

TOWN OF OCHELATA GOVERNMENTAL UNIT

Ochelata, Oklahoma

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Town of Ochelata, Oklahoma
Report on Audit of Financial Statements
June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

June 25, 2012

Members of the Town Council
Town of Ochelata
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, 2010 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 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, 2010, 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 25, 2012, 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 conjunction with this report in considering the results of my audit.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The Town of Ochelata has not presented either.

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 listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the 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

Town of Ochelata, Oklahoma
Statement of Net Assets
Modified Cash Basis
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	324,374	346,871	671,245
Internal balances	(1,468)	1,468	-
Total current assets	<u>\$ 322,906</u>	<u>\$ 348,339</u>	<u>\$ 671,245</u>
Noncurrent assets:			
Restricted cash and investments	-	10,135	10,135
Capital assets	100,511	792,553	893,064
Total noncurrent assets	<u>100,511</u>	<u>802,688</u>	<u>903,199</u>
Total assets	<u>423,417</u>	<u>1,151,027</u>	<u>1,574,444</u>
Liabilities			
Current liabilities:			
Customer deposits	-	10,135	10,135
Total current liabilities	<u>-</u>	<u>10,135</u>	<u>10,135</u>
Noncurrent liabilities:			
Notes payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>10,135</u>	<u>10,135</u>
Net assets			
Invested in capital assets, net of related debt	100,511	792,553	893,064
Restricted for:			
Capital improvements	14,064	-	14,064
Unrestricted	308,842	348,339	657,181
Total net assets	<u>\$ 423,417</u>	<u>\$ 1,140,892</u>	<u>\$ 1,564,309</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, 2010

	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	51,026	1,950		1,359	(47,717)	-	(47,717)
Public safety	7,670	-	-	-	(7,670)	-	(7,670)
Public works	237,694	-	-	208,939	(28,755)	-	(28,755)
Total government activities	<u>296,390</u>	<u>1,950</u>	<u>-</u>	<u>210,298</u>	<u>(84,142)</u>	<u>-</u>	<u>(84,142)</u>
Business-type activities:							
Water and sewer	283,332	248,515	-	-	-	(34,817)	(34,817)
Interest Expense	-	-	-	-	-	-	-
Sanitation	24,258	26,911	-	-	-	2,653	2,653
Total business-type activities	<u>307,590</u>	<u>275,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,164)</u>	<u>(32,164)</u>
Total government	<u>\$ 603,980</u>	<u>\$ 277,376</u>	<u>\$ -</u>	<u>\$ 210,298</u>	<u>\$ (84,142)</u>	<u>\$ (32,164)</u>	<u>\$ (116,306)</u>
General revenues:							
Taxes:							
Sales and use					53,272	-	53,272
Franchise					9,130	-	9,130
Alcoholic Beverage					1,305	-	1,305
Tobacco					738	-	738
Gas					-	-	-
Motor Vehicle					3,525	-	3,525
Interest income					4,194	1,995	6,189
Miscellaneous					1,804	-	1,804
Transfers - internal activity					(23,610)	23,610	-
Capital Contributions					-	243,685	243,685
Total general revenues and transfers					<u>50,358</u>	<u>269,290</u>	<u>319,648</u>
Change in net assets					(33,784)	237,126	203,342
Net assets, beginning					457,201	903,766	1,360,967
Net assets, ending					<u>\$ 423,417</u>	<u>\$ 1,140,892</u>	<u>1,564,309</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, 2010

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	232,324	52,408	39,642	324,374
Due from other funds	(82)	(1,268)	1,350	-
Total assets	\$ 232,242	\$ 51,140	\$ 40,992	\$ 324,374
Liabilities and fund balances				
Liabilities:				
Due to other funds	1,468	-	-	1,468
Total liabilities	1,468	-	-	1,468
Fund balances:				
Reserved for:				
Capital improvements	-	-	14,064	14,064
Unreserved, reported in:				
General fund	230,774	-	-	230,774
Special revenue funds	-	51,140	26,928	78,068
Total fund balances	230,774	51,140	40,992	322,906
Total liabilities and fund balances	\$ 232,242	\$ 51,140	\$ 40,992	

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	125,794	
Less accumulated depreciation	(25,283)	100,511
Net assets of governmental activities		\$ 423,417

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, 2010

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	64,445	-	3,525	67,970
Intergovernmental	210,298	-	-	210,298
Charges for services	-	1,706	244	1,950
Other	563	1,241	-	1,804
Interest	3,214	816	164	4,194
Total revenues	<u>\$ 278,520</u>	<u>\$ 3,763</u>	<u>\$ 3,933</u>	<u>\$ 286,216</u>
Expenditures				
Personal services	23,285	-	-	23,285
Maintenance and operations	29,307	2,896	2,095	34,298
Capital Outlay	18,930	-	-	18,930
Grant Expense	208,939	-	-	208,939
Total expenditures	<u>280,461</u>	<u>2,896</u>	<u>2,095</u>	<u>285,452</u>
Excess of revenues over (under) expenditures	(1,941)	867	1,838	764
Other financing sources (uses)				
Expenses paid for Ochelata Utilities Authority	(28,755)	-	-	(28,755)
Transfers (out)	(23,610)	-	-	(23,610)
Total other financing sources (uses)	<u>(52,365)</u>	<u>-</u>	<u>-</u>	<u>(52,365)</u>
Net change in fund balances	(54,306)	867	1,838	(51,601)
Fund balances, beginning	<u>285,080</u>	<u>50,273</u>	<u>39,154</u>	<u>374,507</u>
Fund balances, ending	<u>\$ 230,774</u>	<u>\$ 51,140</u>	<u>\$ 40,992</u>	<u>\$ 322,906</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, 2010

Net change in fund balances - total governmental funds (51,601)

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.

Capital outlay expenditures, net 17,817

Change in net assets of governmental activities \$ (33,784)

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, 2010

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Assets	
Current assets:	
Cash and cash equivalents	346,871
Due from other funds	1,468
Total current assets	\$ 348,339
Noncurrent assets:	
Restricted Cash and Cash Equivalents	10,135
Capital assets	792,553
Total noncurrent assets	802,688
Total assets	1,151,027
Liabilities	
Current liabilities:	
Customer deposits	10,135
Current portion of long-term debt	-
Due to other funds	-
Total current liabilities	10,135
Noncurrent liabilities:	
Notes payable	-
Total noncurrent liabilities	-
Total liabilities	10,135
Net assets	
Invested in capital assets, net of related debt	792,553
Unrestricted	348,339
Total net assets	\$ 1,140,892

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, 2010

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Operating revenues	
Charges for services:	
Water	158,913
Wastewater	80,245
Sanitation	26,911
Other	9,357
Total operating revenues	\$ 275,426
Operating expenses	
Water and sewer	254,222
Sanitation	24,258
Depreciation Expense	29,110
Total operating expenses	307,590
Net operating income (loss)	(32,164)
Nonoperating revenues (expenses)	
Interest income	1,995
Interest expense	-
Total nonoperating revenues (expenses)	1,995
Special Items and Transfers	
Transfers in	23,610
Capital contributions	243,685
Total operating transfers	267,295
Net Income (loss)	237,126
Net assets, beginning	903,766
Net assets, ending	\$ 1,140,892

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, 2010

	Business -Type Activities - Enterprise Funds
	<u>Ochelata Utilities Authority</u>
Cash flows from operating activities	
Receipts from customers	275,426
Payments to suppliers	(244,275)
Payments to employees	(34,205)
Net cash provided (used) by operating activities	<u>(3,054)</u>
Cash flows from noncapital financing activities	
Increase in restricted assets	(10,135)
Decrease in customer deposits	(6,869)
Transfers in (out)	23,610
Net cash provided (used) by noncapital financing activities	<u>6,606</u>
Cash flows from capital and related financing activities	
Principal paid on long-term debt	-
Interest expense and fiscal charges	-
Capital Contributions	243,685
Acquisition/construction of capital assets	(226,475)
Net cash provided (used) by capital and related financing activities	<u>17,210</u>
Cash flows from investing activities	
Interest income	1,995
Net cash provided (used) by investing activities	<u>1,995</u>
Net increase (decrease) in cash and cash equivalents	22,757
Cash and cash equivalents, beginning	<u>324,114</u>
Cash and cash equivalents, ending	<u>\$ 346,871</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Net operating income (loss)	(32,164)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	29,110
Changes in assets and liabilities:	
(Increase)/decrease in due from other funds	-
Total adjustments	<u>29,110</u>
Net cash provided (used) by operating activities	<u>\$ (3,054)</u>

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

Town of Ochelata, Oklahoma

Notes to Financial Statements

June 30, 2010

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, 2010, the Town did not have any debt.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 not prepare a legal budget for the current fiscal year.

Note 4: Detailed notes on all funds

A. Deposits and investments

Deposits

The Town's carrying amount of deposits was \$681,380 as of June 30, 2010, and the bank balances totaled \$684,789. 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, 2010 all of the Town's bank balance of \$684,789 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	10,135	-	10,135

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, 2010, cash and investments included \$10,135 available for refund of customer deposits.

D. Long-term debt

The Town had no debt during the year ended June 30, 2010.

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2010, 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	1,268
Ochelata Utilities Authority	General	1,468
Total		<u>\$ 2,818</u>

Interfund transfers:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Ochelata Utilities Authority</u>	<u>Total</u>
General fund	23,610	23,610
Total	<u>\$ 23,610</u>	<u>\$ 23,610</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: Water Purchases

The Town of Ochelata provides water and waste water services to its citizens. The Town purchases the water from the City of Bartlesville. In fiscal year June 30, 2008, the City of Bartlesville gave notice to the Town of Ochelata that it had been undercharging the Town for water purchases for a number of years. The total amount undercharged for water was over \$80,000. The Town paid the City back at the rate of \$2,500 per month beginning in February 2008. The Town paid the remaining balance to Bartlesville during the fiscal year ended June 30, 2010.

Note 7: Grants Received

The Town of Ochelata received three grants during the fiscal year. Two of the grants were REAP grants awarded by Grand Gateway Economic Development Association for sewer improvements in the amounts of \$23,000 and \$47,500. The grants were received and expended during the current fiscal year, with \$304 remaining unspent on the \$47,500 grant at fiscal year end. The third grant, for \$250,000 was awarded by the Oklahoma Department of Commerce for sewer improvements. As of June 30, 2010, \$145,939 had been expended and reimbursed under this grant.

Note 8: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2010, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities				
Non-Depreciable Assets:				
Land	-	14,687	-	14,687
Depreciable Assets:				
Buildings	35,679	-	-	35,679
Equipment	57,998	9,976	-	67,974
Vehicles	-	-	-	-
Furniture/Fixtures	4,459	2,995	-	7,454
Totals at historical cost	98,136	27,658	-	125,794
Less accumulated depreciation for:				
Buildings	1,655	1,402	-	3,057
Equipment	12,925	7,693	-	20,618
Vehicles	-	-	-	-
Infrastructure	862	746	-	1,608
Total accumulated depreciation	15,442	9,841	-	25,283
Governmental activities capital assets, net	\$ 82,694	\$ 17,817	\$ -	\$ 100,511
Business-type Activities				
Non-Depreciable Assets				
Construction in Progress	\$ 48,324	\$ 217,239	\$ -	\$ 265,563
Depreciable Assets				
Equipment	33,158	3,245	-	36,403
Buildings	3,825	-	-	3,825
Sewer system	871,840	5,991	-	877,831
Water system	479,074	-	-	479,074
Totals at historical cost	1,436,221	226,475	-	1,662,696
Less accumulated depreciation for:				
Equipment	3,478	4,432	-	7,910
Buildings	110	340	-	450
Sewer system	657,059	13,080	-	670,139
Water system	180,386	11,258	-	191,644
Total accumulated depreciation	841,033	29,110	-	870,143
Business-type activities capital asset, net	\$ 595,188	\$ 197,365	\$ -	\$ 792,553
Depreciation expense was charged to governmental functions as follows:				
Highways and Streets				\$ -
Public Safety				-
General Government				9,841
Total depreciation expense				\$ 9,841

Town of Ochelata, Oklahoma
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds
Year Ended June 30, 2010

	Special Revenue		Total Nonmajor Governmental Funds
	Street and Alley	Cemetery Perpetual Care	
Assets			
Cash and cash equivalents	26,846	12,796	39,642
Due from other funds	82	1,268	1,350
Total assets	<u>\$ 26,928</u>	<u>\$ 14,064</u>	<u>\$ 40,992</u>
Liabilities			
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Reserved for:			
Capital improvements	-	14,064	14,064
Unreserved:			
Designated	<u>26,928</u>	<u>-</u>	<u>26,928</u>
Total fund balances	<u>26,928</u>	<u>14,064</u>	<u>40,992</u>
Total liabilities and fund balances	<u>\$ 26,928</u>	<u>\$ 14,064</u>	<u>\$ 40,992</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, 2010

	Special Revenue		Total Nonmajor Governmental Funds
	Street and Alley	Cemetery Perpetual Care	
Revenues			
Taxes	3,525	-	3,525
Intergovernmental	-	-	-
Charges for services	-	244	244
Other	-	-	-
Interest	26	138	164
Total revenues	<u>\$ 3,551</u>	<u>\$ 382</u>	<u>\$ 3,933</u>
Expenditures			
Maintenance and operations	2,095	-	2,095
Total expenditures	<u>2,095</u>	<u>-</u>	<u>2,095</u>
Excess of revenues over (under) expenditures	1,456	382	1,838
Other financing sources (uses)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,456	382	1,838
Fund balances, beginning	25,472	13,682	39,154
Fund balances, ending	<u>\$ 26,928</u>	<u>\$ 14,064</u>	<u>\$ 40,992</u>

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*

June 25, 2012

Mayor and Town Council
Town of Ochelata
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, 2010, which were presented on another comprehensive basis of accounting and have issued my report thereon dated June 25, 2012. The financial statements did not include management's discussion and analysis or the budgetary comparison information, which are 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

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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Town council members, management, 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