

City of Oilton
Oilton, Oklahoma

Audit Report
June 30, 2011

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Independent Auditor's Report

Board of City Commissioners
City of Oilton
Oilton, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Oilton, State of Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Oilton, State of Oklahoma'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 the 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 opinion.

In my opinion, except for the effects, if any, on the financial statements of improper reconciliation of gas, trash, and tank maintenance revenues described in Note 3, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, major fund and the aggregate remaining fund information of the City of Oilton, State of Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 14, 2012, on my consideration of the City of Oilton, State of Oklahoma'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 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 budgetary comparison information on pages 27 through 30 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. 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.

The City of Oilton has not presented a Management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oilton, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, 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 and the schedule of expenditures of federal awards 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.



Linda S. Woodruff CPA, PC
Oklahoma City, Oklahoma
May 14, 2012

City of Oilton
Oilton, Oklahoma

Basic Financial Statements
June 30, 2011

City of Oilton
Statement of Net Assets
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Equivalents	\$ 160,532	\$ 392,347	\$ 552,879
Investments	320,126	317,861	637,987
Receivables	46,587	13,971	60,558
Internal Balances	-	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Prepaid Expenses	2,028	406	2,434
Capital Assets			
Land and improvements not being depreciated	39,003	1,998	41,001
Infrastructure and infrastructure in progress	-	1,324,961	1,324,961
Buildings	-	105,629	105,629
Equipment and Furniture	924,882	121,398	1,046,280
Other Capital Assets	-	-	-
Less: Accumulated Depreciation	(473,614)	(1,009,154)	(1,482,768)
	490,271	544,832	1,035,103
Total Capital Assets	490,271	544,832	1,035,103
Total Assets	1,019,544	1,269,417	2,288,961
LIABILITIES			
Accounts payable and accrued expenses	12,915	(3,939)	8,976
Due to Oilton Schools	15,529	-	15,529
Deferred Revenues	-	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	-	-	-
Accrued interest	-	-	-
Compensated absences	1,422	2,838	4,260
Claims and judgments	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	-	-	-
Accrued interest	-	-	-
Compensated absences	-	-	-
Claims and judgments	-	-	-
Total liabilities	29,866	(1,101)	28,765
NET ASSETS			
Prio Period Adjustments	35,752	17,720	53,472
Invested in capital assets, net of related debt	490,271	544,832	1,035,103
Restricted for:			
Perpetual Care	20,811	-	20,811
Debt Service	-	-	-
Meter Reserve	-	50,988	50,988
Unrestricted	442,844	656,978	1,099,822
Total net assets	\$ 953,926	\$ 1,252,798	\$ 2,206,724

See Independent Auditor's Report.

The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Primary government						
Governmental Activities						
General Government	\$ 44,723	\$ 2,586	\$ -	\$ -	\$ (42,137)	\$ (42,137)
Public Safety	163,946	26,239	113	-	(137,594)	(137,594)
Health, Welfare and Sanitation	6,785	(61,680)	-	-	(68,465)	(68,465)
Culture and Recreation	1,069	500	-	-	(569)	(569)
Education	-	-	-	-	-	-
Total governmental activities	<u>216,523</u>	<u>(32,355)</u>	<u>113</u>	<u>-</u>	<u>(248,765)</u>	<u>(248,765)</u>
Business-type activities						
Oilton Public Works Authority	504,971	534,171	-	-		29,200
Oilton Industrial and Redevelopment Authority	3,136	6,600	-	-		3,464
Total business-type activities	<u>508,107</u>	<u>540,771</u>	<u>-</u>	<u>-</u>		<u>32,664</u>
Total primary government	<u>724,630</u>	<u>508,416</u>	<u>113</u>	<u>-</u>	<u>(248,765)</u>	<u>32,664</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				-	-	-
Property taxes, levied for debt service				-	-	-
Franchise taxes				46,466	-	46,466
Public service taxes				305,759	-	305,759
Grants and contributions not restricted to specific programs				4,737	-	4,737
Unrestricted investment earnings				2,137	3,239	5,376
Depreciation				-	(44,282)	(44,282)
<i>Special item</i> - gain on sale of asset				-	-	-
Transfers				(72,434)	(19,035)	(91,469)
Total general revenues, special items, and transfers				<u>286,665</u>	<u>(60,078)</u>	<u>226,587</u>
Change in net assets				37,900	(27,414)	10,486
Net assets - beginning				916,026	1,280,212	2,196,238
Net assets - ending				<u>\$ 953,926</u>	<u>\$ 1,252,798</u>	<u>\$ 2,206,724</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of the basic financial statements.

**City of Oilton
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 137,446	\$ 23,086	\$ 160,532
Investments	253,784	66,342	320,126
Taxes receivable, net	46,587	-	46,587
Due from other funds	-	-	-
Receivable from other governments	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Prepaid expenses	2,028	-	2,028
Total assets	439,845	89,428	529,273
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Due to other funds	-	-	-
Due to Oilton Schools	15,529	-	15,529
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	1,422	-	1,422
Total liabilities	16,951	-	16,951
 Fund balances:			
Reserved for:			
Inventories	-	-	-
Encumbrances	-	-	-
Prepaid expenses	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unreserved	410,861	89,428	500,289
Unreserved, reported in non-major:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Permanent Endowment Fund	-	-	-
Total fund balances	410,861	89,428	500,289
Total liabilities and fund balances	\$ 427,812	\$ 89,428	\$ 517,240

See Independent Auditor's Report.

The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Total fund balance, governmental funds	\$	500,289
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		490,271
<p>Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		-
<p>Depreciation expense on capital assets is reported on Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as expenditures in Government Funds.</p>		(38,099)
Net Assets of Governmental Activities in the Statement of Net Assets		952,461

See Independent Auditor's Report.
The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	349,502	-	349,502
Fees and fines	-	23,714	23,714
Licenses and permits	115	-	115
Intergovernmental	-	-	-
Charges for services	10,075	6,400	16,475
Investment earnings	1,638	499	2,137
Miscellaneous	4,494	1,279	5,773
Grants	4,398	-	4,398
Total revenues	<u>370,222</u>	<u>31,892</u>	<u>402,114</u>
EXPENDITURES			
Current:			
General government	131,918	-	131,918
Public Safety	158,417	9,814	168,231
Public Works	-	-	-
Health and sanitation	-	6,785	6,785
Culture and recreation	769	-	769
Education	-	-	-
Streets & Highways	69,359	-	69,359
Debt Service:	-	-	-
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>360,463</u>	<u>16,599</u>	<u>377,062</u>
Excess (deficiency) of revenues over expenditures	<u>9,759</u>	<u>15,293</u>	<u>25,052</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	59,092	50	59,142
Transfers out	(509)	(25,022)	(25,531)
Total other financing sources and uses	<u>58,583</u>	<u>(24,972)</u>	<u>33,611</u>
Net change in fund balances	68,342	(9,679)	58,663
Fund balances - beginning	352,424	89,202	441,626
Fund balances - ending	<u>\$ 420,766</u>	<u>\$ 79,523</u>	<u>\$ 500,289</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds:	\$	58,663
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
This is the amount by which capital outlays \$0 exceeded depreciation \$38,099 in the current period.		(38,099)
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.</p>		
		-
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p>		
		17,336
Change in net assets of governmental activities	\$	37,900

See Independent Auditor's Report.
The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Enterprise Funds</u>		
	<u>Oilton Public</u>	<u>Oilton Industrial</u> <u>and</u> <u>Redevelopment</u>	<u>Total</u>
	<u>Works Authority</u>	<u>Authority</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 382,024	\$ 10,323	\$ 392,347
Investments	235,033	82,828	317,861
Accounts Receivable, net	13,971	-	13,971
Deferred charges	-	-	-
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Other receivables	-	-	-
Inventories	-	-	-
Prepaid Expenses	406	-	406
Total current assets	<u>631,434</u>	<u>93,151</u>	<u>724,585</u>
Non-current assets:			
Capital Assets:			
Land and improvements	-	1,998	1,998
Infrastructure	1,324,961	-	1,324,961
Utility System	-	-	-
Construction in Progress	-	-	-
Buildings	-	105,629	105,629
Equipment and Furniture	121,398	-	121,398
Less Accumulated depreciation	(950,708)	(58,446)	(1,009,154)
Total non-current assets	<u>495,651</u>	<u>49,181</u>	<u>544,832</u>
Total assets	<u>1,127,085</u>	<u>142,332</u>	<u>1,269,417</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	(3,939)	-	(3,939)
Salaries payable	-	-	-
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Payable to other governments	-	-	-
Other accrued expenses	-	-	-
Deferred revenue	-	-	-
Compensated absences	2,838	-	2,838
Capital lease obligation	-	-	-
Claims and judgments	-	-	-
Bonds, notes and loans payable	-	-	-
Total current liabilities	<u>(1,101)</u>	<u>-</u>	<u>(1,101)</u>
Non-current liabilities:			
Compensated absences	-	-	-
Capital lease obligation	-	-	-
Claims and judgments	-	-	-
Bonds, notes and loans payable	-	-	-
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>(1,101)</u>	<u>-</u>	<u>(1,101)</u>
NET ASSETS			
Prior Period Adjustments	17,720	-	17,720
Invested in capital assets, net of related debt	495,651	49,181	544,832
Restricted for debt service	-	-	-
Restricted for capital projects	-	-	-
Meter Reserve	50,988	-	50,988
Unrestricted	563,827	93,151	656,978
Total net assets	<u>\$ 1,110,466</u>	<u>\$ 142,332</u>	<u>\$ 1,252,798</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds		
	<u>Oilton Industrial</u>		
	and		
	<u>Oilton Public</u>	<u>Redevelopment</u>	
	<u>Works Authority</u>	<u>Authority</u>	<u>Total</u>
REVENUES			
Charges for services	\$ 533,323	\$ 6,600	\$ 539,923
Miscellaneous	-	-	-
Total operating revenues	<u>533,323</u>	<u>6,600</u>	<u>539,923</u>
OPERATING EXPENSES			
Personal services	161,311	-	161,311
Contractual services	85,880	85	85,965
Utilities	11,819	-	11,819
Repairs and maintenance	3,917	2,561	6,478
Other supplies and expenses	242,044	490	242,534
Insurance claims and expenses	-	-	-
Depreciation	38,460	5,822	44,282
Total Operating Expenses	<u>543,431</u>	<u>8,958</u>	<u>552,389</u>
Operating income (loss)	<u>(10,108)</u>	<u>(2,358)</u>	<u>(12,466)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	3,079	160	3,239
Miscellaneous revenue	848	-	848
Operating grants and contributions	-	-	-
Interest expense	-	-	-
Miscellaneous expenses	-	-	-
Total non-operating revenue (expenses)	<u>3,927</u>	<u>160</u>	<u>4,087</u>
Income (loss) before contributions and transfers	<u>(6,181)</u>	<u>(2,198)</u>	<u>(8,379)</u>
Capital contributions	-	-	-
Transfers in	232	-	232
Transfers out	(15,737)	(3,530)	(19,267)
Special item - gain (loss) on sale of land	-	-	-
Change in net assets	<u>(21,686)</u>	<u>(5,728)</u>	<u>(27,414)</u>
Total net assets - beginning	<u>1,131,052</u>	<u>149,160</u>	<u>1,280,212</u>
Total net assets - ending	<u>\$ 1,109,366</u>	<u>\$ 143,432</u>	<u>\$ 1,252,798</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Statement of Cash Flows
Proprietary Funds
for the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds		
	Oilton Public Works Authority	Oilton Industrial & Redevelopment Authority	Totals
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Cash Received from Customers & Service Users	\$ 518,201	\$ 6,600	\$ 524,801
Cash Payments for Goods & Services & Employees	(476,140)	(3,136)	(479,276)
Net Cash Provided by Operating Activities	<u>42,061</u>	<u>3,464</u>	<u>45,525</u>
Cash Flows from Noncapital Financing Activities:			
Operating Transfers In/(Out) to Other Funds	(15,505)	(3,530)	(19,035)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>(15,505)</u>	<u>(3,530)</u>	<u>(19,035)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition & Construction of Capital Assets	(84,122)	-	(84,122)
Prior Period Adjustment	(17,720)	-	(17,720)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(101,842)</u>	<u>-</u>	<u>(101,842)</u>
Cash Flows from Investing Activities:			
Interest on Investments	3,927	160	4,087
Net Cash Provided by investing Activities	<u>3,927</u>	<u>160</u>	<u>4,087</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(71,359)	94	(71,265)
Cash and Cash Equivalents - Beginning of Year	<u>688,416</u>	<u>93,057</u>	<u>781,473</u>
Cash and Cash Equivalents - End of Year	<u>\$ 617,057</u>	<u>\$ 93,151</u>	<u>\$ 710,208</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ (10,108)	\$ (2,358)	\$ (12,466)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	38,460	5,822	44,282
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	18,059	-	18,059
Increase (Decrease) in Accounts Payable	(4,009)	-	(4,009)
Increase (Decrease) in Accrued Expenses	(341)	-	(341)
Total Adjustments	<u>52,169</u>	<u>5,822</u>	<u>57,991</u>
Net Cash Provided by Operating Activities	<u>\$ 42,061</u>	<u>\$ 3,464</u>	<u>\$ 45,525</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of the basic financial statements.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
June 30, 2011

1. Summary of Significant Account Policies

The City of Oilton, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Oilton, Oklahoma was organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a board of commissioners. The mayor is elected by the registered voters of the City. As required by generally accepted accounting principles, these financial statements present the activities of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Oilton, Oklahoma.

Blended Component Units:

The Oilton Public Works Authority (the Authority) was created to finance, operate, construct and administer any public works, improvements or facilities for the benefit of the City of Oilton, Oklahoma. The Authority operates the water, natural gas, sanitation, and sewer services for the City of Oilton. The authority is exempt from State and Federal income taxes. The Authority is reported as an enterprise fund.

The Oilton Redevelopment Authority was created to promote the development of industry for the benefit of the City of Oilton. The Redevelopment Authority administers the collection of rents from buildings constructed by them. The Redevelopment authority is exempt from State and Federal income taxes and is reported as an enterprise fund.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

1. Summary of Significant Account Policies -- Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

Governmental Funds – are used to account for the government’s general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes collected and held by the state at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the City’s major governmental fund:

General Fund – is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds - account for revenue sources that are legally restricted to expenditures for specific purposes (not including capital projects). The following are the City’s Special Revenue Funds: Juvenile Justice, Court Fund, Cemetery Lot Care Fund, Street and Alley, and Grant Fund.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The Oilton Public Works Authority is accounted for as an enterprise fund. The following are the City's major enterprise funds:

Oilton Public Works Authority – accounts for the operations of providing public works (gas, water, sewer and sanitation) to the City.

Oilton Industrial & Redevelopment Authority – accounts for the operations of real estate owned by the Authority.

There are no enterprise funds of the City that are considered a non-major fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted cash and investments in the governmental funds consist of funds restricted for cemetery care and improvements.

Restricted cash and investments of the enterprise funds consists of customer meter deposits.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity -- Continued

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from other/due to other funds”.

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets and Infrastructure

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500. The City's infrastructure consists of roads, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003, are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity -- Continued

7. Capital Assets and Infrastructure – Continued

Depreciation is computed on the straight-line method with estimated useful lives as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	100 years	40 years
Furniture, Fixtures & Equipment	5 - 40 years	5 - 40 years
Land Improvements	40 years	40 years
Vehicles	5 - 40 years	5 - 40 years

8. Compensated Absences

It is the City's policy to permit full time employees to accumulate earned but unused vacation time. Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, full time employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated, but employees are not compensated for unused sick leave upon termination. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City.

9. Post-Employment Healthcare Benefits

The City does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity -- Continued

11. Net Assets

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the fund financial statement, governmental funds report reservations of fund balances that are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure. Designations of fund balances are not required by law but represent the classification or funds that are earmarked by the City's management for specific purposes and may be subject to change.

2. Stewardship, Compliance and Accountability

3. Detailed Notes Concerning the Funds

A. Deposits and Investments

The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

B. Restricted Cash and Investments

Other restricted cash includes \$202 in cash held for juvenile programs, \$22,744 in cash held for cemetery care, and \$22,417 held for customer meter deposits in the Public Works Authority.

C. Uncollectible Accounts and Unrecognized Revenue

Accounts receivable in the financial statements are reflected net of allowances. The City's estimates of uncollectible accounts receivable is based on a review of past due listing by management. At June 30, 2011, the estimated uncollectible amounts from utility customers was \$1,150. Revenue was not properly reported from August to October, 2010. Reports could not be generated from the billing system to determine the amount of revenue that had not been recorded.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

3. Detailed Notes Concerning the Funds – Continued

D. Capital Assets

Primary Government capital asset activity for the year ended is as follows

	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Governmental Activities				
Non-Depreciable Assets				
Land	\$ 39,003	\$ -	\$ -	\$ 39,003
Total Non-Depreciable Assets	<u>39,003</u>	<u>-</u>	<u>-</u>	<u>39,003</u>
Depreciable Assets				
Fire Department Assets	320,332	-	(37,882)	282,450
Police Department Assets	147,532	-	(66,000)	81,532
Park Department Assets	129,363	-	-	129,363
Street Department Assets	175,768	-	-	175,768
General Assets	255,769	-	-	255,769
Total Depreciable Assets	<u>1,028,764</u>	<u>-</u>	<u>(103,882)</u>	<u>924,882</u>
Less Accumulated Depreciation				
Fire Department Assets	(169,381)	(11,320)	12,166	(168,535)
Police Department Assets	(86,506)	(4,715)	58,007	(33,214)
Park Department Assets	(25,824)	(5,568)	-	(31,392)
Street Department Assets	(104,605)	(7,354)	-	(111,959)
General Assets	(119,372)	(9,143)	-	(128,515)
Total Accumulated Depreciation	<u>(505,688)</u>	<u>(38,100)</u>	<u>70,173</u>	<u>(473,615)</u>
Business-Type Activities				
Non-Depreciable Assets				
Land	1,998	-	-	1,998
Total Non-Depreciable Assets	<u>1,998</u>	<u>-</u>	<u>-</u>	<u>1,998</u>
Depreciable Assets				
Buildings	105,629	-	-	105,629
Office Equipment	29,667	-	-	29,667
Vehicles	91,731	-	-	91,731
Gas System	181,372	-	-	181,372
Water System	563,381	40,515	-	603,896
Sewer System	495,084	44,610	-	539,694
Total Depreciable Assets	<u>1,466,864</u>	<u>85,125</u>	<u>-</u>	<u>1,551,989</u>
Less Accumulated Depreciation:				
Buildings	(52,624)	(5,822)	-	(58,446)
Office Equipment	(19,557)	(1,206)	-	(20,763)
Vehicles	(91,731)	-	-	(91,731)
Gas System	(143,142)	(5,248)	-	(148,390)
Water System	(408,413)	(19,224)	-	(427,637)
Sewer System	(249,191)	(12,997)	-	(262,188)
Total Accumulated Depreciation	<u>(964,658)</u>	<u>(44,497)</u>	<u>-</u>	<u>(1,009,155)</u>
Net Depreciable Assets	<u>502,206</u>	<u>40,628</u>	<u>-</u>	<u>542,834</u>
Net Business-Type Activities Capital Assets	<u>\$ 504,204</u>	<u>\$ 40,628</u>	<u>\$ -</u>	<u>\$ 544,832</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

3. Detailed Notes Concerning the Funds – Continued

E. Prepaid Expense

At June 30, 2011, the City had prepaid insurance consisting of \$2,028 in the General fund. In the Public Works Authority the City had prepaid insurance of \$0.

F. Inter-fund Receivables and Payables

At year-end, there were no inter-fund receivables or payables.

G. Long-term Debt

The City had no debt at June 30, 2011.

4. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

B. Contingent Liabilities

At times the City is a defendant in legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City. The City's potential liability in the litigation is limited by the Governmental Tort Claims Act.

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 which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

4. Other Information – Continued

C. Employee Retirement Plans

Description of Plan

The City provides pension benefits for substantially all of its full-time employees (excluding firemen who are covered under a separate state retirement system) through a defined benefit cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined benefit plan. An employee includes any person who, if last hired after July 1, 1971, had not reached his 60th birthday at the time of hiring. An employee is eligible to participate in the Plan one month after the employee's employment commencement date. An employee becomes fully vested after ten years. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 100 North Broadway, Oklahoma City, OK 73102, or by calling 1-800-395-2662.

Funding Policy

The required contribution rate for the 2010-2011 plan year was 11.54% of each participant's payroll. This consisted of 3.75% contributed by the employee and 7.79% contributed by the City. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund and the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year, is used in computing the costs.

Annual Pension Cost

The City's annual pension cost of \$14,979 was equal to the City's required and actual contributions. The required contribution was determined as part of the March 31, 2011, actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases rated by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls. The funded ratio under the entry age normal cost method was 75% at January 1, 2011.

The contributions from the City for this plan were \$12,691 and \$20,373 for plan years ending June 30, 2009 and 2010 respectively.

City of Oilton
Oilton, Oklahoma

Notes to the Basic Financial Statements
for the Year Ended June 30, 2011

4. Other Information – Continued

C. Employee Retirement Plans – Continued

Firefighters' Pension Plan

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan the City contributes \$60 for each volunteer fireman. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for this plan was \$720, \$720, and 720 for, 2009, 2010, and 2011 respectively. The required contribution was fully contributed. At June 30, 2011, the system held no related-party investments of the City or of its related entities.

City of Oilton
Oilton, Oklahoma

Required Supplemental Information
June 30, 2011

City of Oilton
Required Supplemental Information
Statement of Revenue, Expenditures & Changes in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
Governmental Funds
for the year ended June 30, 2011
(Unaudited)

	General Fund		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	352,000	352,000	349,502	(2,498)
Fees and fines	28,000	28,000	23,714	(4,286)
Licenses and permits	200	200	115	(85)
Intergovernmental	75,000	75,000	-	(75,000)
Charges for services	20,500	20,500	16,475	(4,025)
Investment earnings	2,800	2,800	2,137	(663)
Miscellaneous	6,000	6,000	5,773	(227)
Total revenues	<u>484,500</u>	<u>484,500</u>	<u>397,716</u>	<u>(86,784)</u>
EXPENDITURES				
Current:				
General government	126,600	126,600	131,918	(5,318)
Public Safety	190,250	190,250	168,231	22,019
Highways and roads	105,165	105,165	-	105,165
Health and sanitation	12,226	12,226	6,785	5,441
Culture and recreation	1,900	1,900	769	1,131
Education	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	25,000	25,000	-	25,000
Total Expenditures	<u>461,141</u>	<u>461,141</u>	<u>307,703</u>	<u>153,438</u>
Excess (deficiency) of revenues over expenditures	<u>23,359</u>	<u>23,359</u>	<u>90,013</u>	<u>66,654</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	-	-
Transfers in	91,000	91,000	59,142	(31,858)
Transfers out	-	-	(25,531)	(25,531)
Total other financing sources and uses	<u>91,000</u>	<u>91,000</u>	<u>33,611</u>	<u>(57,389)</u>
SPECIAL ITEM				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	114,359	114,359	123,624	9,265
Fund balances - beginning	227,517	227,517	260,501	32,984
Fund balances - ending	<u>\$ 341,876</u>	<u>\$ 341,876</u>	<u>\$ 384,125</u>	<u>\$ 42,249</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of the basic financial statements.

City of Oilton
 Required Supplemental Information
 Schedule of Funding Progress
 (dollars in millions) (unaudited)
 for the Year Ended June 30, 2011

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
1/1/2002	\$ 152,470	Actuarial	\$ 129,500	\$ (22,970)	117.7%
1/1/2003	144,390	Actuarial	134,956	(9,434)	107.0%
1/1/2004	151,386	Actuarial	151,100	(286)	100.2%
1/1/2005	163,897	Actuarial	207,645	43,748	78.9%
1/1/2006	178,108	Actuarial	234,370	56,262	76.0%
1/1/2007	194,601	Actuarial	262,403	67,802	74.2%
1/1/2008	211,197	Actuarial	242,042	30,845	87.3%
1/1/2009	201,939	Actuarial	264,508	62,569	76.3%
1/1/2010	217,424	Actuarial	295,158	77,734	73.7%
1/1/2011	239,660	Actuarial	321,271	81,612	74.6%

*Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

City of Oilton
Oilton, Oklahoma

Notes to Required Supplemental Information
for the Year Ended June 30, 2011
(Unaudited)

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the fiduciary funds. Budgetary data for enterprise funds are not presented in these financial statements.

Prior to July 1, the City Mayor (an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City does not utilize encumbrance accounting. Encumbrances (accounts payable) are shown as expenditures and liabilities in the current year and are paid in the subsequent year.

City of Oilton
Oilton, Oklahoma

Supplemental Information
June 30, 2011

City of Oilton
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	<u>Special Revenue</u>				Total Non-Major Governmental Funds
	Juvenile Justice Fund	Court Fund	Cemetery Fund	Cemetery Perpetual Care Fund	
Assets					
Cash in Bank (Note 3A)	\$ 202	\$ 21,189	\$ -	\$ 1,694	\$ 23,085
Investments	-	-	47,226	19,117	66,343
Total Assets	<u>\$ 202</u>	<u>\$ 21,189</u>	<u>\$ 47,226</u>	<u>\$ 20,811</u>	<u>\$ 89,428</u>
Liabilities					
Due to Cemetery Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Reserved	-	-	-	20,811	20,811
Unreserved	202	21,189	47,226	-	68,617
Total Fund Balances	<u>202</u>	<u>21,189</u>	<u>47,226</u>	<u>20,811</u>	<u>89,428</u>
Total Liabilities and Fund Balances	<u>\$ 202</u>	<u>\$ 21,189</u>	<u>\$ 47,226</u>	<u>\$ 20,811</u>	<u>\$ 89,428</u>

City of Oilton
Combining Balance Sheet
Combining State of Revenues, Expenditures and
Changes in Fund Balance – Non-Major Governmental Funds
for the Year Ended June 30, 2011

	Special Revenue				Total Non-Major Governmental Funds
	Juvenile Justice Fund	Court Fund	Cemetery Fund	Cemetery Perpetual Care Fund	
Revenues					
Interest	\$ -	\$ 43	\$ 415	\$ 41	\$ 499
Fines & Forfeits	-	23,714	-	-	23,714
Miscellaneous	-	-	-	-	-
Cemetery Donations	-	-	1,279	-	1,279
Cemetery Lot Sales	-	-	1,600	-	1,600
Grave Openings	-	-	4,800	-	4,800
Total Revenues	<u>-</u>	<u>23,757</u>	<u>8,094</u>	<u>41</u>	<u>31,892</u>
Expenditures					
General Government	-	-	-	-	-
Highways & Roads	-	-	-	-	-
Public Safety	179	9,635	-	-	9,814
Parks & Recreation	-	-	-	-	-
Cemetery	-	-	6,785	-	6,785
Grant Expense	-	-	-	-	-
Total Expenditures	<u>179</u>	<u>9,635</u>	<u>6,785</u>	<u>-</u>	<u>16,599</u>
Excess of Revenues Over(Under) Expenditures	(179)	14,122	1,309	41	15,293
Other Financing Uses					
Operating Transfers In(Out)	(1,147)	(6,307)	26,341	18,003	36,890
Excess of Revenues Over(Under) Expenditures & Transfers	(1,326)	7,815	27,650	18,044	52,183
Fund Balance - Beginning of Year	<u>1,528</u>	<u>13,374</u>	<u>19,576</u>	<u>2,767</u>	<u>37,245</u>
Fund Balance - End of Year	<u>\$ 202</u>	<u>\$ 21,189</u>	<u>\$ 47,226</u>	<u>\$ 20,811</u>	<u>\$ 89,428</u>

City of Oilton
Oilton, Oklahoma

Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2011

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
Oklahoma Department of Agriculture (Fire)	\$ 4,398	\$ 4,398	\$ 4,398
REAP Grants			
Transportation Contract #280202 (Closed)	75,000	2,471	2,471
Transportation Contract #290206 (Closed)	23,750	942	942
Oklahoma Department of Commerce			
CDBG Contract #13258	79,500	62,222	62,222
CDBG Contract #280106 (under extension)	50,000	-	-
Oklahoma Water Resources Board			
OWRB REAP #FAP-09-0013-R	78,500		-

Note A – Basis of Presentation

This schedule includes the federal grant activity of the City of Oilton and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

Note B – Presentation

This schedule is incomplete since the formal grant title and number has been omitted

City of Oilton

Oilton, Oklahoma

Report Required by
Government Auditing Standards
June 30, 2011

**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***

The Board of City Commissioners
City of Oilton
Oilton, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Oilton, State of Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise City of Oilton, State of Oklahoma's basic financial statements and have issued my report thereon dated May 14, 2012. 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 City of Oilton, State of Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Oilton, State of Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Oilton, State of Oklahoma's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. 11-03; 11-04

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. I consider the deficiencies described in the accompany schedule of findings to be significant deficiencies. 11-01; 11-02

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Oilton, State of 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*.

City of Oilton, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit City of Oilton, State of Oklahoma's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, City Commissioners, 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.



Linda S. Woodruff CPA, PC
Oklahoma City, Oklahoma
May 14, 2012

City of Oilton
Oilton, Oklahoma

Schedule of Findings

11-01 Internal Control

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties. This finding was also noted in 2007.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the City.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the City strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: Management agrees with the recommendation, but economic cost could exceed the benefit.

11-02. Internal Control – Material Adjusting Journal Entries

Condition: Management is responsible for adjusting the financial statements to correct material misstatements. As part of the audit, I proposed material adjusting journal entries to management that I believe are necessary to give confidence that those financial statements are appropriate for conformity with the accrual basis of accounting. Although management reviewed, approved and accepted responsibility for those material adjusting journal entries and agreed to post them to the general ledger, the auditor cannot be considered part of the District's control over the preparation of these material adjusting journal entries. Based on the fact that your internal financial statements do not reflect all material adjusting journal entries, the organization does not have the necessary controls in place to detect, prevent or correct material misstatements in the financial statements.

Criteria: Internal controls should be in place so the District could prepare and record material adjusting journal entries in the financial statements on a timely basis prior to the audit.

Effect: The absence of controls over the preparation of material adjusting journal entries is considered a significant deficiency because more than a remote likelihood exists that a misstatement of the financial statements could occur and not be prevented or detected by the organization's internal control.

Recommendations: I recommend that the District strive to prepare and post material adjusting journal entries to the financial statements rather than relying on the auditor to propose such entries.

Response: Management concurs with the recommendation and will strive to more accurately record adjusting entries.

City of Oilton
Oilton, Oklahoma

Schedule of Findings

11-03. Internal Control – Grants

Condition: Management is responsible for administering grant funds and documenting expenditures from those funds. Since these funds are provided by state funded organizations, all requirements within the award must be completed and reported to the appropriate authority to ensure proper closure of the funding.

Criteria: Internal controls should be established to manage each grant. As funds are received by the City, review the award letter for requirements mandated by the granting authority regarding required reports and expiration dates.

Effect: The absence of controls and the knowledge of all funding requirements could result in the proceeds being repaid from the City's funds. Future grant awards can be jeopardized when existing grants are not satisfactorily completed.

Recommendations: All grants should be reviewed timely. Payments for purchases should be remitted as soon as materials are received. If deadlines for closing cannot be met for any reason, a written request for extension must be submitted.

Response: Grants will be tracked separately and timely closed.

11-04. Internal Control – Account Receivable and Billings

Condition: Revenue from gas, trash, and tank maintenance for three months during the fiscal year was not properly recorded to the general ledger. No accounts receivable report was generated to determine the amount of billings outstanding at the end of the fiscal year.

Criteria: Internal controls should be established to assure management that billing income is properly recorded on the general ledger system.

Effect: Revenue could be understated resulting in a material misstatement of the financial statements.

Recommendations: Each month, the billing register from the utility side of the software should be reconciled with the general ledger. An accounts receivable report should also be generated on the last business day of each month. All differences should be investigated and corrected prior to processing the next month's utility billing.

Response: Management concurs and will provide additional training for the utility billing clerk.