

TOWN OF OCHELATA GOVERNMENTAL UNIT

Ochelata, Oklahoma

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Town of Ochelata, Oklahoma
Report on Audit of Financial Statements
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Members of the Town Council
Town of Ochelata
Ochelata, Oklahoma

I have audited the accompanying 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, 2011 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

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

As discussed in Note 2, the Town of Ochelata, Oklahoma, prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ochelata, Oklahoma, as of June 30, 2011, and the respective changes in financial position-modified cash basis and cash flows, where applicable, thereof, for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, I have also issued my report dated January 23, 2013, 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 City of Ochelata, Oklahoma's financial statements as a whole. 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 financial statements. The information has been

subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stroud, Oklahoma
January 23, 2013

Town of Ochelata, Oklahoma
Statement of Net Assets
Modified Cash Basis
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	311,091	360,353	671,444
Internal balances	(1,468)	1,468	-
Total current assets	<u>\$ 309,623</u>	<u>\$ 361,821</u>	<u>\$ 671,444</u>
Noncurrent assets:			
Restricted cash and investments	-	10,860	10,860
Capital assets	98,842	983,670	1,082,512
Total noncurrent assets	<u>98,842</u>	<u>994,530</u>	<u>1,093,372</u>
Total assets	<u>408,465</u>	<u>1,356,351</u>	<u>1,764,816</u>
Liabilities			
Current liabilities:			
Customer deposits	-	10,860	10,860
Total current liabilities	<u>-</u>	<u>10,860</u>	<u>10,860</u>
Noncurrent liabilities:			
Notes payable	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>10,860</u>	<u>10,860</u>
Net assets			
Invested in capital assets, net of related debt	98,842	983,670	1,082,512
Restricted for:			
Capital improvements	14,109	-	14,109
Unrestricted	295,514	361,821	657,335
Total net assets	<u>\$ 408,465</u>	<u>\$ 1,345,491</u>	<u>\$ 1,753,956</u>

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

Town of Ochelata, Oklahoma
Statement of Activities
Modified Cash Basis
Year Ended June 30, 2011

	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	68,298	1,200	-	-	(67,098)	-	(67,098)
Public safety	7,998	-	-	-	(7,998)	-	(7,998)
Public works	138,660	-	-	135,549	(3,111)	-	(3,111)
Total government activities	<u>214,956</u>	<u>1,200</u>	<u>-</u>	<u>135,549</u>	<u>(78,207)</u>	<u>-</u>	<u>(78,207)</u>
Business-type activities:							
Water and sewer	195,365	238,205	-	-	-	42,840	42,840
Interest Expense	-	-	-	-	-	-	-
Sanitation	24,184	26,951	-	-	-	2,767	2,767
Total business-type activities	<u>219,549</u>	<u>265,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,607</u>	<u>45,607</u>
Total government	<u>\$ 434,505</u>	<u>\$ 266,356</u>	<u>\$ -</u>	<u>\$ 135,549</u>	<u>\$ (78,207)</u>	<u>\$ 45,607</u>	<u>\$ (32,600)</u>
General revenues:							
Taxes:							
Sales and use					63,118	-	63,118
Franchise					9,481	-	9,481
Alcoholic Beverage					1,350	-	1,350
Tobacco					887	-	887
Gas					-	-	-
Motor Vehicle					3,534	-	3,534
Interest income					1,337	1,226	2,563
Miscellaneous					2,653	-	2,653
Transfers - internal activity					(19,105)	19,105	-
Capital Contributions					-	138,661	138,661
Total general revenues and transfers					<u>63,255</u>	<u>158,992</u>	<u>222,247</u>
Change in net assets					(14,952)	204,599	189,647
Net assets, beginning					<u>423,417</u>	<u>1,140,892</u>	<u>1,564,309</u>
Net assets, ending					<u>\$ 408,465</u>	<u>\$ 1,345,491</u>	<u>1,753,956</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, 2011

	General Fund	Cemetery General	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	231,562	41,599	37,930	311,091
Due from other funds	(1,550)	(1,304)	1,386	(1,468)
Total assets	\$ 230,012	\$ 40,295	\$ 39,316	\$ 309,623
Liabilities and fund balances				
Liabilities:				
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	14,109	14,109
Committed	-	-	-	-
Assigned	-	40,295	25,207	65,502
Unassigned	230,012	-	-	230,012
Total fund balances	230,012	40,295	39,316	309,623
Total liabilities and fund balances	\$ 230,012	\$ 40,295	\$ 39,316	

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	134,559	
Less accumulated depreciation	(35,717)	98,842
Net assets of governmental activities		\$ 408,465

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, 2011

	<u>General Fund</u>	<u>Cemetery General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	74,837	-	3,534	78,371
Intergovernmental	135,549	-	-	135,549
Charges for services	-	1,200	-	1,200
Other	1,371	1,282	-	2,653
Interest	1,019	256	61	1,336
Total revenues	<u>\$ 212,776</u>	<u>\$ 2,738</u>	<u>\$ 3,595</u>	<u>\$ 219,109</u>
Expenditures				
Personal services	21,492	-	-	21,492
Maintenance and operations	32,515	6,583	5,271	44,369
Capital Outlay	1,765	7,000	-	8,765
Grant Expense	135,549	-	-	135,549
Total expenditures	<u>191,321</u>	<u>13,583</u>	<u>5,271</u>	<u>210,175</u>
Excess of revenues over (under) expenditures	21,455	(10,845)	(1,676)	8,934
Other financing sources (uses)				
Expenses paid for Ochelata Utilities Authority	(3,112)	-	-	(3,112)
Transfers (out)	(19,105)	-	-	(19,105)
Total other financing sources (uses)	<u>(22,217)</u>	<u>-</u>	<u>-</u>	<u>(22,217)</u>
Net change in fund balances	(762)	(10,845)	(1,676)	(13,283)
Fund balances, beginning	<u>230,774</u>	<u>51,140</u>	<u>40,992</u>	<u>322,906</u>
Fund balances, ending	<u>\$ 230,012</u>	<u>\$ 40,295</u>	<u>\$ 39,316</u>	<u>\$ 309,623</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, 2011

Net change in fund balances - total governmental funds	(13,283)
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>(1,669)</u>
Change in net assets of governmental activities	<u>\$ (14,952)</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, 2011

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Assets	
Current assets:	
Cash and cash equivalents	360,353
Due from other funds	1,468
Total current assets	\$ 361,821
Noncurrent assets:	
Restricted Cash and Cash Equivalents	10,860
Capital assets	983,670
Total noncurrent assets	994,530
Total assets	1,356,351
Liabilities	
Current liabilities:	
Customer deposits	10,860
Current portion of long-term debt	-
Due to other funds	-
Total current liabilities	10,860
Noncurrent liabilities:	
Notes payable	-
Total noncurrent liabilities	-
Total liabilities	10,860
Net assets	
Invested in capital assets, net of related debt	983,670
Unrestricted	361,821
Total net assets	\$ 1,345,491

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, 2011

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Operating revenues	
Charges for services:	
Water	149,708
Wastewater	79,566
Sanitation	26,951
Other	8,931
Total operating revenues	\$ 265,156
Operating expenses	
Water and sewer	157,765
Sanitation	24,184
Depreciation Expense	37,600
Total operating expenses	219,549
Net operating income (loss)	45,607
Nonoperating revenues (expenses)	
Interest income	1,226
Interest expense	-
Total nonoperating revenues (expenses)	1,226
Special Items and Transfers	
Transfers in	19,105
Capital contributions	138,661
Total operating transfers	157,766
Net Income (loss)	204,599
Net assets, beginning	1,140,892
Net assets, ending	\$ 1,345,491

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, 2011

	Business -Type Activities - Enterprise Funds
	Ochelata Utilities Authority
Cash flows from operating activities	
Receipts from customers	265,881
Payments to suppliers	(145,521)
Payments to employees	(36,428)
Net cash provided (used) by operating activities	83,932
Cash flows from noncapital financing activities	
Increase in restricted assets	(725)
Transfers in (out)	19,105
Net cash provided (used) by noncapital financing activities	18,380
Cash flows from capital and related financing activities	
Principal paid on long-term debt	-
Interest expense and fiscal charges	-
Capital Contributions	138,661
Acquisition/construction of capital assets	(228,719)
Net cash provided (used) by capital and related financing activities	(90,058)
Cash flows from investing activities	
Interest income	1,226
Net cash provided (used) by investing activities	1,226
Net increase (decrease) in cash and cash equivalents	13,480
Cash and cash equivalents, beginning	346,872
Cash and cash equivalents, ending	\$ 360,352
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Net operating income (loss)	45,607
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	37,600
Changes in assets and liabilities:	
Increase/(decrease) in customer deposits	725
Total adjustments	38,325
Net cash provided (used) by operating activities	\$ 83,932

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

Town of Ochelata, Oklahoma

Notes to Financial Statements

June 30, 2011

Note 1: Organization

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

Note 2: Summary of significant accounting policies

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

A. Reporting entity

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary fund:

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

Deposits and investments

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

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

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

Capital assets

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

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

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. As of June 30, 2011, the Town did not have any debt.

Fund equity

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

Note 3: Budgetary information

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

Note 4: Detailed notes on all funds

A. Deposits and investments

Deposits

The Town's carrying amount of deposits was \$682,304 as of June 30, 2011, and the bank balances totaled \$688,005. 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, 2011 all of the Town's bank balance of \$687,891 was covered by FDIC insurance and bank pledges.

B. Restricted assets

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

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Customer meter deposits	10,860	-	10,860

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, 2011, cash and investments included \$10,860 available for refund of customer deposits.

D. Long-term debt

The Town had no debt during the year ended June 30, 2011.

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental	General	82
Other governmental	Other governmental	1,304
Ochelata Utilities Authority	General	1,468
Total		<u>\$ 2,854</u>

Interfund transfers:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Ochelata Utilities Authority</u>	<u>Total</u>
General fund	19,105	19,105
Total	<u>\$ 19,105</u>	<u>\$ 19,105</u>

Note 5: Other information

A. Risk management

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

B. Commitments and contingencies

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

Note 6: Grants Received

The Town of Ochelata received reimbursements under three grants during the fiscal year. Two of the grants were REAP grants awarded by Grand Gateway Economic Development Association for sewer and water improvements in the amounts of \$47,500 and \$48,619.80. On the \$47,500 grant, a final expenditure was made in the current fiscal year of \$7,196. On the second REAP grant, expenditures totalling \$36,129 were made in the current fiscal year. The third grant, for \$250,000 was awarded by the Oklahoma Department of Commerce for sewer improvements. During the fiscal year ended June 30, 2011, \$92,223 was expended and reimbursed under this grant.

Note 7: Summary of Capital Assets:

Capital asset activity for the year ended June 30, 2011, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities				
Non-Depreciable Assets:				
Land	14,687	-	-	14,687
Depreciable Assets:				
Buildings	35,679	-	-	35,679
Equipment	67,974	8,765	-	76,739
Vehicles	-	-	-	-
Furniture/Fixtures	7,454	-	-	7,454
Totals at historical cost	125,794	8,765	-	134,559
Less accumulated depreciation for:				
Buildings	3,057	1,402	-	4,459
Equipment	20,618	8,286	-	28,904
Vehicles	-	-	-	-
Furniture/Fixtures	1,608	746	-	2,354
Total accumulated depreciation	25,283	10,434	-	35,717
Governmental activities capital assets, net	\$ 100,511	\$ (1,669)	\$ -	\$ 98,842
Business-type Activities				
Non-Depreciable Assets				
Construction in Progress	\$ 265,563	\$ 117,798	\$ (265,563)	\$ 117,798
Depreciable Assets				
Equipment	36,403	1,750	-	38,153
Buildings	3,825	-	-	3,825
Sewer system	877,831	374,732	-	1,252,563
Water system	479,074	-	-	479,074
Totals at historical cost	1,662,696	494,280	(265,563)	1,891,413
Less accumulated depreciation for:				
Equipment	7,910	4,655	-	12,565
Buildings	450	340	-	790
Sewer system	670,139	21,347	-	691,486
Water system	191,644	11,258	-	202,902
Total accumulated depreciation	870,143	37,600	-	907,743
Business-type activities capital asset, net	\$ 792,553	\$ 456,680	\$ (265,563)	\$ 983,670
Depreciation expense was charged to governmental functions as follows:				
Highways and Streets				\$ -
Public Safety				1,005
General Government				9,429
Total depreciation expense				\$ 10,434

Town of Ochelata, Oklahoma
Combining Balance Sheet
Modified Cash Basis - Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue		Total Nonmajor Governmental Funds
	Street and Alley	Cemetery Perpetual Care	
Assets			
Cash and cash equivalents	25,125	12,805	37,930
Due from other funds	82	1,304	1,386
Total assets	\$ 25,207	\$ 14,109	\$ 39,316
Liabilities			
Due to other funds	-	-	-
Total liabilities	-	-	-
Fund balances			
Nonspendable	-	-	-
Restricted	-	14,109	14,109
Committed	-	-	-
Assigned	25,207	-	25,207
Unassigned	-	-	-
Total fund balances	25,207	14,109	39,316
Total liabilities and fund balances	\$ 25,207	\$ 14,109	\$ 39,316

Town of Ochelata, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Modified Cash Basis - Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue		Total Nonmajor Governmental Funds
	Street and Alley	Cemetery Perpetual Care	
Revenues			
Taxes	3,534	-	3,534
Intergovernmental	-	-	-
Charges for services	-	-	-
Other	-	-	-
Interest	16	45	61
Total revenues	<u>\$ 3,550</u>	<u>\$ 45</u>	<u>\$ 3,595</u>
Expenditures			
Maintenance and operations	5,271	-	5,271
Total expenditures	<u>5,271</u>	<u>-</u>	<u>5,271</u>
Excess of revenues over (under) expenditures	(1,721)	45	(1,676)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,721)	45	(1,676)
Fund balances, beginning	26,928	14,064	40,992
Fund balances, ending	<u>\$ 25,207</u>	<u>\$ 14,109</u>	<u>\$ 39,316</u>

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

To the Mayor and City Council
The Town of 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, 2011, which were presented on another comprehensive basis of accounting and have issued my report thereon dated January 23, 2013. 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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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

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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 management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stroud, Oklahoma
January 23, 2011