

TOWN OF OCHELATA GOVERNMENTAL UNIT

Ochelata, Oklahoma

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Town of Ochelata, Oklahoma
Report on Audit of Financial Statements
June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

December 20, 2011

Members of the Town Council
Town of Ochelata
Ochelata, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ochelata, Oklahoma as of and for the year ended June 30, 2009 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the Town of Ochelata, Oklahoma, prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ochelata, Oklahoma, as of June 30, 2009, and the respective changes in financial position-modified cash basis and cash flows, where applicable, thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 20, 2011, on my consideration of the Town of Ochelata's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ochelata, Oklahoma's basic financial statements. The accompanying combining and individual nonmajor fund financial statements listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Judith K. Ballard, CPA, PC

Town of Ochelata, Oklahoma
Statement of Net Assets
Modified Cash Basis
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	377,334	305,359	682,693
Internal balances	(1,468)	1,468	-
Restricted cash and investments	-	18,755	18,755
Total current assets	\$ 375,866	\$ 325,582	\$ 701,448
Noncurrent assets:			
Capital assets	82,694	595,188	677,882
Total noncurrent assets	82,694	595,188	677,882
Total assets	458,560	920,770	1,379,330
Liabilities			
Current liabilities:			
Customer deposits	-	17,004	17,004
Deferred Grant Revenue	1,359	-	1,359
Total current liabilities	1,359	17,004	18,363
Noncurrent liabilities:			
Notes payable	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	1,359	17,004	18,363
Net assets			
Invested in capital assets, net of related debt	82,694	595,188	677,882
Restricted for:			
Capital improvements	13,682	-	13,682
Unrestricted	360,825	308,578	669,403
Total net assets	\$ 457,201	\$ 903,766	\$ 1,360,967

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

Town of Ochelata, Oklahoma
Statement of Activities
Modified Cash Basis
Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	58,344	2,150	4,474	37,000	(14,720)	-	(14,720)
Public safety	13,286	-	-	-	(13,286)	-	(13,286)
Public works	60,764	-	-	-	(60,764)	-	(60,764)
Total government activities	<u>132,394</u>	<u>2,150</u>	<u>4,474</u>	<u>37,000</u>	<u>(88,770)</u>	<u>-</u>	<u>(88,770)</u>
Business-type activities:							
Water and sewer	192,427	175,389	-	-	-	(17,038)	(17,038)
Interest Expense	1,089	-	-	-	-	(1,089)	(1,089)
Sanitation	22,168	26,854	-	-	-	4,686	4,686
Total business-type activities	<u>215,684</u>	<u>202,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,441)</u>	<u>(13,441)</u>
Total government	<u>\$ 348,078</u>	<u>\$ 204,393</u>	<u>\$ 4,474</u>	<u>\$ 37,000</u>	<u>\$ (88,770)</u>	<u>\$ (13,441)</u>	<u>\$ (102,211)</u>
General revenues:							
Taxes:							
Sales and use					59,091	-	59,091
Franchise					12,148	-	12,148
Alcoholic Beverage					1,319	-	1,319
Tobacco					816	-	816
Gas					561	-	561
Motor Vehicle					3,498	-	3,498
Interest income					6,285	4,126	10,411
Miscellaneous					1,100	-	1,100
Transfers - internal activity					(22,135)	22,135	-
Capital Contributions					-	60,764	60,764
Total general revenues and transfers					<u>62,683</u>	<u>87,025</u>	<u>149,708</u>
Change in net assets					(26,087)	73,584	47,497
Net assets, beginning					483,288	830,182	1,313,470
Net assets, ending					<u>\$ 457,201</u>	<u>\$ 903,766</u>	<u>1,360,967</u>

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

Town of Ochelata, Oklahoma
Balance Sheet
Modified Cash Basis - Governmental Funds
June 30, 2009

	General Fund	Cemetery General	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	287,989	51,178	38,167	377,334
Due from other funds	(82)	(905)	987	-
Total assets	\$ 287,907	\$ 50,273	\$ 39,154	\$ 377,334
Liabilities and fund balances				
Liabilities:				
Deferred Grant Revenue	1,359	-	-	1,359
Due to other funds	1,468	-	-	1,468
Total liabilities	2,827	-	-	2,827
Fund balances:				
Reserved for:				
Capital improvements	-	-	13,682	13,682
Unreserved, reported in:				
General fund	285,080	-	-	285,080
Special revenue funds	-	50,273	25,472	75,745
Total fund balances	285,080	50,273	39,154	374,507
Total liabilities and fund balances	\$ 287,907	\$ 50,273	\$ 39,154	

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

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

Governmental capital assets	98,136	
Less accumulated depreciation	(15,442)	82,694

Net assets of governmental activities \$ 457,201

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

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

June 30, 2009

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	73,374	-	4,060	77,434
Intergovernmental	41,474	-	-	41,474
Charges for services	-	1,881	269	2,150
Other	103	997	-	1,100
Interest	4,719	1,136	430	6,285
Total revenues	<u>\$ 119,670</u>	<u>\$ 4,014</u>	<u>\$ 4,759</u>	<u>\$ 128,443</u>
Expenditures				
Personal services	25,666	-	-	25,666
Maintenance and operations	66,016	2,230	2,668	70,914
Reap Grant Expense	4,474	-	-	4,474
Total expenditures	<u>96,156</u>	<u>2,230</u>	<u>2,668</u>	<u>101,054</u>
Excess of revenues over (under) expenditures	23,514	1,784	2,091	27,389
Other financing sources (uses)				
Expenses paid for Ochelata Utilities Authority	(60,764)	-	-	(60,764)
Transfers (out)	(22,135)	-	-	(22,135)
Total other financing sources (uses)	<u>(82,899)</u>	<u>-</u>	<u>-</u>	<u>(82,899)</u>
Net change in fund balances	(59,385)	1,784	2,091	(55,510)
Fund balances, beginning	344,465	48,489	37,063	430,017
Fund balances, ending	<u>\$ 285,080</u>	<u>\$ 50,273</u>	<u>\$ 39,154</u>	<u>\$ 374,507</u>

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

Town of Ochelata, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2009

Net change in fund balances - total governmental funds	(55,510)
Adjustments for the statement of activities:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.	
Capital outlay expenditures, net	<u>29,423</u>
Change in net assets of governmental activities	<u>\$ (26,087)</u>

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

Town of Ochelata, Oklahoma
Statement of Net Assets
Modified Cash Basis - Proprietary Funds
June 30, 2009

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Assets	
Current assets:	
Cash and cash equivalents	305,359
Due from other funds	1,468
Total current assets	\$ 306,827
Noncurrent assets:	
Restricted Cash and Cash Equivalents	18,755
Capital assets	595,188
Total noncurrent assets	613,943
Total assets	920,770
Liabilities	
Current liabilities:	
Customer deposits	17,004
Current portion of long-term debt	-
Due to other funds	-
Total current liabilities	17,004
Noncurrent liabilities:	
Notes payable	-
Total noncurrent liabilities	-
Total liabilities	17,004
Net assets	
Invested in capital assets, net of related debt	595,188
Unrestricted	308,578
Total net assets	\$ 903,766

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

Town of Ochelata, Oklahoma
Statement of Revenues, Expenses and Changes in
Fund Net Assets - Modified Cash Basis - Proprietary Funds
June 30, 2009

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Operating revenues	
Charges for services:	
Water	124,221
Wastewater	44,981
Sanitation	26,854
Other	6,187
Total operating revenues	\$ 202,243
Operating expenses	
Water and sewer	166,054
Sanitation	22,168
Depreciation Expense	26,373
Total operating expenses	214,595
Net operating income (loss)	(12,352)
Nonoperating revenues (expenses)	
Interest income	4,126
Interest expense	(1,089)
Total nonoperating revenues (expenses)	3,037
Special Items and Transfers	
Transfers in	22,135
Capital contributions	60,764
Total operating transfers	82,899
Net Income (loss)	73,584
Net assets, beginning	830,182
Net assets, ending	\$ 903,766

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

Town of Ochelata, Oklahoma
Statement of Cash Flows
Modified Cash Basis - Proprietary Funds
June 30, 2009

	Business -Type Activities - Enterprise Funds
	<u>Ochelata Utilities Authority</u>
Cash flows from operating activities	
Receipts from customers	203,431
Payments to suppliers	(170,730)
Payments to employees	(17,492)
Net cash provided (used) by operating activities	<u>15,209</u>
Cash flows from noncapital financing activities	
Miscellaneous income	-
Transfers in (out)	22,135
Net cash provided (used) by noncapital financing activities	<u>22,135</u>
Cash flows from capital and related financing activities	
Principal paid on long-term debt	(42,212)
Interest expense and fiscal charges	(1,089)
Capital Contributions	60,764
Acquisition/construction of capital assets	(97,259)
Net cash provided (used) by capital and related financing activities	<u>(79,796)</u>
Cash flows from investing activities	
Interest income	4,126
Net cash provided (used) by investing activities	<u>4,126</u>
Net increase (decrease) in cash and cash equivalents	(38,326)
Cash and cash equivalents, beginning	<u>362,440</u>
Cash and cash equivalents, ending	<u>\$ 324,114 ***</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Net operating income (loss)	(12,352)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	26,373
Changes in assets and liabilities:	
(Increase)/decrease in due from other funds	158
Increase (decrease) in customer deposits	1,030
Total adjustments	<u>27,561</u>
Net cash provided (used) by operating activities	<u>\$ 15,209</u>
*** Unrestricted cash	305,359
Restricted cash	<u>18,755</u>
Total	<u>324,114</u>

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

Town of Ochelata, Oklahoma
Notes to Financial Statements

June 30, 2009

Note 1: Organization

The Town of Ochelata, Oklahoma, (the Town) operates under a Town Board of Trustees form of government under Title 11 of the *Oklahoma Statutes*. The Town provides the following services to its citizens: streets and cemetery; sanitation; utilities; and general administrative services.

Note 2: Summary of significant accounting policies

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board, (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the modified cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting entity

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Town's financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town.

Blended component units - The Ochelata Utilities Authority (the Authority) serves all the citizens of the Town and is governed by a board comprised by the Town's elected board of trustees. The rates for user charges and debt authorizations are approved by the Town Board of Trustees. OUA has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate utility facilities within the boundaries of the Town. OUA is reported as an enterprise fund.

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

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. Revenues are recorded when received and expenses when paid, with the exception of proceeds from long term debt which are recorded as a liability, and capital assets acquired, which are capitalized, with a provision for depreciation.

In the fund financial statements, the current financial resources measurement focus, as applied to the modified cash basis of accounting, is used for governmental funds, while the economic resources measurement focus is used for proprietary funds. The current financial resources measurement focus includes only current financial assets and liabilities on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period.

In the government-wide statement of net assets and statement of activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed and provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as general accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary fund:

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's utility functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, and Oklahoma County, school district, or municipality.

Investments for the Town, as well as for its component units are reported at fair value.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated, useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at an estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund equity

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

Note 3: Budgetary information

Budgets are prepared on the budget basis of accounting, which demonstrates compliance with cash basis and budget laws of State of Oklahoma, and is another comprehensive basis of accounting. The Town did not prepare a legal budget for the current fiscal year.

Note 4: Detailed notes on all funds

A. Deposits and investments

Deposits

The Town's carrying amount of deposits was \$701,449 as of June 30, 2009, and the bank balances totaled \$701,951. Deposits are carried at cost.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2009 all of the Town's bank balance of \$701,951 was covered by FDIC insurance and bank pledges:

B. Restricted assets

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

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Customer meter deposits	17,004	-	17,004

C. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2009, cash and investments included \$18,755 available for refund of customer deposits, while the liability to customers was \$17,004.

D. Long-term debt

Long-term liabilities of the Town of Ochelata as of June 30, 2009, are summarized as follows:

Business-type activities

Enterprise fund:

Note payable 0

Note payable to the Arvest Bank, dated January 3, 2005, in the amount of \$233,253, payable in monthly installments of \$1,488.29, to amortize the principal balance of the loan over five years, plus interest at 4.60%, to finance the water system improvements secured by pledge and assignment of water revenues.

Total business-type activities	-	
Total long-term liabilities	-	\$

Long-term liability transactions for the year ended June 30, 2009 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
Enterprise fund:					
Note payable - Arvest Bank	42,212	-	(42,212)	-	-
Total long-term liabilities	\$ 42,212	\$ -	\$ (42,212)	\$ -	\$ -

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Other governmental	General	82
Other governmental	Other governmental	905
Ochelata Utilities Authority	General	1,468
Total		\$ 2,455

Interfund transfers:

	Transfers In	
Transfers Out	Ochelata Utilities Authority	Total
General fund	22,135	22,135
Total	\$ 22,135	\$ 22,135

Note 5: Other information

A. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town has insurance for the major risks such as property and general liability. Commercial insurance is used to cover general liability claims and the risk of loss to city buildings and mobile equipment. Judgments against the Town may be paid by a property tax assessment over a three-year period.

B. Commitments and contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Note 6: Subsequent Event

In 2005, the Town applied for and was awarded a CDBG grant for \$250,000 for upgrades to the waste water system, specifically the discharge system. Several extensions were granted on this grant. Finally, in July 2011, the project was completed.

Note 7: Water Purchases

The Town of Ochelata provides water and waste water services to its citizens. The Town purchases the water from the City of Bartlesville. In fiscal year June 30, 2008, the City of Bartlesville gave notice to the Town of Ochelata that it had been undercharging the Town for water purchases for a number of years. The total amount undercharged for water was over \$80,000. The Town paid the City back at the rate of \$2,500 per month beginning in February 2008. The balance still owing the City at June 30, 2009 was \$37,500.

Note 8: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2009, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities				
Non-Depreciable Assets:	-	-	-	-
Depreciable Assets:				
Buildings	30,688	4,991	-	35,679
Equipment	26,206	31,792	-	57,998
Vehicles	-	-	-	-
Furniture/Fixtures	4,459	-	-	4,459
Totals at historical cost	<u>61,353</u>	<u>36,783</u>	<u>-</u>	<u>98,136</u>
Less accumulated depreciation for:				
Buildings	511	1,144	-	1,655
Equipment	7,156	5,769	-	12,925
Vehicles	-	-	-	-
Infrastructure	416	446	-	862
Total accumulated depreciation	<u>8,083</u>	<u>7,359</u>	<u>-</u>	<u>15,442</u>
Governmental activities capital assets, net	<u>\$ 53,270</u>	<u>\$ 29,424</u>	<u>\$ -</u>	<u>\$ 82,694</u>
Business-type Activities				
Non-Depreciable Assets				
Construction in Progress	\$ 17,724	\$ 30,600	\$ -	\$ 48,324
Depreciable Assets				
Equipment	4,982	28,176	-	33,158
Sewer system	-	3,825	-	3,825
Water system	837,182	34,658	-	871,840
Vehicles	479,074	-	-	479,074
Totals at historical cost	<u>1,338,962</u>	<u>97,259</u>	<u>-</u>	<u>1,436,221</u>
Less accumulated depreciation for:				
Equipment	324	3,154	-	3,478
Buildings	-	110	-	110
Sewer system	645,208	11,851	-	657,059
Water system	169,128	11,258	-	180,386
Vehicles	-	-	-	-
Total accumulated depreciation	<u>814,660</u>	<u>26,373</u>	<u>-</u>	<u>841,033</u>
Business-type activities capital asset, net	<u>\$ 524,302</u>	<u>\$ 70,886</u>	<u>\$ -</u>	<u>\$ 595,188</u>
Depreciation expense was charged to governmental functions as follows:				
Highways and Streets				\$ -
Public Safety				-
General Government				7,359
Total depreciation expense				<u>\$ 7,359</u>

Town of Ochelata, Oklahoma
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds
Year Ended June 30, 2009

	Special Revenue		Total Nonmajor Governmental Funds
	<u>Street and Alley</u>	<u>Cemetery Perpetual Care</u>	
Assets			
Cash and cash equivalents	25,390	12,777	38,167
Due from other funds	82	905	987
Total assets	<u>\$ 25,472</u>	<u>\$ 13,682</u>	<u>\$ 39,154</u>
Liabilities			
Due to other funds	-	-	-
Total liabilities	-	-	-
Fund balances			
Reserved for:			
Capital improvements	-	13,682	13,682
Unreserved:			
Designated	<u>25,472</u>	-	<u>25,472</u>
Total fund balances	<u>25,472</u>	<u>13,682</u>	<u>39,154</u>
Total liabilities and fund balances	<u>\$ 25,472</u>	<u>\$ 13,682</u>	<u>\$ 39,154</u>

Town of Ochelata, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Modified Cash Basis - Nonmajor Governmental Funds
Year Ended June 30, 2009

	Special Revenue		Total Nonmajor Governmental Funds
	Street and Alley	Cemetery Perpetual Care	
Revenues			
Taxes	4,060	-	4,060
Intergovernmental	-	-	-
Charges for services	-	269	269
Other	-	-	-
Interest	253	177	430
Total revenues	<u>\$ 4,313</u>	<u>\$ 446</u>	<u>\$ 4,759</u>
Expenditures			
Maintenance and operations	2,668	-	2,668
Total expenditures	<u>2,668</u>	<u>-</u>	<u>2,668</u>
Excess of revenues over (under) expenditures	1,645	446	2,091
Other financing sources (uses)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,645	446	2,091
Fund balances, beginning	23,827	13,236	37,063
Fund balances, ending	<u>\$ 25,472</u>	<u>\$ 13,682</u>	<u>\$ 39,154</u>

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

December 20, 2011

Mayor and Town Council
Town of Ochelata
Ochelata, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Ochelata, Oklahoma, as of and for the year ended June 30, 2009, which were presented on another comprehensive basis of accounting and have issued my report thereon dated December 20, 2011. The financial statements did not include management's discussion and analysis or the budgetary comparison information, which are required supplementary information. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Ochelata, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ochelata, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Ochelata, Oklahoma's internal control over financial reporting.

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ochelata, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Janita L. Ballard, CPA, PC