,805	55,805	27,525	(28,280)
Grant Expense	-	-	23,321	23,321
Capital outlay	209,931	209,931	115,837	(94,094)
Total expenditures	<u>305,736</u>	<u>305,736</u>	<u>202,511</u>	<u>(103,225)</u>
Excess of revenues over (under) expenditures				
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	(18,935)	(18,935)	(29,440)	(10,505)
Total other financing sources (uses)	<u>(18,935)</u>	<u>(18,935)</u>	<u>(29,440)</u>	<u>(10,505)</u>
Net change in fund balances			27,326	
Fund balances, beginning			230,012	
Fund balances, ending			<u>\$ 227,898</u>	

SUPPLEMENTARY INFORMATION

Town of Ochelata, Oklahoma
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue		Total Nonmajor Governmental Funds
	Street and Alley	Cemetery Perpetual Care	
Assets			
Cash and cash equivalents	24,557	12,814	37,371
Due from other funds	82	1,490	1,572
Total assets	<u>\$ 24,639</u>	<u>\$ 14,304</u>	<u>\$ 38,943</u>
Liabilities			
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	-	14,304	14,304
Committed	-	-	-
Assigned	24,639	-	24,639
Unassigned	-	-	-
Total fund balances	<u>24,639</u>	<u>14,304</u>	<u>38,943</u>
Total liabilities and fund balances	<u>\$ 24,639</u>	<u>\$ 14,304</u>	<u>\$ 38,943</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, 2012

	Special Revenue		Total Nonmajor Governmental Funds
	Street and Alley	Cemetery Perpetual Care	
Revenues			
Taxes	2,936	-	2,936
Intergovernmental	-	-	-
Charges for services	-	-	-
Other	-	-	-
Interest	12	14	26
Total revenues	<u>\$ 2,948</u>	<u>\$ 14</u>	<u>\$ 2,962</u>
Expenditures			
Maintenance and operations	3,516	-	3,516
Capital Outlay	4,900	-	4,900
Total expenditures	<u>8,416</u>	<u>-</u>	<u>8,416</u>
Excess of revenues over (under) expenditures	(5,468)	14	(5,454)
Other financing sources (uses)			
Transfers in	-	181	181
Transfers (out)	-	-	-
Capital Contributions	4,900	-	4,900
Total other financing sources (uses)	<u>4,900</u>	<u>181</u>	<u>5,081</u>
Net change in fund balances	(568)	195	(373)
Fund balances, beginning	25,207	14,109	39,316
Fund balances, ending	<u>\$ 24,639</u>	<u>\$ 14,304</u>	<u>\$ 38,943</u>

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Member AICPA & OSCP

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
The Town of Ochelata, Oklahoma

I have audited 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, 2012, which were presented on another comprehensive basis of accounting and have issued my report thereon dated June 21, 2013. The financial statements did not include management's discussion and analysis, which is required supplementary information. 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.

Internal Control Over Financial Reporting

Management of the Town of Ochelata, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Town of Ochelata, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Ochelata, Oklahoma'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.

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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Judith K. Ballard, CPA, PC

Stroud, Oklahoma
June 21, 2013