

TOWN OF OCHELATA GOVERNMENTAL UNIT

Ochelata, Oklahoma

FINANCIAL STATEMENTS

For The Year Ended June 30, 2015

Together With Independent Auditor's Report

JUDITH K. BALLARD, CPA, PC

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Town of Ochelata, Oklahoma
Audit of Financial Statements
June 30, 2015

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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 modified cash basis 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, 2015, 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, 2015, 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 modified cash basis of accounting described in Note 2.

Basis of Accounting

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Town of Ochelata, Oklahoma
October 27, 2015

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 October 27, 2015 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

October 27, 2015

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

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	227,860	189,399	417,259
Investments	31,545	-	31,545
Internal balances	1,344	(1,344)	-
Total current assets	<u>\$ 260,749</u>	<u>\$ 188,055</u>	<u>\$ 448,804</u>
Noncurrent assets:			
Restricted cash and investments	-	17,853	17,853
Capital assets	<u>397,518</u>	<u>3,418,428</u>	<u>3,815,946</u>
Total noncurrent assets	<u>397,518</u>	<u>3,436,281</u>	<u>3,833,799</u>
Total assets	<u>658,267</u>	<u>3,624,336</u>	<u>4,282,603</u>
Liabilities			
Current liabilities:			
Customer deposits	-	17,853	17,853
Current portion of long-term debt	<u>-</u>	<u>89,505</u>	<u>89,505</u>
Total current liabilities	<u>-</u>	<u>107,358</u>	<u>107,358</u>
Noncurrent liabilities:			
Notes payable	<u>-</u>	<u>1,167,490</u>	<u>1,167,490</u>
Total noncurrent liabilities	<u>-</u>	<u>1,167,490</u>	<u>1,167,490</u>
Total liabilities	<u>-</u>	<u>1,274,848</u>	<u>1,274,848</u>
Net position			
Invested in capital assets, net of related debt	397,518	2,161,433	2,558,951
Restricted for economic development	-	18,719	18,719
Restricted for cemetery purposes	15,031	-	15,031
Unrestricted	<u>245,718</u>	<u>169,336</u>	<u>415,054</u>
Total net position	<u>\$ 658,267</u>	<u>\$ 2,349,488</u>	<u>\$ 3,007,755</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, 2015

	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	64,720	4,450	-	-	(60,270)	-	(60,270)
Public safety	5,831	-	-	-	(5,831)	-	(5,831)
Public works	773,625	-	-	843,419	69,794	-	69,794
Total government activities	844,176	4,450	-	843,419	3,693	-	3,693
Business-type activities:							
Water and sewer	297,125	235,277	-	-	-	(61,848)	(61,848)
Interest expense	7,272	-	-	-	-	(7,272)	(7,272)
Economic development	14,904	51,096	-	-	-	36,192	36,192
Sanitation	56,529	63,423	-	-	-	6,894	6,894
Total business-type activities	375,830	349,796	-	-	-	(26,034)	(26,034)
Total government	\$ 1,220,006	\$ 354,246	\$ -	\$ 843,419	\$ 3,693	\$ (26,034)	\$ (22,341)
General revenues:							
Taxes:							
Sales					132,962	-	132,962
Franchise					13,256	-	13,256
Alcoholic beverage					2,290	-	2,290
Tobacco					1,551	-	1,551
Gas					1,113	-	1,113
Motor vehicle					3,249	-	3,249
Interest income					205	880	1,085
Miscellaneous					3	12,266	12,269
Transfers - internal activity					(96,559)	96,559	-
Capital contributions					-	752,069	752,069
Total general revenues and transfers					58,070	861,774	919,844
Change in net position					61,763	835,740	897,503
Net position, beginning					596,504	1,513,748	2,110,252
Net position, ending					\$ 658,267	\$ 2,349,488	3,007,755

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

Town of Ochelata, Oklahoma
Balance Sheet
Modified Cash Basis - Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	197,691	11,803	18,366	227,860
Investments	-	27,545	4,000	31,545
Due from other funds	1,262	(517)	599	1,344
Total assets	<u><u>\$ 198,953</u></u>	<u><u>\$ 38,831</u></u>	<u><u>\$ 22,965</u></u>	<u><u>\$ 260,749</u></u>
Liabilities and fund balances				
Liabilities:				
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	15,031	15,031
Committed	-	-	-	-
Assigned	-	38,831	7,934	46,765
Unassigned	198,953	-	-	198,953
Total fund balances	<u>198,953</u>	<u>38,831</u>	<u>22,965</u>	<u>260,749</u>
Total liabilities and fund balances	<u><u>\$ 198,953</u></u>	<u><u>\$ 38,831</u></u>	<u><u>\$ 22,965</u></u>	

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

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

Governmental capital assets	503,270	
Less accumulated depreciation	<u>(105,752)</u>	<u>397,518</u>
Net position of governmental activities		<u><u>\$ 658,267</u></u>

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, 2015

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	150,059	-	4,362	154,421
Intergovernmental	836,564	-	-	836,564
Charges for services	-	4,450	-	4,450
Other	3	-	-	3
Donations	3,500	1,355	2,000	6,855
Interest	-	169	36	205
Total revenues	<u>\$ 990,126</u>	<u>\$ 5,974</u>	<u>\$ 6,398</u>	<u>\$ 1,002,498</u>
Expenditures				
Personal services	36,347	2,800	-	39,147
Maintenance and operations	24,355	241	7,279	31,875
Capital outlay	836,564	-	-	836,564
Total expenditures	<u>897,266</u>	<u>3,041</u>	<u>7,279</u>	<u>907,586</u>
Excess of revenues over (under) expenditures	92,860	2,933	(881)	94,912
Other financing sources (uses)				
Transfers in (out)	(96,559)	(556)	556	(96,559)
Capital contributions	-	-	-	-
Total other financing sources (uses)	<u>(96,559)</u>	<u>(556)</u>	<u>556</u>	<u>(96,559)</u>
Net change in fund balances	<u>(3,699)</u>	<u>2,377</u>	<u>(325)</u>	<u>(1,647)</u>
Fund balances, beginning	<u>202,652</u>	<u>36,454</u>	<u>23,290</u>	<u>262,396</u>
Fund balances, ending	<u><u>\$ 198,953</u></u>	<u><u>\$ 38,831</u></u>	<u><u>\$ 22,965</u></u>	<u><u>\$ 260,749</u></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, 2015

Net change in fund balances - total governmental funds	(1,647)
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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>63,410</u>
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Change in net position of governmental activities	<u><u>\$ 61,763</u></u>
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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, 2015

	Ochelata Utilities Authority	Ochelata Economic Development Authority	Total
Assets			
Current assets:			
Cash and cash equivalents	169,195	20,204	189,399
Investments	-	-	-
Due (to)/from other funds	141	(1,485)	(1,344)
Total current assets	<u>\$ 169,336</u>	<u>\$ 18,719</u>	<u>\$ 188,055</u>
Noncurrent assets:			
Restricted cash and cash equivalents	17,853	-	17,853
Capital assets	2,830,740	587,688	3,418,428
Total noncurrent assets	<u>2,848,593</u>	<u>587,688</u>	<u>3,436,281</u>
Total assets	<u>3,017,929</u>	<u>606,407</u>	<u>3,624,336</u>
Liabilities			
Current liabilities:			
Customer deposits	17,853	-	17,853
Current portion of long-term debt	27,013	62,492	89,505
Due to other funds	-	-	-
Total current liabilities	<u>44,866</u>	<u>62,492</u>	<u>107,358</u>
Noncurrent liabilities:			
Notes payable	670,969	496,521	1,167,490
Total noncurrent liabilities	<u>670,969</u>	<u>496,521</u>	<u>1,167,490</u>
Total liabilities	<u>715,835</u>	<u>559,013</u>	<u>1,274,848</u>
Net position			
Invested in capital assets, net of related debt	2,132,758	28,675	2,161,433
Restricted for economic development	-	18,719	18,719
Unrestricted	169,336	-	169,336
Total net position	<u>\$ 2,302,094</u>	<u>\$ 47,394</u>	<u>\$ 2,349,488</u>

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, 2015

	<u>Ochelata Utilities Authority</u>	<u>Ochelata Economic Development Authority</u>	<u>Total</u>
Operating revenues			
Charges for services:			
Water	163,278	-	163,278
Wastewater	71,999	-	71,999
Sanitation	63,423	-	63,423
Rental income	-	51,096	51,096
Other	12,266	-	12,266
Total operating revenues	<u>\$ 310,966</u>	<u>\$ 51,096</u>	<u>\$ 362,062</u>
Operating expenses			
Water and sewer	235,507	-	235,507
Sanitation	56,529	-	56,529
Rental expense	-	5,172	5,172
Depreciation expense	61,618	9,732	71,350
Total operating expenses	<u>353,654</u>	<u>14,904</u>	<u>368,558</u>
Net operating income (loss)	<u>(42,688)</u>	<u>36,192</u>	<u>(6,496)</u>
Nonoperating revenues (expenses)			
Interest income	868	12	880
Interest expense	(2,208)	(5,064)	(7,272)
Total nonoperating revenues (expenses)	<u>(1,340)</u>	<u>(5,052)</u>	<u>(6,392)</u>
Special Items and Transfers			
Transfers in (out)	89,809	6,750	96,559
Capital contributions	752,069	-	752,069
Total special items and transfers	<u>841,878</u>	<u>6,750</u>	<u>848,628</u>
Net income (loss)	<u>797,850</u>	<u>37,890</u>	<u>835,740</u>
Net position, beginning	<u>1,504,244</u>	<u>9,504</u>	<u>1,513,748</u>
Net position, ending	<u>\$ 2,302,094</u>	<u>\$ 47,394</u>	<u>\$ 2,349,488</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, 2015

	Ochelata Utilities Authority	Ochelata Economic Development Authority	Total
Cash flows from operating activities			
Receipts from customers	310,966	51,096	362,062
Payments to suppliers	(258,816)	(5,172)	(263,988)
Payments to employees	(33,220)	-	(33,220)
Net cash provided (used) by operating activities	<u>18,930</u>	<u>45,924</u>	<u>64,854</u>
Cash flows from noncapital financing activities			
Meter deposit increase	2,377	-	2,377
Receipts from other funds	186,769	-	186,769
Net cash provided (used) by noncapital financing activities	<u>189,146</u>	<u>-</u>	<u>189,146</u>
Cash flows from capital and related financing activities			
Note proceeds	698,051	581,678	1,279,729
Principal paid on long-term debt	(83,739)	(22,665)	(106,404)
Interest expense	(2,208)	(5,064)	(7,272)
Transfers in (out)	-	-	-
Capital contributions	752,069	-	752,069
Receipts from other funds	-	8,235	8,235
Acquisition/construction of capital assets	(1,805,819)	(597,420)	(2,403,239)
Net cash provided (used) by capital and related financing activities	<u>(441,646)</u>	<u>(35,236)</u>	<u>(476,882)</u>
Cash flows from investing activities			
Receipts from investments	101,579	-	101,579
Interest income	868	12	880
Net cash provided (used) by investing activities	<u>102,447</u>	<u>12</u>	<u>102,459</u>
Net increase (decrease) in cash and cash equivalents	(131,123)	10,700	(120,423)
Cash and cash equivalents, beginning	318,171	9,504	327,675
Cash and cash equivalents, ending	<u>\$ 187,048</u>	<u>\$ 20,204</u>	<u>\$ 207,252</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Net operating income (loss)	(42,688)	36,192	(6,496)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	61,618	9,732	71,350
Changes in assets and liabilities:			
Total adjustments	<u>61,618</u>	<u>9,732</u>	<u>71,350</u>
Net cash provided (used) by operating activities	<u>\$ 18,930</u>	<u>\$ 45,924</u>	<u>\$ 64,854</u>

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

Town of Ochelata, Oklahoma
Notes to Financial Statements

June 30, 2015

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. Currently, the OEDA leases land to a wax plant located in the town. During the year, the OEDA received lease payments totalling \$51,096 from the plant. 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 position 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, 2015

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 position, 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 position 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 position/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, 2015

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

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. The principal operating revenues of the Ochelata Economic Development Authority are land lease revenues. 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 position 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 any 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, 2015, both the Ochelata Utilities Authority and Ochelata Economic Development Authority had outstanding debt.

Town of Ochelata, Oklahoma
Notes to Financial Statements
June 30, 2015

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 reflected \$466,656 and the bank balances reflected \$467,739 as of June 30, 2015. 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, 2015 all of the Town's bank balance was covered by FDIC insurance and bank pledges.

B. Restricted assets

The Ochelata Utilities Authority is required to set aside funds representing the meter deposits received from town customers. At June 30, 2015, the customer meter deposits totalled \$17,853 and the amount set aside in the bank was \$17,853.

Town of Ochelata, Oklahoma

Notes to Financial Statements

June 30, 2015

C. Long-term debt

Long-term liabilities of the Ochelata Utilities Authority as of June 30, 2015 are summarized as follows:

Note payable with American Heritage Bank, dated September 9, 2014, with an original amount of \$737,580 - of which \$698,051 was drawn on and principal payments of \$69 made leaving a note balance of \$697,982 at June 30, 2015. The note was obtained to help finance sewer improvements. The note is due and payable in 192 monthly payments of \$5,572 beginning October 15, 2015 and includes interest of 4.25%. The note is secured by revenues generated by the utility system. 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>
2016	27,013	23,158
2017	37,388	29,473
2018	39,008	27,853
2019	40,699	26,163
2020	42,463	24,399
2021-2025	241,565	92,743
2026-2030	269,846	35,717
Total	\$ 697,982	\$ 259,506

Long-term liabilities of the Ochelata Economic Development Authority as of June 30, 2015 are summarized as follows:

Note payable with American Bank of Oklahoma, dated July 8, 2014, with an original amount of \$650,000 - of which \$581,678 was drawn on and principal payments of \$22,665 made leaving a note balance of \$559,013 at June 30, 2015. The note was obtained to help finance the construction of a building at the wax plant located in town. The note is due and payable in 44 monthly payments of \$20,185 beginning October, 2014 and includes interest of 4.16%. The note is secured by real estate. 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>
2016	62,491	22,248
2017	61,029	19,711
2018	435,493	17,133
Total	\$ 559,013	\$ 59,092

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ochelata Utilities Authority	1,344
Other Governmental	General	82
Other Governmental	Other governmental	517
Ochelata Utilities Authority	Ochelata Economic Development Authority	1,485
Total		\$ 3,428

Town of Ochelata, Oklahoma

Notes to Financial Statements

June 30, 2015

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 \$350,000 grant from the Oklahoma Department of Commerce, through Grand Gateway Economic Development Association, during the fiscal year. During the fiscal year ended June 30, 2015, \$350,000 was disbursed in accordance with the grant for sewer improvements.

Note 7: Related Party Transactions

Wax Plant

A wax producing company has a manufacturing business in the Town of Ochelata. The president of the company is the brother of the Town's mayor as well as of a town councilman and is the son of the Town's city clerk. The company signed a lease agreement with the Ochelata Economic Development Authority in which the company pays rent, for the use of the facilities, in the amount of \$1,000 per month plus an additional amount equal to the Authority's quarterly loan payment to American Bank of Oklahoma. The rent is paid quarterly. The rent payments for the current fiscal year were \$51,096.

Note 8: Consideration of Subsequent Events

Subsequent events have been evaluated through October 27, 2015, which is the date the financial statements are available to be issued.

Town of Ochelata, Oklahoma
Notes to Financial Statements
June 30, 2015

Note 9: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2015, was as follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental Activities			
Non-Depreciable Assets:			
Land	27,200	-	27,200
Depreciable Assets:			
Infrastructure	254,594	84,564	339,158
Buildings	35,679	-	35,679
Equipment	93,779	-	93,779
Vehicles	-	-	-
Furniture/Fixtures	7,454	-	7,454
Totals at historical cost	418,706	84,564	503,270
Less accumulated depreciation for:			
Infrastructure	14,373	11,305	25,678
Buildings	8,665	1,402	10,067
Equipment	56,968	7,701	64,669
Vehicles	-	-	-
Furniture/Fixtures	4,592	746	5,338
Total accumulated depreciation	84,598	21,154	105,752
Governmental activities capital assets, net	\$ 334,108	\$ 63,410	\$ 397,518
Business-type Activities			
Non-Depreciable Assets			
Construction in Progress	\$ 133,561	\$ -	\$ (133,561)
Depreciable Assets			
Equipment	57,481	-	57,481
Buildings	3,825	-	3,825
Sewer system	1,277,716	1,939,380	3,217,096
Water system	667,821	-	667,821
Totals at historical cost	2,140,404	1,939,380	3,946,223
Less accumulated depreciation for:			
Equipment	28,950	5,318	34,268
Buildings	1,810	340	2,150
Sewer system	772,320	37,730	810,050
Water system	250,785	18,230	269,015
Total accumulated depreciation	1,053,865	61,618	1,115,483
Business-type activities capital asset, net	\$ 1,086,539	\$ 1,877,762	\$ 2,830,740
Depreciation expense was charged to governmental functions as follows:			
Public Works			\$ 11,305
Public Safety			2,501
General Government			7,348
Total depreciation expense			\$ 21,154

Town of Ochelata, Oklahoma
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds
Year Ended June 30, 2015

	Special Revenue			Total Nonmajor Governmental Funds
	Park	Street and Alley	Cemetery Perpetual Care	
Assets				
Cash and cash equivalents	2,000	5,852	10,514	18,366
Investments	-	-	4,000	4,000
Due from other funds	-	82	517	599
Total assets	\$ 2,000	\$ 5,934	\$ 15,031	\$ 22,965
Liabilities				
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	15,031	15,031
Committed	-	-	-	-
Assigned	2,000	5,934	-	7,934
Unassigned	-	-	-	-
Total fund balances	2,000	5,934	15,031	22,965
Total liabilities and fund balances	\$ 2,000	\$ 5,934	\$ 15,031	\$ 22,965

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

Year Ended June 30, 2015

	Special Revenue			
	Park	Street and Alley	Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenues				
Taxes	-	4,362	-	4,362
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Donations	2,000	-	-	2,000
Interest	-	3	33	36
Total revenues	\$ 2,000	\$ 4,365	\$ 33	\$ 6,398
Expenditures				
Maintenance and operations	-	7,279	-	7,279
Capital outlay	-	-	-	-
Total expenditures	-	7,279	-	7,279
Excess of revenues over (under) expenditures	2,000	(2,914)	33	(881)
Other financing sources (uses)				
Transfers in (out)	-	-	556	556
Capital contributions	-	-	-	-
Total other financing sources (uses)	-	-	556	556
Net change in fund balances	2,000	(2,914)	589	(325)
Fund balances, beginning	-	8,848	14,442	23,290
Fund balances, ending	\$ 2,000	\$ 5,934	\$ 15,031	\$ 22,965

**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, 2015, 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 October 27, 2015. As described in my report on the financial statements the Town prepares its financial statements on the modified cash basis, which is a 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Ochelata, Oklahoma
October 27, 2015

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.

A handwritten signature in black ink that reads "Judith K. Ballard, CPA, PC". The signature is written in a cursive, flowing style.

JUDITH K. BALLARD, CPA, PC
Stroud, Oklahoma

October 27, 2015