
City of Davis, Oklahoma

Financial Statements

Year-End: June 30, 2013

City of Davis
 TABLE OF CONTENTS
 For the Fiscal Year Ended June 30, 2013

	Page
<i>FINANCIAL SECTION</i>	
Independent Auditor’s Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Assets, Liabilities and Net Position - Modified Cash Basis.....	4
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis	5
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balance-Modified Cash Basis Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balances-Modified Cash Basis- Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis of Governmental Funds to the Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis.....	8
Statement of Assets, Liabilities and Net Position – Modified Cash Basis – Proprietary Funds	8
Statement of Revenues, Expenditures, and Changes in Fund Net Position- Modified Cash Basis- Proprietary Funds	10
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	11
Notes to the Financial Statements	12
 <i>Supplemental Information:</i>	
Grant Schedule	29
Oklahoma Municipal Retirement Fund Schedule of Funding Progress.....	30
Statement of Revenues, Expenditures, and Changes in Fund Balances-Modified Cash Basis - Budget and Actual: General Fund	31
 Combining and Individual Fund Statements and Schedules:	
Combining Statement of Assets, Liabilities and Fund Balance- Modified Cash Basis - Nonmajor Governmental Funds.....	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Modified Cash Basis - Nonmajor Governmental Funds	33
Combining Statement of Assets, Liabilities and Fund Balance- Modified Cash Basis – General Fund	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Modified Cash Basis - General Fund.....	35

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND INTERNAL CONTROL

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Summary of Findings and Responses.....	38
Disposition of Prior Year Findings	40



INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Davis, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Davis, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion on the Government-wide and Fund Financial Statements

The financial statement general ledger detail for the first two months was not available due to a change in accounting software. The lack of documented detail affects our ability to verify the proper classification of revenue and expenses for this time frame on the government-wide statements and fund statements for the City of Davis for the year ending June 30, 2013.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on the Government-wide and Fund Financial Statements” referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis of Accounting

We draw your attention to Note 1.B.of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davis, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. This includes grant schedule, the combining statements for the nonmajor governmental funds and the combining statements for the general fund.

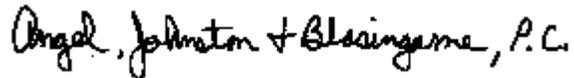
The grant schedule, the combining statements for the nonmajor governmental funds and the combining statements for the general fund are the responsibility of management, derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such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

Disclaimer of Opinion on Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Davis, Oklahoma’s basic financial statements. The Oklahoma Municipal Retirement Fund schedule of funding progress and the statement of revenues, expenditures, and changes in fund balance-modified cash basis- budget and actual: general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015, on our consideration of the City's internal control over financial reporting and on our 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 our 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Angel, Johnson + Blessingame, P.C." The signature is written in a cursive, flowing style.

Chickasha, Oklahoma
September 24, 2015

CITY OF DAVIS, Oklahoma
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 1,607,849	\$ 753,977	\$ 2,361,826
Restricted Cash and Cash Equivalent	9,726	56,031	65,757
Inventory	-	123,431	123,431
Interfund Balances	(2,214)	2,214	-
Total Current Assets	<u>1,615,361</u>	<u>935,653</u>	<u>2,551,014</u>
Noncurrent Assets			
Capital Assets			
Land, Land Improvements and Construction in Progress	23,200	7,549,506	7,572,706
Other Capital Assets, Net of Depreciation	1,288,856	1,923,629	3,212,485
Total Noncurrent Assets	<u>1,312,056</u>	<u>9,473,135</u>	<u>10,785,191</u>
Total Assets	<u>2,927,417</u>	<u>10,408,788</u>	<u>13,336,205</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Sales Tax Payable	-	43,691	43,691
Refundable Meter Deposits	-	56,031	56,031
Capital Lease Obligations - Current	36,457	-	36,457
Notes Payable - Current	-	308,955	308,955
Total Current Liabilities	<u>36,457</u>	<u>408,677</u>	<u>445,134</u>
Noncurrent Liabilities			
Capital Lease Obligation	209,224	-	209,224
Notes Payable	-	5,698,786	5,698,786
Total Noncurrent Liabilities	<u>209,224</u>	<u>5,698,786</u>	<u>5,908,010</u>
Total Liabilities	<u>245,681</u>	<u>6,107,463</u>	<u>6,353,144</u>
Net Position			
Invested in Capital Assets	1,066,375	3,465,394	4,531,769
Restricted			
Limited Purpose Sales Tax Fund	340,739	-	340,739
Debt Service	879	-	879
Cemetery	7,859	-	7,859
Unrestricted	1,265,884	835,931	2,101,815
Total Net Position	<u>\$ 2,681,736</u>	<u>\$ 4,301,325</u>	<u>\$ 6,983,061</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Government-Wide Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2013

	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Primary Government Total
<i>Functions/Programs</i>							
Primary Government							
Governmental Activities							
General Government	\$ 385,778	\$ 73,102	\$ -	\$ 34,419	\$ (278,257)	\$ -	\$ (278,257)
Highways and Streets	168,662	-	-	-	(168,662)	-	(168,662)
Public Safety	899,084	59,106	4,484	-	(835,494)	-	(835,494)
Culture and Recreation	58,874	-	19,998	-	(38,876)	-	(38,876)
Cemetery / Parks	52,791	23,750	-	-	(29,041)	-	(29,041)
Interest	34,272	-	-	-	(34,272)	-	(34,272)
Total Governmental Activities	<u>1,599,461</u>	<u>155,958</u>	<u>24,482</u>	<u>34,419</u>	<u>(1,384,602)</u>	<u>-</u>	<u>(1,384,602)</u>
Business-Type Activities							
General Government	24,179	466	-	-	-	(23,713)	(23,713)
Water	409,936	815,192	-	100,000	-	505,256	505,256
Sewer	159,352	161,041	-	-	-	1,689	1,689
Garbage	353,785	379,880	-	-	-	26,095	26,095
Park Admission	1,060,454	1,523,711	-	-	-	463,257	463,257
Park Retail Sales	824,614	532,686	-	-	-	(291,928)	(291,928)
Interest Expense	71,653	-	-	-	-	(71,653)	(71,653)
Total Business Type Activities	<u>2,903,973</u>	<u>3,412,976</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>609,003</u>	<u>609,003</u>
Total Primary Government	<u>\$ 4,503,434</u>	<u>\$ 3,568,934</u>	<u>\$ 24,482</u>	<u>\$ 134,419</u>	<u>\$ (1,384,602)</u>	<u>\$ 609,003</u>	<u>\$ (775,599)</u>
General Revenues							
Taxes					1,284,545	-	1,284,545
Interest					5,860	3,028	8,888
Rent					-	231,795	231,795
Forgiveness of Debt					236,924	-	236,924
Transfers					662,570	(662,570)	-
Total General Revenues, Special Items and Transfers					<u>2,189,899</u>	<u>(427,747)</u>	<u>1,762,152</u>
Change in Net Position					805,297	181,256	986,553
Net Position - Beginning					1,876,439	4,120,069	5,996,508
Net Position - Ending					<u>\$ 2,681,736</u>	<u>\$ 4,301,325</u>	<u>\$ 6,983,061</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
Governmental Funds
June 30, 2013

	General Fund	Limited Purpose Sales Tax	Other Governmental Funds	Total
Assets				
Cash	\$ 362,316	1,245,533	\$ -	\$ 1,607,849
Restricted Cash	-	457	9,269	9,726
Total Assets	\$ 362,316	\$ 1,245,990	\$ 9,269	\$ 1,617,575
Fund Balances				
Restricted	-	340,739	8,738	349,477
Committed	-	898,228	-	898,228
Assigned	332,027	7,023	531	339,581
Unassigned	30,289	-	-	30,289
Total Fund Balances	362,316	1,245,990	9,269	1,617,575
Total Liabilities and Fund Balances	\$ 362,316	\$ 1,245,990	\$ 9,269	

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 fund.

1,312,056

Internal service funds are reported as proprietary funds but are included
with governmental activities at the government-wide level

(2,214)

Long term liabilities are not due and payable in the current period and, therefore,
are not reported in the funds

(245,681)

Net assets of governmental activities.

\$ 2,681,736

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Statement of Revenues, Expenditures and
Changes in Fund Balances – Modified Cash Basis – Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Limited Purpose Sales Tax	Other Governmental Funds	Total
REVENUE				
Taxes	\$ 922,886	\$ 360,501	\$ 1,158	\$ 1,284,545
Charges for Services	42,077	-	3,020	45,097
Interest	487	4,898	475	5,860
License and Permits	4,058	-	-	4,058
Fines	59,106	-	-	59,106
Intergovernmental	1,400	-	-	1,400
Grants	58,901	-	-	58,901
Miscellaneous	46,299	(2)	-	46,297
Total Revenue	<u>1,135,214</u>	<u>365,397</u>	<u>4,653</u>	<u>1,505,264</u>
EXPENDITURES				
Current				
General Government	363,835	-	-	363,835
Highways and Streets	118,046	-	52	118,098
Public Safety	828,795	-	-	828,795
Cemetery / Parks	52,791	-	-	52,791
Culture and Recreation	54,278	-	-	54,278
Capital Outlay				
Public Health and Welfare	1,195	-	-	1,195
Public Safety	40,192	-	-	40,192
Highways and Streets	21,146	-	-	21,146
Debt Service				
Principal	47,473	-	43,195	90,668
Interest	-	19,762	825	20,587
Total Expenditures	<u>1,527,751</u>	<u>19,762</u>	<u>44,072</u>	<u>1,591,585</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(392,537)</u>	<u>345,635</u>	<u>(39,419)</u>	<u>(86,321)</u>
Other Financing Sources				
Transfers In	650,745	196,329	60,552	907,626
Transfers Out	(88,111)	-	(156,945)	(245,056)
Total Other Financing Sources	<u>562,634</u>	<u>196,329</u>	<u>(96,393)</u>	<u>662,570</u>
Net Change in Fund Balances	170,097	541,964	(135,812)	576,249
Fund Balances - Beginning	<u>192,219</u>	<u>704,026</u>	<u>145,081</u>	<u>1,041,326</u>
Fund Balances - Ending	<u>\$ 362,316</u>	<u>\$ 1,245,990</u>	<u>\$ 9,269</u>	<u>\$ 1,617,575</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances – Modified Cash Basis – Governmental Funds
 to the Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis
 For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 576,249
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(84,859)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>313,907</u>
Change in net position of governmental activities.	<u><u>\$ 805,297</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Statement of Assets, Liabilities, Net Position – Modified Cash Basis – Proprietary Funds
June 30, 2013

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 228,549	\$ 525,428	\$ 753,977
Restricted Cash and Cash Equivalent	56,031	-	56,031
Inventory	-	123,431	123,431
Total Current Assets	284,580	648,859	933,439
Noncurrent Assets			
Restricted Cash			
Capital Assets			
Capital Assets, Not Being Depreciated	6,532,506	1,017,000	7,549,506
Other Capital Assets, Net of Depreciation	1,055,821	867,808	1,923,629
Total Noncurrent Assets	7,588,327	1,884,808	9,473,135
Total Assets	7,872,907	2,533,667	10,406,574
LIABILITIES AND EQUITY			
Current Liabilities			
Sales Tax Payable	-	43,691	43,691
Refundable Meter Deposits	56,031	-	56,031
Notes Payable - Current	303,608	5,347	308,955
Total Current Liabilities	359,639	49,038	408,677
Noncurrent Liabilities			
Notes Payable	5,697,028	1,758	5,698,786
Total Noncurrent Liabilities	5,697,028	1,758	5,698,786
Total Liabilities	6,056,667	50,796	6,107,463
Net Position			
Invested in Capital Assets, Net of Related Debt	1,587,691	1,877,703	3,465,394
Unrestricted	228,549	605,168	833,717
Total Net Position	\$ 1,816,240	\$ 2,482,871	\$ 4,299,111

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis – Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
Operating Revenues:			
Water	\$ 815,192	\$ -	\$ 815,192
Sewer	161,041	-	161,041
Garbage	379,880	-	379,880
Park Administration	-	1,523,711	1,523,711
Retail Sales	-	532,686	532,686
Rent	-	231,795	231,795
Miscellaneous	466	-	466
Grants	-	100,000	100,000
Total Operating Revenue	<u>1,356,579</u>	<u>2,388,192</u>	<u>3,744,771</u>
Operating Expenses:			
General Government	24,179	-	24,179
Sewer	159,352	-	159,352
Garbage	353,785	-	353,785
Water	409,936	-	409,936
Park Department	-	1,060,454	1,060,454
Park Retail Department	-	824,614	824,614
Total Operating Expenses	<u>947,252</u>	<u>1,885,068</u>	<u>2,832,320</u>
Operating Income (Loss)	<u>409,327</u>	<u>503,124</u>	<u>912,451</u>
Nonoperating Revenues (Expenses):			
Transfers In	140,319	80,755	221,074
Transfers Out	(404,724)	(478,920)	(883,644)
Interest Income	699	2,329	3,028
Interest Expense	(70,502)	(1,151)	(71,653)
Total Nonoperating Revenues (Expenses)	<u>(334,208)</u>	<u>(396,987)</u>	<u>(731,195)</u>
Net Change in Net Position	75,119	106,137	181,256
Total Net Position - Beginning	<u>1,741,121</u>	<u>2,376,734</u>	<u>4,117,855</u>
Total Net Position - Ending	<u>\$ 1,816,240</u>	<u>\$ 2,482,871</u>	<u>\$ 4,299,111</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		
	Davis Municipal Authority	Turner Falls Park	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,363,211	\$ 2,362,397	\$ 3,725,608
Payments to Employees for Services	(335,095)	(1,056,309)	(1,391,404)
Payments to Vendors for Goods and Services	(548,474)	(436,917)	(985,391)
Net Cash Provided by Operating Activities	<u>479,642</u>	<u>869,171</u>	<u>1,348,813</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Transfers from Other Funds	140,319	80,755	221,074
Interfund Transfers to Other Funds	(404,724)	(478,920)	(883,644)
Net Cash Used by Noncapital Financing Activities	<u>(264,405)</u>	<u>(398,165)</u>	<u>(662,570)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(4,823,828)	(92,700)	(4,916,528)
Capital Debt Proceeds	4,857,827	-	4,857,827
Capital Contributions	-	-	-
Principal Paid on Capital Debt	(66,885)	(7,928)	(74,813)
Interest Paid on Capital Debt	(70,502)	(1,151)	(71,653)
Net Cash Provided (Used) by Capital Financing Activities	<u>(103,388)</u>	<u>(101,779)</u>	<u>4,711,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	699	2,329	3,028
Net Cash Provided by Investing Activities	<u>699</u>	<u>2,329</u>	<u>3,028</u>
Net Increase in Cash and Cash Equivalents	112,548	371,556	484,104
Cash and Cash Equivalents, Beginning of Year	172,032	153,872	325,904
Cash and Cash Equivalents, End of Year	<u>\$ 284,580</u>	<u>\$ 525,428</u>	<u>\$ 810,008</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 409,327	\$ 503,124	\$ 912,451
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	63,682	115,983	179,665
Increase in Refundable Meter Deposits	6,633	-	6,633
Decrease in Inventory	-	275,859	275,859
Decrease in Sales Tax Payable	-	(25,795)	(25,795)
Total Adjustments	<u>70,315</u>	<u>366,047</u>	<u>436,362</u>
Net Cash Provided by Operating Activities	<u>\$ 479,642</u>	<u>\$ 869,171</u>	<u>\$ 1,348,813</u>

The notes to the financial statements are an integral part of this statement

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Davis, Oklahoma, (the City) is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The accompanying financial statements present the City of Davis and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. There were no discretely presented component units.

Blended Component Unit

The Davis Municipal Authority (Authority) was created pursuant to a Trust Indenture dated May 2, 1988 as authorized by Title 60, Oklahoma statutes 1984, section 176-180.3 inclusive, and the Oklahoma Trust Act. The Authority accounts for the utility operations of the City and Turner Falls Park. The Authority serves all the citizens of the City and is governed by a board comprised of the City's elected officials. The rates for user charges and bond issuance authorization are approved by the City Council and the legal liability for the general obligation portion of the Authority for the use and benefit of the beneficiary, City of Davis, to furnish, construct, administer and finance any public works facilities or improvements debt remains with the City. The Authority is reported as two enterprise funds. The City Council of the City of Davis acts as the Board of Trustees of the Davis Municipal Authority. The rates for user charges and bond issuance authorizations are approved by the government council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is reported as an enterprise fund.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements of the City are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

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.

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 government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt are not recorded.

The City reports the following major government funds:

General Fund - is the Government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Limited Purpose Sales Tax – is a special revenue fund which accounts for sales tax restricted for water and sewer construction and debt service.

Non-major Governmental Funds are the Grant, Cemetery Care, and Debt Service funds.

The City reports the Davis Municipal Authority (DMA) and Turner Falls Park (TF) as major proprietary funds. DMA accounts for the activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations. TF accounts for the activities of the park including admissions, cabin rentals, and retail sales from the shops.

Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.
- Sales tax collected that have not been remitted to the State of Oklahoma but relate to sales receipts collected are recorded as liabilities.
- Inventory is recorded as an asset when purchased and expensed when consumed.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, liabilities, and net position or equity

1. Deposits and investments

For purposes of the statement of cash flows, the City considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Oklahoma Statutes authorize the City to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposits of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits of financial institutions located outside the state; savings accounts, and county, municipal or school district general obligation debt.

The City does not have a specific policy limiting the concentration amount that may be invested with one issuer. The City has no formal policy on managing credit risk. Public trusts created under Oklahoma Statutes Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

2. Interfund transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3. Restricted assets

Certain proceeds of the Authority's notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable loan covenants.

Customer utility deposits and debt service cash are reported as restricted cash.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net position or equity (continued)

4. ***Inventory***

Inventory consists of souvenirs and grocery items at Turner Falls. Amounts are recorded at cost which approximates market, using the first-in/first-out method. The costs of inventory are recoded as expenditures when used. (consumption method).

5. ***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 (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 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-40
Infrastructure	40
System infrastructure	40
Vehicles	2-10
Machinery and equipment	2-10

6. ***Governmental fund balances***

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. City of Davis did not have any nonspendable resources as of June 30, 2013.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. City of Davis has restricted resources by state law and from grants as of June 30, 2013.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net position or equity (continued)

6. *Governmental fund balances (continued)*

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. City of Davis did not have any committed resources as of June 30, 2013.

Assigned: This classification includes amounts that are constrained by City of Davis's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the manager through the budgetary process. City of Davis has assigned resources of interest in special revenue funds as of June 30, 2013.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

City of Davis would typically use Restricted fund balances first, followed by Committed resources, and the Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

7. *Government-wide Net Position*

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net positions that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net positions are reported in this category.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation of the \$1,064,161 difference between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”

Capital leases and general obligation debt	<u>\$ (245,681)</u>
--	---------------------

In addition, internal service fund net positions are reported as enterprise funds at the fund level but as an addition of \$2,214 to governmental activities at the government-wide level.

Another element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Capital assets, not being depreciated	\$ 23,200
Capital assets, being depreciated	2,779,285
Less Accumulated Depreciation	<u>(1,490,429)</u>
	<u>\$ 1,312,056</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$229,048 difference between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures.” However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 62,533
Disposal of Property	\$ -
Depreciation Expense	<u>(147,392)</u>
	<u>\$ (84,859)</u>

Another element of that reconciliation explains that “repayment of principal of long term debt consumes the current financial resources of governmental funds.”

Debt and capital lease principal payments	<u>\$ 313,907</u>
---	-------------------

Finally, net change in net position for internal service funds are reported as enterprise funds at the fund level but as part of governmental activities at the government-wide level.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2013, the City and Davis Municipal Authority had bank balances of \$2,439,728. Of this amount, \$422,329 was uncollateralized.

B. Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Government Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 23,200	\$ -	\$ -	\$ 23,200
Total capital assets, not being depreciated	<u>23,200</u>	<u>-</u>	<u>-</u>	<u>23,200</u>
<i>Capital assets, being depreciated</i>				
Buildings	925,915	-	-	925,915
Vehicles and Equipment	1,228,723	44,989	-	1,273,712
Infrastructure	562,114	17,544	-	579,658
Total capital assets, being depreciated	<u>2,716,752</u>	<u>62,533</u>	<u>-</u>	<u>2,779,285</u>
Less Accumulated Depreciation	<u>1,343,037</u>	<u>147,392</u>	<u>-</u>	<u>1,490,429</u>
Total capital assets, being depreciated, net	<u>1,373,715</u>	<u>(84,859)</u>	<u>-</u>	<u>1,288,856</u>
Governmental activities capital assets, net	<u>1,396,915</u>	<u>(84,859)</u>	<u>-</u>	<u>1,312,056</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS

B. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 1,017,000	\$ -	\$ -	\$ 1,017,000
Construction in Progress	1,799,698	4,732,809		6,532,507
Total capital assets, not being depreciated	2,816,698	4,732,809	-	7,549,507
<i>Capital assets, being depreciated</i>				
Buildings	627,171	39,994	-	667,165
Vehicles and Equipment	1,138,777	57,043	-	1,195,820
Water Plant Infrastructure	847,085	74,301	-	921,386
Sewer Plant Infrastructure	883,533	-	-	883,533
Turner Falls Infrastructure	122,874	12,385	-	135,259
Total capital assets, being depreciated	3,619,440	183,723	-	3,803,163
Less Accumulated Depreciation	1,699,870	179,665	-	1,879,535
Total capital assets, being depreciated, net	1,919,570	4,058	-	1,923,628
Business activities capital assets, net	4,736,268	4,736,867	-	9,473,135
Total Primary Government	\$ 6,133,183	\$ 4,652,008	\$ -	\$ 10,785,191

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:

General government	\$ 21,942
Public safety	70,289
Culture and recreation	4,597
Highways and streets	50,564
Total depreciation expense - governmental activities	\$ 147,392

Business-type activities

Water	\$ 27,059
Garbage	10,419
Turner Falls	115,983
Sewer	26,204
Total depreciation expense - business-type activities	\$ 179,665

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

C. Interfund receivables, payables, and transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to move unrestricted revenue collected to other funds to finance various programs in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer To	Transfer From	<u>Amount</u>
Contingency	Turner Falls Park	124,992
Davis Municipal Authority	Grants	60,500
Davis Municipal Authority	Turner Falls Park	79,820
General Fund	Davis Municipal Authority	65,198
General Fund	Turner Falls Park	117,172
General Fund	Contingency	70,613
General Fund	Street Maintenance	17,498
General Fund	Sinking Fund	96,445
Grants	Davis Municipal Authority	60,552
Limited Purpose Sales Tax	Davis Municipal Authority	196,328
Street Maintenance	Davis Municipal Authority	1,891
Street Maintenance	Turner Falls Park	156,936
Turner Falls Park	Davis Municipal Authority	80,755
		<u>\$ 1,128,700</u>

	Transfers In	Transfers Out	Net
Government Funds	\$ 907,626	\$ (245,056)	\$ 662,570
Proprietary Funds	221,074	(883,644)	(662,570)
	<u>\$ 1,128,700</u>	<u>\$ (1,128,700)</u>	<u>\$ -</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

D. Long-term liabilities

A summary of long-term liability activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental Activities					
Capital Lease Obligations	\$ 278,644	\$ -	\$ 32,963	\$ 245,681	\$ 36,457
Arbuckle Water Debt	280,944	-	280,944	-	-
Business-Type Activities					
Notes Payable	<u>1,224,726</u>	<u>4,857,827</u>	<u>74,813</u>	<u>6,007,740</u>	<u>308,954</u>
	<u>\$ 1,784,314</u>	<u>\$ 4,857,827</u>	<u>\$ 388,720</u>	<u>\$ 6,253,421</u>	<u>\$ 345,411</u>

Long-term liabilities at June 30, 2013, consisted of the following:

Type of Indebtedness(purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
<u>Government Activities</u>					
Financial Institution	October, 2018	4.50%	47,474	375,606	\$ 245,681
<u>Business-Type Activities</u>					
Oklahoma Water Resources Board Note (OWRB) (financed costs of new water plant)	March 2043	3.22%	Variable	9,995,000	\$ 5,085,559
Financial Institution (financed costs of equipment)	October, 2014	3.25%	1,920	106,108	27,283
Financial Institution (financed costs of equipment)	June, 2016	4.25%	2,159	156,282	70,592
Financial Institution (financed cost of water tower painting)	December, 2012	3.00%	13,210	60,500	60,500
Financial Institution (financed costs related to Turner Falls construction)	February 2023	3.25%	Variable	1,000,000	<u>\$ 763,806</u>
					<u>\$ 6,007,740</u>

As of June 30, 2013, annual debt service requirements of the business-type activities to maturity are as follows:

Year Ending June 30	Principal	Interest
2014	308,954	110,254
2015	453,682	179,505
2016	450,904	164,701
2017	431,703	150,388
2018	435,490	136,431
2019-2023	1,841,865	485,944
2024-2028	<u>2,085,142</u>	<u>238,627</u>
	<u>\$ 6,007,740</u>	<u>\$ 1,465,850</u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

D. Long-term liabilities (continued)

Revenues generated from the Authority will be used first to meet debt service; second to pay operation and maintenance expenses of the system and third to replenish the minimum required balance of the reserve fund requirement. The Authority at all times will maintain schedules of rates and charges for services sufficient to provide funds which together with other revenues pledged will provide Net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service. The revenues are pledged as collateral on the OWRB note. The Authority is in compliance with this covenant at June 30, 2013.

Governmental Activities Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of certain equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The leases contain a cancellation clause which gives the City the ability to terminate the lease agreement at the end of each fiscal year.

The assets under capital lease are as follows;

Vehicles	\$ 360,000
less accumulated depreciation	<u>(90,000)</u>
	<u><u>\$ 270,000</u></u>

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30 are as follows:

	Year Ending June 30	
	<u>2014</u>	47,474
	2015	47,474
	2016	47,474
	2017	47,474
	2018	47,474
	Thereafter	<u>47,410</u>
Present value of future minimum lease payments		\$ 284,780
less: Interest		<u>(39,099)</u>
Net Minimum lease payments		\$ 245,681
Current portion		<u>(36,457)</u>
Long-term portion		<u><u>\$ 209,224</u></u>

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

E. Restricted Assets

Restricted cash as of June 30, 2013 is as follows:

Funds restricted for other purposes	
Meter Deposits	\$ 56,031
Debt Service	879
New Water Plant construction and debt service	457
Cemetery Care	8,390
	<u>\$ 65,757</u>

F. Pension plans

Municipal Retirement Plan

The City of Davis and its employees participate in a cost sharing, multiple employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OMRF). All regular full-time employees, except those covered under another retirement system are eligible after ninety days of service. Employees are vested at 10 years.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained by requesting a copy at OMRF, 100 N. Broadway, Oklahoma City, OK 73102

Funding Policy: The contribution requirements of City of Davis and Davis Public Works Authority and employees are established and may be amended by the OMRF board. Employees are required to contribute 4.50 % of their annual covered salary after tax. City of Davis is required to contribute at an actuarially determined rate; the rate at June 30, 2013 is 10.82 % of covered payroll.

Annual Pension Cost: For 2012-2013, City of Davis' annual pension cost of \$93,851 was equal to the required and actual contributions. The required contribution was determined as part of the March, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 % investment rate of return, (II) projected salary increases due to inflation of 3 % compounded annually, and (III) projected salary increases due to age/seniority, compounded annually.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

F. Pension plans (continued)

Trend Information:

Year	Ending June 30	Contribution Rate	Cost (APC)	Contributed
2013		10.82%	\$ 93,851	100%
2012		11.22%	\$ 144,695	100%
2011		10.73%	104,553	100%

The funded status of the Plan as of January 1, 2013, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2013	1,703,700	2,260,640	556,940	75.36%	816,894	68.18%

The schedule of funding progress presented as supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Policemen's Retirement Plan

Police department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements. A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equals 2.5% of the average compensation of the highest 30 consecutive months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

F. Pension plans - (continued)

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2013. Participating members are required to contribute 8%.

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2013	\$ 193,382	\$ 40,610	\$ 25,140	\$ 15,470	\$ 22,819
2012	169,590	35,614	22,047	13,567	18,897
2011	135,254	28,403	17,583	10,820	15,148

Additional information can be obtained by writing Oklahoma Police Pension and Retirement Board, 1001 N.W. 63rd, Suite 305, Oklahoma City, OK, 73116.

Firefighters' Retirement Plan

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years.

Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK, 73105.

Funding Policy. The contribution rates for the City and its employees are established by Statute. Volunteer firefighters are not required to contribute, but the City is required to contribute \$60 per volunteer per year. The City contributed \$1,380, \$1,380, and \$1,380 for the years ended June 30, 2013, 2012 and 2011, respectively.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

G. Contingencies and Risk Management

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2013, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

General Liability, Physical Property and Automobile Liability/Physical Damage - General liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group (OMAG) risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

Workers' Compensation - Workers' compensation is insured through CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.

Commitments – At June 30, 2013, Davis had entered into construction contracts with a commitment outstanding of \$3,430,618.

CITY OF DAVIS, Oklahoma
Notes to Financial Statements
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS - (continued)

H. Restatement

The City of Davis restated fund balance for correction of accumulated depreciation and an overstatement of cash.

As a result, the effect on fiscal year 2012 is as follows:

	As Previously		
	<u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
<i>Governmental Type Activities</i>			
Net Position	\$ 2,005,785	\$ (129,346)	\$ 1,876,439
Accumulated Depreciation	1,213,691	129,346	1,343,037
<i>Proprietary Fund - Turner Falls</i>			
Net Position	\$ 2,945,822	\$ (569,088)	\$ 2,376,734
Cash	722,958	(324,618)	398,340
Inventory	399,291	(244,470)	154,821
<i>Business Type Activities</i>			
Net Position	\$ 4,689,157	\$ (569,088)	\$ 4,120,069
Cash	845,594	(324,618)	520,976

CITY OF DAVIS, Oklahoma
 Supplementary Schedule
 Grant Schedule
 For the Year Ended June 30, 2013

<u>Granting Agency / Program</u>	<u>CFDA Number / Grant Number</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
U.S. Environmental Protection Agency			
<i>Passed through Oklahoma Water Resource Board</i>			
Safe Drinking Water State Revolving Fund	66.468 ORW-10-0007-DW	\$ 393,300	\$ 393,300
Total Federal Awards		<u>\$ 393,300</u>	<u>\$ 393,300</u>
State of Oklahoma			
<i>Passed through Southern Oklahoma Development Association</i>			
CENA Grant	01 CENA 12	\$ 2,007	\$ 2,007
CENA Grant	06 CENA 13	17,991	17,991
REAP Grant	13-029	34,419	34,419
<i>Passed through Oklahoma Department of Agriculture</i>			
Fire Operating Grant		\$ 4,484	\$ 4,484
<i>Passed through Oklahoma Emergency Management</i>			
State Disaster Funding	ST-11013-2	\$ 100,000	\$ 100,000
Total State Awards		<u>\$ 158,901</u>	<u>\$ 158,901</u>
Total Grant Activity		<u>\$ 552,201</u>	<u>\$ 552,201</u>

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Davis, Oklahoma is presented on the cash basis. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

CITY OF DAVIS, Oklahoma
 Supplementary Schedule
 Oklahoma Municipal Retirement Fund
 Schedule of Funding Progress
 June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2003	762,692	848,874	\$ 86,182	89.85%	706,226	12.20%
1/1/2004	777,428	981,602	204,174	79.20%	829,181	24.62%
1/1/2005	862,266	1,066,147	203,881	80.88%	807,208	25.26%
1/1/2006	939,445	1,126,850	187,405	83.37%	802,723	23.35%
1/1/2007	1,098,305	1,315,110	216,805	83.51%	993,466	21.82%
1/1/2008	1,175,837	1,381,755	205,918	85.10%	945,411	21.78%
1/1/2009	1,182,373	1,859,450	677,077	63.59%	890,599	76.02%
1/1/2010	1,323,569	1,980,457	656,888	66.83%	951,030	69.07%
1/1/2011	1,522,614	2,213,037	690,423	68.80%	920,538	75.00%
1/1/2012	1,642,716	2,248,002	605,286	73.07%	848,919	71.30%
1/1/2013	1,703,700	2,260,640	556,940	75.36%	816,894	68.18%

CITY OF DAVIS, Oklahoma
 Supplementary Schedule
 Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
 Budget to Actual
 General Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 862,500	862,500	\$ 922,886	\$ 60,386
Charges for Services	26,000	26,000	42,077	16,077
Fines	20,300	20,300	59,106	38,806
License and Permits	1,700	1,700	4,058	2,358
Interest	100	100	108	8
Intergovernmental	12,000	12,000	60,301	48,301
Miscellaneous	2,600	2,600	46,298	43,698
Total Revenue	925,200	925,200	1,134,834	209,634
EXPENDITURES				
Current				
General Government	479,110	479,110	363,829	115,281
Highways and Streets	140,040	138,540	117,122	21,418
Public Safety	1,018,974	1,018,974	916,465	102,509
Culture and Recreation	61,290	62,790	54,278	8,512
Park & Cemetery	57,370	57,370	52,791	4,579
Public Health and Welfare	7,150	7,150	1,195	5,955
Total Expenditures	1,763,934	1,763,934	1,505,680	258,254
Excess (Deficiency) of Revenues Over Expenditures	(838,734)	(838,734)	(370,846)	467,888
Other Financing Sources (Uses)				
Transfers In	618,600	618,600	366,926	(251,674)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	618,600	618,600	366,926	(251,674)
Net Change in Fund Balances	(220,134)	(220,134)	(3,920)	216,214
Fund Balance - Beginning	-	-	34,201	34,201
Fund Balance - Ending	\$ (220,134)	\$ (220,134)	\$ 30,281	\$ 250,415
Funds combined for financial reporting			332,035	
Fund Balance, Ending per Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 362,316	

CITY OF DAVIS, Oklahoma
 Supplementary Schedules
 Combining Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
 Nonmajor Governmental Funds
 June 30, 2013

	<u>Grant Fund</u>	<u>Cemetery Care</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total</u>
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash	-	8,390	8,390	879	9,269
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ -	\$ 8,390	\$ 8,390	\$ 879	\$ 9,269
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund Balances					
Restricted	-	7,859	7,859	879	8,738
Assigned	-	531	531	-	531
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	-	8,390	8,390	879	9,269
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ -	\$ 8,390	\$ 8,390	\$ 879	\$ 9,269
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF DAVIS, Oklahoma
 Supplementary Schedules
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	<u>Grant Fund</u>	<u>Cemetery Care</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total</u>
REVENUE					
Charges for Services	\$ -	\$ 3,019	\$ 3,019	\$ 1	\$ 3,020
Taxes	-	-	-	1,158	1,158
Interest	-	8	8	467	475
Total Revenue	<u>-</u>	<u>3,027</u>	<u>3,027</u>	<u>1,626</u>	<u>4,653</u>
EXPENDITURES					
Current					
Highways and Streets	52	-	52	-	52
Debt Service					
Principal	-	-	-	43,195	43,195
Interest	-	-	-	825	825
Total Expenditures	<u>52</u>	<u>-</u>	<u>52</u>	<u>44,020</u>	<u>44,072</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(52)</u>	<u>3,027</u>	<u>2,975</u>	<u>(42,394)</u>	<u>(39,419)</u>
Other Financing Sources					
Transfers In	60,552	-	60,552	-	60,552
Transfers Out	(60,500)	-	(60,500)	(96,445)	(156,945)
Total Other Financing Sources	<u>52</u>	<u>-</u>	<u>52</u>	<u>(96,445)</u>	<u>(96,393)</u>
Net Change in Fund Balances	-	3,027	3,027	(138,839)	(135,812)
Fund Balances - Beginning	-	5,363	5,363	139,718	145,081
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 8,390</u>	<u>\$ 8,390</u>	<u>\$ 879</u>	<u>\$ 9,269</u>

CITY OF DAVIS, Oklahoma
 Supplementary Schedules
 Combining Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
 General Fund
 June 30, 2013

	General Fund	Street Maintenance Fund	Contingency Fund	Benefits Fund	Total
Assets					
Cash	\$ 30,281	\$ 192,612	\$ 133,928	\$ 5,495	\$ 362,316
Due from Others	-	-	-	-	-
Total Assets	\$ 30,281	\$ 192,612	\$ 133,928	\$ 5,495	\$ 362,316
Fund Balances					
Restricted	-	8	-	-	8
Committed	-	-	-	-	-
Assigned	-	192,604	133,928	5,495	332,027
Unassigned	30,281	-	-	-	30,281
Total Fund Balances	30,281	192,612	133,928	5,495	362,316
Total Liabilities and Fund Balances	\$ 30,281	\$ 192,612	\$ 133,928	\$ 5,495	\$ 362,316

CITY OF DAVIS, Oklahoma
 Supplementary Schedules
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
 Modified Cash Basis -General Fund
 June 30, 2013

	General Fund	Street Maintenance Fund	Contingency Fund	Benefits Fund	Total
REVENUE					
Taxes	\$ 922,886	\$ -	\$ -	\$ -	\$ 922,886
Charges for Services	42,077	-	-	-	42,077
Interest	108	209	170	-	487
License and Permits	4,058	-	-	-	4,058
Fines	59,106	-	-	-	59,106
Intergovernmental	1,400	-	-	-	1,400
Grants	58,901	-	-	-	58,901
Miscellaneous	46,298	1	-	-	46,299
Total Revenue	<u>1,134,834</u>	<u>210</u>	<u>170</u>	<u>-</u>	<u>1,135,214</u>
EXPENDITURES					
Current					
General Government	363,835	-	-	-	363,835
Highways and Streets	117,121	925	-	-	118,046
Public Safety	828,795	-	-	-	828,795
Cemetery / Parks	52,791	-	-	-	52,791
Culture and Recreation	54,278	-	-	-	54,278
Capital Outlay					
Public Health and Welfare	1,195	-	-	-	1,195
Public Safety	40,192	-	-	-	40,192
Highways and Streets	-	21,146	-	-	21,146
Debt Service					
Principal	47,473	-	-	-	47,473
Interest	-	-	-	-	-
Total Expenditures	<u>1,505,680</u>	<u>22,071</u>	<u>-</u>	<u>-</u>	<u>1,527,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(370,846)</u>	<u>(21,861)</u>	<u>170</u>	<u>-</u>	<u>(392,537)</u>
Other Financing Sources					
Transfers In	366,926	158,827	124,992	-	650,745
Transfers Out	-	(17,498)	(70,613)	-	(88,111)
Total Other Financing Sources	<u>366,926</u>	<u>141,329</u>	<u>54,379</u>	<u>-</u>	<u>562,634</u>
Net Change in Fund Balances	(3,920)	119,468	54,549	-	170,097
Fund Balances - Beginning	<u>34,201</u>	<u>73,144</u>	<u>79,379</u>	<u>5,495</u>	<u>192,219</u>
Fund Balances - Ending	<u>\$ 30,281</u>	<u>\$ 192,612</u>	<u>\$ 133,928</u>	<u>\$ 5,495</u>	<u>\$ 362,316</u>



CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council
City of Davis, Oklahoma

We have audited, 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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 24, 2015. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America. The auditors' opinion on the financial statements was qualified for because the financial statement general ledger detail for the first two months was not available due to a change in accounting software. The lack of documented detail affected our ability to verify the proper classification of revenue and expenses for this time frame on the government-wide statements and fund statements for the City of Davis for the year ending June 30, 2013.

Internal Control Over Financial Reporting

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

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

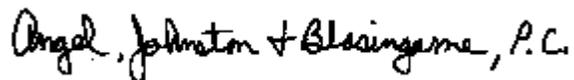
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 13-1, 13-2 and 13-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 13-1, 13-2 and 13-4.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma
September 24, 2015

CITY OF DAVIS, OKLAHOMA
Schedule of Findings and Responses
Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

13-1. Criteria – Identification and documentation of grants for financial statement presentation and compliance is required.

Condition – Not all the grant income was identified separately in the financial records. Also on three grants documentation could not be located. We had to obtain documentation directly from the granting agency.

Context – Grant managers establish proper monitoring of grants.

Effect – Some grants could be omitted and therefore not properly reported. Also there are various auditing requirements that depend upon the volume of the grant expenditures. Therefore, the inappropriate auditing procedures could be done.

Cause – It appears with the passing of time and the turnover of personnel that documentation was lost.

Recommendation – Have a consistent and documented method of retaining documentation.

Management response – Management agrees.

13-2. Criteria – Documentation supporting City transactions should be retained.

Condition – Some of the monthly utility billing reports could not be located.

Context – Proper documentation and monitoring of utility revenue.

Effect – If the information was never retained then it would have been difficult to prove billing appropriateness. At this point the missing reports made it more difficult to audit utility revenue.

Cause – Either the original procedures were inappropriate or they were misplaced over time.

Recommendation – Have a consistent and documented method of retaining documentation.

Management response – Management agrees.

13-3. Criteria – All utility adjustments should be accounted for and have independent approval.

Condition – Adjustments have independent approval but there is not a monthly reconciliation procedure to insure that all adjustments are accounted for.

Context – Adjustments could be made to the utility system without going through the appropriate approval process.

Effect – The opportunity exists that unapproved adjustments could be made to the utility billing system and not be discovered in a reasonable timeframe.

Cause – There was no month end reconciliation procedure in place.

CITY OF DAVIS, OKLAHOMA
Schedule of Findings and Responses
Year Ended June 30, 2013

Recommendation – Establish a month end procedure to reconcile for completeness of adjustment approvals.

Management response – Management agrees.

13-4. Criteria – Inventory should be carried at cost.

Condition – The current and prior inventory was carried at retail.

Context – To have a proper understanding of the profitability of the sales at Turner Falls then cost basis inventory must be used.

Effect – Inventory has been overstated and cost of goods sold understated.

Cause – The inventory is performed on the retail basis and management apparently thought it was at cost.

Recommendation – The estimated cost percentage was 40%. In the future a department by department cost percentage may provide an even better cost estimate/

Management response – Management agrees.

CITY OF DAVIS, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

- 12-1. Criteria – Effective internal control over financial reporting includes the identification and analysis of the risk of material misstatement in the financial statements. Management of the City is responsible for designing a system to manage risks over preparation of the financial statements. The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. A competent individual with sufficient awareness of or experience in accounting principles and disclosure requirements should be designated to oversee the preparation of the financial statements. The Council must weigh the costs and benefits of having an individual available, whether internally or externally, to allow for an appropriately designed system.

Condition – Material adjustments were necessary that were identified as part of our audit process.

Management response – There was a significant adjustment in the 2012-13 year. However, this appears to be a one-time adjustment to inventory. The City hired an accounting firm to prepare financial statements and this should resolve this issue in the future.

- 12-2. Criteria –Entity shall have proper controls and procedure implemented to provide adequate documentation for current year additions, deletions and detail record keeping of fixed assets and depreciation expenses. Also the entity shall have a written capitalization policy.

Condition – The City has not properly maintained its capital record and there is not a written capitalization policy.

Management response – This was apparently improved, but was still an issue in the 2012-13 year.

- 12-3. Criteria –Title 62-517.4 requires financial institutions deposits should be collateralized by an amount that shall not be less than the amount of the deposit to be secured, less the amount insured. Also the treasurer shall review and determine the market value of collateral pledged for security not less than quarterly.

Condition – City cash deposits were under collateralized.

Disposition – This continues to be an issue.

- 12-4. Criteria – Oklahoma Statutes Title 62, Section 310.1-310.9; Title 11, Section 17-102-04: 17-114; 22-134; Title 62, Section 505; 471-485, 488, 551-555; 601-605 provides purchase orders should be completed before an expense is incurred and signed with proper approval, invoice and check amounts should agree, supporting documentation should be filed, expenses should be properly coded, a signature or stamp of receipt of goods should be placed on each invoice, and (when applicable) expenses should be properly bid and include a non-kickback agreement.

Condition – City does not have adequate control implemented to ensure they are following purchasing statutes.

Disposition –In the2012-13 fiscal year most of the issues were resolved. However we the City was unable to locate six invoices we selected for testing.

- 12-5. Criteria – All adjustments, write-offs and abatements greater than a specific amount as specified by government’s policy should be approved.

CITY OF DAVIS, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2013

Condition – Utility account adjustments were not approved and documented consistently.

Disposition– Documentation of adjustments appeared to be appropriate. However, they do not document the complete inclusion of all adjustments.

- 12-6. Criteria – Accounting policies and procedures should specify the appropriate segregation of duties over cash receipts. There should be adequate segregation of duties among those who: open mail and collect cash, prepare deposits, deposit cash receipts, post cash receipts to customer accounts, and authorize adjustments.

Condition – Lack of segregation of duties related to daily cash collections through the Utility Department and lack of segregation over duties of the billings, collections adjustments and deposits of utility revenues. Also each individual cashier did not maintain separate cash drawers dedicated to their own daily collection activity and no reconciliation was completed between collection, billings and general ledger.

Disposition -This continued to be a problem in the 2012-13 year. Daily cash count sheets and reconciliation forms were not retained.

- 12-7. Criteria – Oklahoma Statutes Title 62, Section 517.3 provides treasurer of every public entity shall deposit daily not later than the immediate next banking day, all funds in either state or county depositories within Oklahoma.

Condition – Daily deposits are not being made within one day of receipt and daily receipts did not agree to deposits.

Disposition– The documentation was not sufficient to reach a conclusion about appropriateness of deposit timing.

- 12-8. Criteria – Effective internal control over meter deposit liability includes the identification by customer of meter deposits outstanding. DMA is responsible for reconciling deposits listed per Sequoyah software to the general ledger liability account for meter deposits.

Condition – A meter deposit listing provided did not agree with general ledger and excess water meter cash reserved.

Disposition – This was reconciled for the 2012-13 fiscal year.

- 12-9. Criteria – Oklahoma Statute Title 11 Section 17-215d No encumbrance or expenditure may be authorized or made by an officer or employee which exceed the available appropriation for each department within the fund.

Condition – Expenditures exceed appropriations in the general fund.

Disposition – This was not an issue in the 2012-13 fiscal year.