City of Pawnee
Pawnee, Oklahoma

Audit Report
for the year ended June 30, 2014

CITY OF PAWNEE
Pawnee, Oklahoma

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Linda S. Woodruff
CPA
A Professional Corporation

AICPA • OSCPA

INDEPENDENT AUDITOR'S REPORT

The Board of City Commissioners
City of Pawnee
510 Illinois Street
Pawnee, Oklahoma 74058

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pawnee, State of Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Pawnee, state of Oklahoma'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 accounting principles generally accepted in the United States of America; this includes the 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 fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pawnee, State of Oklahoma, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–9 and 40–43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pawnee, State of Oklahoma's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 my opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 2014, on my consideration of the City of Pawnee, State of Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pawnee, State of Oklahoma's internal control over financial reporting and compliance.

Linda S. Woodruff, CPA, P.C.

Linda S. Woodruff, CPA, P.C.

Oklahoma City, Oklahoma 73172
December 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited

As management of the City of Pawnee (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

The total net position of the City increased $651,720. Net position of governmental activities decreased $123,370 or 4.34% over the fiscal year.

General revenues accounted for $773,475 or 61.65% of total governmental activities revenue. Program specific revenues accounted for $481,189 or 38.35% of total governmental activities revenue.

Governmental activities capital assets, net decreased $50,095, which includes purchases of a fire truck, police car, library awning, ambulance equipment and depreciation. Business-type activities capital assets, net decreased $22,803, included are sewer improvements, water distribution improvements, signs and depreciation.
The City had $1,534,238 in expenses related to governmental activities; $481,189 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $1,053,049 were offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of $773,475. An additional transfer from the other funds (primarily the business-type activities) of $156,204 was needed to offset any additional expenses.

Net position for the business activities, which are made up of the Water & Electric, Sewage & Solid Waste and the Industrial Authority increased over the fiscal year by $775,090 or 17.27%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information as well as other supplemental information.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide Financial Statements (Continued) –
Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (fire, ambulance, police and animal control), streets, judicial, culture, parks and recreation, public improvements and planning and zoning. The business-type activities of the City include public works (electric, water, sewer and refuse) and industrial building rentals.

The government-wide financial statements can be found on page 11–13 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decision. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Municipal Hospital Authority and Capital Projects funds, all of which are considered to be major funds. Data from the other nine funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue and Capital Projects Funds. Budgetary comparison schedules have been provided for the General Fund, each major Special Revenue Fund and Capital Projects Fund that adopts a budget to demonstrate compliance with the budget and are presented as required supplemental information. The basic governmental fund financial statements can be found on pages 14–16 of this report.

Proprietary Funds – The City maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer and refuse, industrial building rentals and golf course rental.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Electric, Sewage & Solid Waste and the Pawnee Industrial Authority since they are considered to be major funds of the City.

Proprietary Funds (Continued) –
The basic proprietary fund financial statements can be found on pages 17–19 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Component Units – The City includes one separate legal entity in its report – the Pawnee Municipal Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21–28 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparisons, progress in funding its obligation to provide pension benefits to its employees and corresponding notes. Required supplementary information can be found on pages 40-43 of this report.

Other Information – The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 45–49 of this report.

Governmental-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Pawnee, assets exceed liabilities by $7,982,385 as of June 30, 2014.

The largest portion of the City's net position reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

City of Pawnee's Net Position

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Current and other assets	$ 402,978	$ 440,221	$ 2,788,366	$ 3,504,277	$ 3,191,344	$ 3,944,498
Capital assets	2,583,641	2,633,736	13,331,737	13,354,540	15,915,378	15,988,276
Total assets	2,986,619	3,073,957	16,120,103	16,858,817	19,106,722	19,932,774
Long-term liabilities	64,468	65,629	10,524,104	11,961,888	10,588,572	12,027,517
Other liabilities	203,315	166,122	332,450	408,470	535,765	574,592
Total liabilities	267,783	231,751	10,856,554	12,370,358	11,124,337	12,602,109
Net assets:						
Invested in capital assets, net of related debt	2,519,173	2,568,107	2,807,633	1,392,652	5,326,806	3,960,759
Restricted	275,242	271,535	1,768,883	2,376,238	2,044,125	2,647,773
Unrestricted	(75,579)	2,564	687,033	719,569	611,454	722,133
Total net assets	$ 2,718,836	$ 2,842,206	$ 5,263,549	$ 4,488,459	$ 7,982,385	$ 7,330,665

As of June 30, 2014, the City is able to report positive balances in all three categories of net position for the government as a whole and for its separate categories – governmental and business-type activities.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended June 30, 2014. Governmental activities decreased the City of Pawnee's net position by $123,370 and Business-type activities increased the City's net position by $775,090, accounting for a gain in net position.

City of Pawnee's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenues:						
Program revenues						
Charges for services	$ 451,407	$ 440,397	$ 3,300,433	$ 3,317,241	$ 3,751,840	$ 3,757,638
Operating grants and contributions	29,782	18,150	-	-	29,782	18,150
Capital grants and contributions	-	125,000	355,000	1,063,265	355,000	1,188,265
General revenues:						
Sales, use and alcohol taxes	683,202	891,717	-	-	683,202	891,717
Cigarette taxes	7,254	10,675				
Franchise fees	20,165	22,181	-	-	20,165	22,181
Intergovernmental	47,034	44,632	-	-	47,034	44,632
Investment earnings	606	1,760	2,317	4,102	2,923	5,862
Miscellaneous	15,214	13,393	380,484	50,228	395,698	63,621
Property sales	-	-	-	-	-	-
Insect spray	-	-	-	-	-	-
Late charges	-	-	38,704	37,049	38,704	37,049
Total revenues	1,254,664	1,567,905	4,076,938	4,471,885	5,324,348	6,029,115
Expenses:						
General government	250,102	249,532	-	-	250,102	249,532
Public safety and judiciary	748,801	778,362	-	-	748,801	778,362
Transportation	155,925	144,817	-	-	155,925	144,817
Cultural, parks and recreation	225,424	219,749	-	-	225,424	219,749
Hospital/economic development	21,388	4,930	-	-	21,388	4,930
Unallocated depreciation	132,598	124,348	451,066	387,726	583,664	512,074
Rental activities	-	-	29,299	29,910	29,299	29,910
Utilities	-	-	2,416,915	3,095,289	2,416,915	3,095,289
Financing	-	-	248,364	523,498	248,364	523,498
Total expenses	1,534,238	1,521,738	3,145,644	4,036,423	4,679,882	5,558,161
Increases in net assets before transfers	(279,574)	46,167	931,294	435,462	644,466	470,954
Transfers	156,204	11,863	(156,204)	(11,863)	-	-
Increase in net assets	(123,370)	58,030	775,090	423,599	644,466	470,954
Net assets - beginning of year	2,842,206	2,784,176	4,488,459	4,064,860	7,330,665	6,849,036

Financial Analysis of the Government's Funds

Governmental Funds – The focus of the City of Pawnee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Pawnee's governmental funds reported combined ending fund balances of $301,973. Approximately 9% of the total amount ($26,731) constitutes unrestricted fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted 1) for Special Projects ($246,453) and 2) for fire & ambulance ($28,789).

In the general fund, the City budgeted for a break even in the fund balance. However, without subsidies from the Water & Electric totaling $450,000, the General fund would have reported a larger decrease in net position.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. but in more detail.

Unrestricted net positions of the respective proprietary funds are Water & Electric – $510,072, Sewage & Solid Waste – $31,255 and the Industrial Authority – $145,706.

Capital Assets

The City of Pawnee's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to $15,915,378 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. Major capital asset events during the current fiscal year included the following:

Governmental activities include: fire truck, police car, awning for the library and ambulance equipment.

Business-type activities include: sewer improvements, distribution improvements and signs.

Capital Assets at Year-end Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Land	$ 131,500	$ 131,500	$ 82,611	$ 82,611	$ 214,111	$ 214,111
Construction in process	-	-	-	-	-	-
Buildings & Improvements	1,429,002	1,452,225	500,891	531,489	1,929,893	1,983,714
Sewer Treatment Facility	-	-	8,459,284	8,652,525	8,459,284	8,652,525
Water Treatment Plant	-	-	2,613,115	2,287,244	2,613,115	2,287,244
Electric System	-	-	674,009	703,216	674,009	703,216
Distribution Systems	-	-	902,566	976,342	902,566	976,342
Furniture & Major Movable Equipment	494,714	504,897	99,261	121,113	593,975	626,010
Infrastructure	528,425	545,114	-	-	528,425	545,114
Total	$ 2,583,641	$ 2,633,736	$ 13,331,737	$ 13,354,540	$ 15,915,378	$ 15,988,276

Additional information on the City of Pawnee's capital assets can be found in note 2 on pages 29-30 of this report.

Debt Administration

At the end of the current fiscal year, the City of Pawnee had total bonded debt, notes payable and leases payable of $10,588,572. Of this amount, $3,005,000 comprises the bonded debt backed by the full faith and credit of the government, $7,519,104 represents notes secured solely by enterprise revenues and $64,468 leases secured solely by the assets lease purchased.

Outstanding Debt at Year-end Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenue bonds payable	$ -	$ -	$ 3,005,000	$ 3,750,000	$ 3,005,000	$ 3,750,000
Notes payable	-	-	7,519,104	8,211,888	7,519,104	8,211,888
Leases payable	64,468	65,629	-	-	64,468	65,629
Total	$ 64,468	$ 65,629	$ 10,524,104	$ 11,961,888	$ 10,588,572	$ 12,027,517

Additional information on the City of Pawnee's long-term debt can be found in footnote 2 on pages 31-35 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2014-15 Budget, General Fund revenues and transfers in are budgeted to increase from the 2013-14 budget year with sales taxes making up about 50% of general fund budgeted revenues and transfers in. The City's budgets for all funds have not benefited from a slowing economy over the past year, sales tax receipts are expected to even out. This revenue source is the most volatile and subject to decline if an economic slowdown happens, such as the recession.

As a result of the potential impact in revenue, the City has made a concerted effort to limit appropriations to only those items truly necessary. This includes a reduction in the amount spent by the City in all areas.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Mayor, 510 Illinois Street, Pawnee, OK 74058, or call 918-762-2658.

CITY OF PAWNEE
Pawnee, Oklahoma

Basic Financial Statements
June 30, 2014

CITY OF PAWNEE
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 3)	$ 185,554	$ 260,737	$ 446,291	$ 3,189
Investments, at cost	60,810	226,108	286,918	-
Receivables (net of allowance for uncollectibles):				
Accounts receivable	23,874	532,520	556,394	-
Grants	-	-	-	-
Taxes	132,685	118	132,803	-
Interest	55	-	55	-
Restricted assets:				
Cash & cash equivalents (Note 3)	-	1,768,883	1,768,883	-
Capital assets:				
Land	131,500	82,611	214,111	61,124
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	2,452,141	13,249,126	15,701,267	23,849
Total assets	$ 2,986,619	$ 16,120,103	$ 19,106,722	$ 88,162
Deferred outflows of resources:				
Total deferred outflows	-	-	-	-
Liabilities:				
Current liabilities:				
Accounts payable	$ 64,085	$ 179,185	$ 243,270	$ -
Cash overdraft	36,920	-	36,920	-
Accrued compensation	102,310	7,491	109,801	-
Sales tax payable	-	4,479	4,479	-
Interest payable	-	63,627	63,627	-
Payable from restricted assets:				
Interest payable	-	77,668	77,668	-
Capital lease payable	23,943	-	23,943	-
Notes payable (Note 3)	-	329,924	329,924	-
Revenue bonds payable (Notes 3 & 4)	-	215,000	215,000	-
Non-current liabilities:				
Capital lease payable	40,525	-	40,525	-
Notes payable (Note 3)	-	7,189,180	7,189,180	-
Revenue bonds payable (Notes 3 & 4)	-	2,790,000	2,790,000	-
Total liabilities	267,783	10,856,554	11,124,337	-
Deferred inflows of resources:				
Total deferred inflows	-	-	-	-
Net position:				
Invested in capital assets, net of related debt	2,519,173	2,807,633	5,326,806	84,973
Restricted	275,242	1,768,883	2,044,125	-
Unrestricted	(75,579)	687,033	611,454	3,189
Total net position	$ 2,718,836	$ 5,263,549	$ 7,982,385	$ 88,162

The Accompanying Notes are an Integral Part of the Basic Financial Statements

CITY OF PAWNEE
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental activities:					
General government:					
City clerk	$ 143,011	$ -	$ -	$ -	$ (143,011)
City mayor	75,652	-	-	-	(75,652)
City treasurer	-	-	-	-	-
General government	31,439	6,571	-	-	(24,868)
Total general government	250,102	6,571	-	-	(243,531)
Public safety and judiciary:					
Animal control	34,236	-	-	-	(34,236)
Code enforcement	2,972	-	-	-	(2,972)
911 fund	38,790	30,986	-	-	(7,804)
City attorney	14,423	-	-	-	(14,423)
Fire and ambulance	358,935	344,290	300	-	(14,345)
Municipal court	7,105	29,761	-	-	22,656
Police	292,340	-	-	-	(292,340)
Total public safety and judiciary	748,801	405,037	300	-	(343,464)
Transportation:					
Streets	155,925	-	-	-	(155,925)
Total transportation	155,925	-	-	-	(155,925)
Cultural, parks and recreation:					
Cemetery	64,642	17,511	2,400	-	(44,731)
Lake	-	20,563	-	-	20,563
Library	93,236	-	4,882	-	(88,354)
Buffalo Theatre	-	-	-	-	-
Parks & bath house	67,546	345	-	-	(67,201)
Total cultural, parks and recreation	225,424	38,419	7,282	-	(179,723)
Hospital/economic development					
Hospital activities	2,638	1,380	-	-	(1,258)
Economic development	18,750	-	22,200	-	3,450
Total hospital/economic development	21,388	1,380	22,200	-	2,192
Unallocated depreciation*	132,598	-	-	-	(132,598)
Total governmental activities	1,534,238	451,407	29,782	-	(1,053,049)
Business-type activities					
General & administrative	322,659	-	-	-	(322,659)
Personal services	294,344	-	-	-	(294,344)
Electric service	1,407,963	2,279,144	-	-	871,181
Water service	150,545	414,018	-	355,000	618,473
Sewer & refuse service	214,404	575,801	-	203,340	564,737
Industrial authority expense	29,299	31,470	-	-	2,171
Financing costs	248,364	-	-	-	(248,364)
Unallocated depreciation*	451,066	-	-	-	(451,066)
Total business-type activities	3,118,644	3,300,433	-	558,340	740,129
Total primary government	$ 4,679,882	$ 3,751,840	$ 29,782	$ 355,000	$ (543,260)
Component units:					
Golf course expense	$ 30,279	$ 30,260	$ -	$ -	$ (19)
Total componenent units	$ 30,279	$ 30,260	$ -	$ -	$ (19)

The Accompanying Notes are an Integral Part of the Basic Financial Statements

CITY OF PAWNEE
STATEMNT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

	Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
Net (expense)/revenue	(1,053,049)	509,789	(543,260)	(19)
General revenues:				
Taxes:				
Sales and use taxes	683,202	-	683,202	-
Cigarette taxes	7,254	-	7,254	-
Franchise taxes	20,165	-	20,165	-
Intergovernmental	47,034	-	47,034	-
Investment earnings	606	2,317	2,923	-
Miscellaneous	15,214	380,484	395,698	-
Property sales	-	-	-	-
Insect spray	-	-	-	-
Late charges	-	38,704	38,704	-
Transfers	156,204	(156,204)	-	-
Total general revenues and transfers	929,679	265,301	1,194,980	-
Change in net position	(123,370)	775,090	651,720	(19)
Net position - beginning of year	2,842,206	4,488,459	7,330,665	-
Net position - end of year	2,718,836 $	5,263,549 $	7,982,385 $	(19)

CITY OF PAWNEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents	$ -	$ 185,554	$ 185,554
Investments, at cost	-	60,810	60,810
Receivables (net):			
Accounts receivable	18,004	5,870	23,874
Grants	-	-	-
Taxes	132,685	-	132,685
Interest	-	55	55
Total assets	$ 150,689	$ 252,289	$ 402,978
Liabilities:			
Accounts payable	$ 58,249	$ 5,836	$ 64,085
Cash overdraft	36,920	-	36,920
Total liabilities	95,169	5,836	101,005
Fund balance:			
Restricted for:			
Cemetery	-	73,604	73,604
Debt service	-	77,568	77,568
Capital projects	-	3,450	3,450
Other purposes	-	91,831	91,831
Committed to:			
Fire & ambulance	28,789	-	28,789
Unassigned	26,731	-	26,731
Total fund balance	55,520	246,453	301,973
Total liabilities and fund equity	$ 150,689	$ 252,289	

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

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Capital leases payable		(64,468)
Accrued compensated absenses payable		(102,310)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	131,500	
Buildings & Improvements	2,322,378	
Major movable equipment	1,879,239	
Infrastructure	667,581	
Accumulated Depreciation	(2,417,057)	
Total		2,583,641
Net position of governmental activities		2,718,836

The Accompanying Notes are an Integral Part of the Basic Financial Statements

CITY OF PAWNEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General Fund	Capital Projects	Other Governmental Funds
Revenues:			
Charges for services	$ 381,633	$ -	$ 381,633
Licenses and permits	1,797	-	1,797
Lot sales	5,850	-	5,850
Miscellaneous revenue	15,214	-	15,214
Franchise fees	20,165	-	20,165
Fines and forfeitures	29,761	-	29,761
Sales and use taxes	683,202	-	683,202
Cigarette taxes	7,254	-	7,254
Intergovernmental programs	25,833	21,201	47,034
Donations	300	2,400	2,700
Interest	252	354	606
Rental	-	13,680	13,680
Property sales	-	-	-
Special assessments	-	30,986	30,986
Grants	4,882	22,200	27,082
Total revenues	$ 1,176,143	$ 90,821	$ 1,266,964
Expenditures:			
Current:			
General government	$ 244,632	$ -	$ 244,632
Public safety	707,740	38,790	746,530
Highways & roads	125,205	30,720	155,925
Cultural, parks & recreation	225,424	-	225,424
Health & welfare	-	2,638	2,638
Economic development	-	18,750	18,750
Lease payments	31,432	-	31,432
Capital outlay	82,503	-	82,503
Total expenditures	1,416,936	90,898	1,507,834
Excess of revenues over (under) expenditures	(240,793)	(12,377)	(253,170)
Other financing uses:			
Operating transfers in (out)	156,204	-	156,204
Loan proceeds	28,000	-	28,000
Excess of revenues over (under) expenditures & transfers	(56,589)	(12,377)	(68,966)
Fund balance - beginning of year	112,109	258,830	370,939
Fund balance - end of year	$ 55,520	$ 246,453.0	$ 301,973

The Accompanying Notes are an Integral Part of the Basic Financial Statements

CITY OF PAWNEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE GOVERNMNET-WIDE STATENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	$	(68,966)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report loan proceeds as revenue. However, in the Government-Wide Statement of Activities and Changes in Net Position, the proceeds received are recorded as a liability. This is the amount received in the current period		(28,000)
Governmental Funds report the lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the principal paid on that liability is applied against the liability. This is the amount of principle recorded in the current period.		29,163
Government-Wide Statement of Activities and Changes in Net Position report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accured absenses recorded in the current period.		(5,472)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		82,503
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(132,598)
Change in Net Position of Governmental Activities	$	(123,370)

CITY OF PAWNEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

		Business-type Activities- Enterprise Funds		
	Water & Electric	Sewage & Solid Waste	Pawnee Industrial Authority (Non-Major)	Totals
Assets:				
Cash and Investments:				
Cash & Cash Equivalents (Note 3)	$ 115,031	$ -	$ 145,706	$ 260,737
Investments, at cost	167,825	58,283	-	226,108
Receivables (net allowance for uncollectibles):				
Accounts Receivable	473,687	58,833	-	532,520
Interest	104	14	-	118
Restricted Assets:				
Cash & Cash Equivalents (Note 3)	761,981	1,006,902	-	1,768,883
Capital Assets:				
Land	10,000	-	72,611	82,611
Depreciable buildings, property equipment and infrastructures, net depreciation (Notes 1 & 3)	4,219,995	8,594,392	434,739	13,249,126
Total Assets	$ 5,748,623	$ 9,718,424	$ 653,056	$ 16,120,103
Deferred Outflows of Resources:				
Total Deferred Outflows	-	-	-	-
Liabilities:				
Current Liabilities:				
Accounts Payable	$ 160,302	$ 18,883	$ -	$ 179,185
Accrued Compensation	4,126		-	7,491
Sales Tax Payable	4,479		-	4,479
Interest Payable	-		-	63,627
Payable from Restricted Assets:				
Interes Payable	77,668	-	-	77,668
Capital Lease Payable	-	-	-	-
Notes Payable (Note 3)	63,461	258,283	8,180	329,924
Revenue Bonds Payable (Note 3)	214,000	-	-	215,000
Non-Current Liabilities:				
Notes Payable (Note 3)	1,547,407	5,578,570	63,203	7,189,180
Revenue Bonds Payable (Note 3)	2,790,000	-	-	2,790,000
Total Liabilities	4,862,443	5,922,728	71,383	10,856,554
Deferred Inflows of Resources:				
Total Deferred Inflows	-	-	-	-
Net Position:				
Invested in Capital Assets, Net of Related Debt	(385,873)	2,757,539	435,967	2,807,633
Restricted	761,981	1,006,902	-	1,768,883
Unrestricted	510,072	31,255	415,706	687,033
Total Net Position	$ 886,180	$ 3,795,696	$ 581,673	$ 5,263,549

The Accompanying Notes are an Integral Part of the Basic Financial Statements

CITY OF PAWNEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			
	Water & Electric	Sewage & Solid Waste	Pawnee Industrial Authority (Non-Major)	Totals
Revenues:				
Electric	$ 2,279,144	$ -	$ -	$ 2,279,144
Water	414,018	-	-	414,018
Sewer	-	204,263	-	204,263
Refuse	-	212,883	-	212,883
Insect Spray	-	-	-	-
Late Charges	38,704	-	-	38,704
Rental	-	-	31,470	31,470
Sales and Fees	-	2,820	-	2,820
Utility Improvement	-	155,835	-	155,835
Miscellaneous	43,518	336,966	-	380,484
Total Revenues	2,775,384	912,767	31,470	3,719,621
Operating Expenses:				
General & Administrative	322,659	-	-	322,659
Personal Services	203,802	90,542	-	294,344
Electric Service	1,407,963	-	-	1,407,963
Water Service	150,545	-	-	150,545
Sewer & Refuse Service	-	241,404	-	241,404
Depreciation	196,013	255,053	22,881	473,947
Total Operating Expenses	2,280,982	586,999	22,881	2,890,862
Income Before Non-Operating Revenues, Expenses & Transfers	$ 494,402	$ 325,768	$ 8,589	$ 828,759
Non-Operating Revenues (Expenses):				
Interest & Dividends	$ 1,530	$ 787	$ -	$ 2,317
Interest Expense	(69,814)	(176,496)	(6,418)	(252,728)
Grant Revenue	355,000	-	-	355,000
Trustee Fees	(375)	(1,679)	-	(2,054)
Total Non-Operating	286,341	(177,388)	(6,418)	102,535
Income (Loss) Before Operating Transfers	780,743	148,380	2,171	931,294
Transfers in (out)	(446,400)	290,196	-	(156,204)
Change in Net Position	334,343	438,576	2,171	775,090
Net Position at Beginning of Year	551,837	3,357,120	579,502	4,488,459
Net Position at End of Year	$ 886,180	$ 3,795,696	$ 581,673	$ 5,263,549

CITY OF PAWNEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			
	Water & Electric	Sewage & Solid Waste	Pawnee Industrial Authority (Non-Major)	Totals
Cash Flows From Operating Activities:				
Cash Received from Customers & Service Users	$ 2,678,277	$ 913,422	$ 31,470	$ 3,623,169
Cash Payments for Goods & Services & Employees	(2,095,466)	(332,326)	-	(2,427,792)
Other Operating Revenues	43,518	-	-	43,518
Net Cash Provided by Operating Activities	626,329	581,096	31,470	1,238,895
Cash Flows from Noncapital Financing Activities				
Operating Transfers in/(out) to Other Funds	(446,400)	290,196	-	(156,204)
Net Cash Provided (Used) for Noncapital Financing Activities	(446,400)	290,196	-	(156,204)
Cash Flows from Capital and Related Financing Activities:				
Principal Paid on Debt	(807,996)	(622,272)	(7,516)	(1,437,784)
Interest Paid on Debt	(131,392)	(180,061)	(6,418)	(317,871)
Loan Proceeds	-	-	-	-
Grant Monies Received	355,000	-	-	355,000
Acquisition & Construction of Capital Assets	(397,579)	(53,565)	-	(451,144)
Trustee Fees	(375)	(1,679)	-	(2,054)
Net Cash Provided (Used for Capital and Related Financing Activities	$ (982,342)	$ (857,577)	$ (13,934)	$ (1,853,853)
Cash Flows from Investing Activities:				
(Purchase) Liquidation of Investments - Unrestricted	$ (514)	$ (348)	$ -	$ (862)
Interest on Investments	1,548	789	-	2,337
Net Cash Provided by Investing Activities	1,034	441	-	1,475
Net Increase (Decrease) in Cash & Cash Equivalents	(801,379)	14,156	17,536	(769,687)
Cash and Cash Equivalents - Beginning of Year	1,678,391	992,746	128,170	2,799,307
Cash and Cash Equivalents - End of Year	$ 877,012	$ 1,006,902	$ 145,706	$ 2,029,620
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	$ 494,402	$ 325,768	$ 8,589	$ 828,759
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	196,013	255,053	22,881	473,947
Change in Assets and Liabilities				
(Increase) Decrease in Accounts Recievable	(53,589)	655	-	(52,934)
Increase (Decrease) in Accounts Payable	(10,048)	(797)	-	(10,845)
(Increase) Decrease in Accured Expenses	(2,255)	417	-	(1,838)
(Increase) Decrease in Sales Tax Payable	1,806	-	-	(1,806)
Total Adjustments	131,927	255,328	22,881	410,136
Net Cash Provided by Operating Activities	$ 626,329	$ 581,096	$ 31,470	$ 1,238,895

The Accompanying Notes are an Integral Part of the Basic Financial Statements

CITY OF PAWNEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

		Agency Funds
Assets:		
Cash and Equivalents	$	66,508
Investments at Cost		57,301
Total Assets	$	123,809
Liabilities:		
Deposits	$	123,810
Total Liabilities	$	123,810

The Accompanying Notes are an Integral Part of the Basic Financial Statements

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pawnee, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Pawnee, Oklahoma was organized under the statutes of the State of Oklahoma. The City operates under a statutory aldermanic form of government in which the citizens elect a mayor at large and eight council members by wards. The City provides the following services as authorized by state statutes: general government, public safety (fire, police and ambulance), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Pawnee, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units:

The Pawnee Public Works Authority (PPWA) was created pursuant to a Trust Indenture dated July 2, 1979, to finance, operate, construct and administer any public works, improvements or facilities for the benefit of the City of Pawnee, Oklahoma. The public works systems owned by the City have been leased to the PPWA. The PPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees identical with the City Council. The PPWA is exempt from State and Federal Income taxes. The PPWA is reported as an enterprise fund and includes the Water and Electric Fund and the Sewage and Solid Waste Fund.

The Pawnee Industrial Authority (PIA) was created pursuant to a Trust Indenture dated June 22, 1966, to promote the development of industry for the benefit of the City of Pawnee, Oklahoma. The PIA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees identical with the City Council. The PIA is exempt from State and Federal Income taxes. The PIA is reported as an enterprise fund.

The Pawnee Municipal Hospital Authority (PMHA) was created pursuant to a Trust Indenture dated March 3, 1975, to finance, operate, construct, regulate, administer or lease any hospital and related facilities for the benefit of the City of Pawnee, Oklahoma. The hospital facilities owned by the City have been leased to the PMHA, which in turn has sub-leased the facilities to an independent operating company. The PMHA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees identical with the City Council. The PMHA is exempt from State and Federal Income taxes. The PMHA is reported as a debt service fund.

Discretely Presented Component Unit:

The Pawnee Municipal Authority (PMA) was created pursuant to a Trust Indenture dated July 8, 1983, to finance, operate, and administer the Pawnee Municipal Golf Course for the benefit of the City of Pawnee, Oklahoma. The golf course owned by the City has been leased by the PMA to outside interests. The PMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of seven trustees appointed by the City Council. The PMA is exempt from State and Federal Income taxes. The PMA is presented as a component unit of the City of Pawnee.

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

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

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities at year-end.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Government-wide Financial Statements (Continued)–The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The discretely presented component unit is presented in a single column on the face of the government-wide financial statements.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

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

Special Revenue funds - account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Cemetery Fund, 911 Fund, American Flag Fund, Bath House Fund and Street & Alley Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Project Funds – accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Special Capital Improvement Fund.

Debt Service Funds – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding. The City's Debt Service Funds are the Pawnee Municipal Hospital Authority and the Sinking Fund.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent fund is composed of the Cemetery Perpetual Care Fund.

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

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

Water & Electric Fund – accounts for the operations of providing public works (electric and water) to the City.

Sewage and Solid Waste Fund – accounts for the operations of providing public works (sewer and refuse) to the City.

Pawnee Industrial Authority – accounts for the operations of providing building rentals to industrial businesses. The City has elected this fund to be treated as a major fund.

Fiduciary funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary fund is composed of customer deposit funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

2. Restricted Cash and Investments

The restricted cash and investments are the result of financial requirements of Utility System Revenue Bonds issued by the Pawnee Public Works Authority and consist of funds held in a Debt Service Fund and a Bond Reserve Fund. Under the terms and provisions of the promissory note, these special funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the bonds.

3. Fair Value of Financial Instruments

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

4. Estimates

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

5. Receivables and Payables

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

6. Inventories

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

7. Capital Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings & Improvements	40 - 100 years	40 - 100 years
Plants & Facilities	40 - 100 years	40 - 100 years
Furniture & Major Movable Equipment	10 - 40 years	10 - 40 years
Distribution systems	10 - 40 years	10 - 40 years

The City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for review. The amount by which this departure would affect the assets, net position, and expenses of the Governmental and Business-Type Activities is not readily determinable.

8. Compensated Absences

City employees are entitled to vacation and sick leave benefits in varying amounts based on their length of employment. It is the City's policy to permit employees to accumulate earned but unused absences to specified maximums. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. Generally employees are entitled to all accrued vacation leave upon termination. Employees are not compensated for unused sick leave upon termination. At the option of the employee, compensatory time off may be taken in lieu of cash payment for overtime worked. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

9. Post-Employment Healthcare Benefits

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

10. Long-term Obligations

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

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

11. Net Position/Fund Balance

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Assets, Liabilities and Equity (Continued)**

11. Net Position/Fund Balance (Continued)

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form,* such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned* or *unassigned,* as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund,* that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the City held deposits of approximately $2,629,090 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	$ 2,284,871	$ 2,284,871
Certificate of deposit	4.50	N/A	344,219	344,219
Total investments			$ 2,629,090	$ 2,629,090

Reconciliation to Statement of Net Assets	
Governmental activities	$ 246,364
Business-type activities	2,255,728
Fiduciary funds	123,809
Component units	3,189
	$ 2,629,090

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 13% in Certificates of deposit ($344,219) and 87% in Money Market funds ($2,284,871).

B. Restricted Cash and Investments

Under terms and provisions of the Bond Indenture, special accounts and reserve funds of the Pawnee Public Works Authority (PPWA) are maintained with the Trustee Bank for the benefit of the holders of the Bonds and are not subject to lien or attachment by any creditors of the PPWA. These accounts and reserve funds are to be maintained so long as any Bonds are outstanding.

Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Restricted Cash and Investments (Continued)

The Pawnee Public Works Authority has acquired 7,500 shares of the capital stock of Techtrol, Inc. at a cost of $150,000. The investment represents 15% of the outstanding stock of the company. Under the terms of the subscription agreement, Techtrol, Inc. has a right of first refusal in the event Pawnee Public Works Authority proposes to dispose of all or any portion of its shares in the company. In addition, Techtrol, Inc. has been granted a right to redeem shares of stock held by Pawnee Public Works Authority based on levels of employment. The investment in Techtrol, Inc. is unsecured. The investment value has been decreased to -0- to reflect the estimated fair value of the investment as of year-end. The fair value was estimated based upon an evaluation of the company's assets and liabilities.

The allowance for uncollectible accounts receivable at year-end is $395,986. The allowance is management's estimate of accounts not collectible in the normal course of business during a reasonable amount of time. Amounts not collected are netted against revenue.

C. Uncollectible Accounts

The allowance for uncollectible accounts receivable at year-end is $395,286. The allowance is management's estimate of accounts not collectible in the normal course of business during a reasonable amount of time. Amounts not collected are netted against revenue.

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

D. Capital Assets

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

Governmental Activities:	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Non-depreciable assets:				
Land	$ 131,500	$ -	$ -	$ 131,500
Total non-depreciable assets	131,500	-	-	131,500
Depreciable assets:				
Buildings & improvements	2,322,378	-	-	2,322,378
Furniture & major movable equipment	1,699,917	82,503	-	1,782,420
Distribution systems	96,819	-	-	96,819
Infrastructure	667,581	-	-	667,581
Total depreciable assets	4,786,695	82,503	-	4,869,198
Less accumulated depreciation:				
Buildings & improvements	(870,153)	(23,223)	-	(893,376)
Furniture & major movable equipment	(1,221,644)	(90,264)	-	(1,311,908)
Distribution systems	(70,195)	(2,422)	-	(72,617)
Infrastructure	(122,467)	(16,689)	-	(139,156)
Total accumulated depreciation	(2,284,459)	(132,598)	-	(2,417,057)
Net depreciable assets	2,502,236	(50,095)	-	2,452,141
Net governmental activities capital assets	$ 2,633,736	$ (50,095)	$ -	$ 2,583,641

Business-Type Activities:	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Non-depreciable assets:				
Land	$ 82,611	$ -	$ -	$ 82,611
Construction in process	-	-	-	-
Total non-depreciable assets	82,611	-	-	82,611
Depreciable assets:				
Buildings & improvements	1,130,870	3,269	-	1,134,139
Sewer treatment facility	9,845,494	53,566	-	9,899,060
Water treatment facility	2,704,658	394,309	-	3,098,967
Electric system improvements	1,168,275	-	-	1,168,275
Furniture & major movable equipment	748,301	-	-	748,301
Distribution systems	2,210,498	-	-	2,210,498
Total depreciable assets	17,808,096	451,144	-	18,259,240
Less accumulated depreciation:				
Buildings & improvements	(599,381)	(33,867)	-	(633,248)
Sewer treatment facility	(1,192,969)	(246,807)	-	(1,439,776)
Water treatment facility	(417,414)	(68,438)	-	(485,852)
Electric system improvements	(465,059)	(29,207)	-	(494,266)
Furniture & major movable equipment	(627,188)	(21,852)	-	(649,040)
Distribution systems	(1,234,156)	(73,776)	-	(1,307,932)
Total accumulated depreciation	(4,536,167)	(473,947)	-	(5,010,114)
Net depreciable assets	13,271,929	(22,803)	-	13,249,126
Net business-type activities capital assets	$ 13,354,540	$ (22,803)	$ -	$ 13,331,737

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs. Only depreciation on the Industrial Authority was allocated as a direct program expense.

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Leased Facilities

City of Pawnee

On February 2, 1998, the City agreed to lease certain real property to Techtrol, Inc. Under the terms of the lease, the 9,500 square foot facility located at 1310 Newell Drive in Pawnee, Oklahoma was leased to Techtrol, Inc. for a period of 84 months beginning 10 days after completion of the facility. The terms of the lease agreement call for basic rental payments of $1,134 per month. The City collected $4,536 on the lease during the year. The rental revenue was reported in the Pawnee Industrial Authority.

Pawnee Industrial Authority

The Pawnee Industrial Authority has entered into a year-to-year lease with a manufacturing company for the lease of certain land and facilities located in the Pawnee Industrial Park. The terms of the lease agreement call for basic rental payments of $1,000 per month. The Authority collected $13,000 on the lease during the year.

Pawnee Industrial Authority

On August 19, 2002, the Pawnee Industrial Authority has entered into a lease agreement with the Pawnee Development Foundation, Inc. for the lease of certain land and facilities. The lease is for a period of 16 years. The terms of the lease agreement call for basic rental payments of $1,161 per month. The Authority collected $13,934 on the lease during the year.

Under the terms of the contract dated June 1, 1967, between the City of Pawnee, Oklahoma, and the Trustees of the Pawnee Industrial Authority, all lease payments were to be made to the City after all secured debt had been retired. During the year ended June 30, 1997, the governing board of the City transferred its rights to the rental income to the Pawnee Industrial Authority.

Pawnee Municipal Authority

The Pawnee Municipal Authority has entered into a lease agreement in which the Pawnee Municipal Golf Course will be operated as a public golf course. Under the current lease, which provides for renewal options, the facility is leased for minimal payments. The Pawnee Municipal Authority is a component unit of the City of Pawnee in accordance with the provisions of *Governmental Accounting Standards* Statement No. 14.

F. Long-term Debt

The Pawnee Public Works Authority issued its $3,075,000 Utility System Revenue Bonds, Series 1993, dated December 1, 1993. The proceeds of the issue were to be used: (i) to construct improvements to the City's water treatment facility, water distribution system, sanitary sewer collection system, electrical distribution system and closure of its landfill; (ii) to currently refund the Authority's existing indebtedness with the Farmers Home Administration; (iii) to establish a Bond Reserve Account; (iv) to provide capitalized interest; and (v) to pay certain costs of issuance.

On July 19, 1999, the Trustees of the Pawnee Public Works Authority adopted a resolution to issue its $3,995,000 Utility System Refunding Revenue Bonds. The bonds were used to refund and retire the remaining outstanding bonds referred to in the preceding paragraph. Additionally, proceeds of the new issue were to be used to provide funds for capital improvements.

In July, 2004, the Trustees of the Pawnee Public Works Authority adopted a resolution to issue its $4,675,000 Utility System Refunding Revenue Bonds, Series 2004, dated August 1, 2004. The bonds will be used to refund and retire the remaining outstanding bonds referred to in the preceding paragraph. Additionally, proceeds of the new issue will be used to provide funds for capital improvements.

In March, 2014, the Trustees of the Pawnee Public Works Authority adopted a resolution to issue its $3,005,000 Utility System Refunding Revenue Bonds, Series 2014, dated August 1, 2014. The bonds will be used to refund and retire the remaining outstanding bonds referred to in the preceding paragraph. Additionally, proceeds of the new issue will be used to provide funds for capital improvements.

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

The Bonds are secured pursuant to the terms of the Indenture, which includes a pledge of the gross revenues of the water, sanitary sewer, and electrical systems of the City, which are leased to and operated by the Pawnee Public Works Authority. The Bonds are further secured by all funds and accounts established by the Indenture, except as specifically provided therein.

The following is a summary of bonds payable transactions of the City for the year:

Revenue Bonds	Date Issued	Date of Last Maturity	Balance Outstanding 6/30/13	Issued During Year	Retired During Year	Balance Outstanding 6/30/14	Current Portion 6/30/14
PPWA	3/1/14	8/1/24	$ 3,750,000	$ 3,005,000	$ 3,750,000	$ 3,005,000	$ 215,000
Total			3,750,000	3,005,000	3,750,000	3,005,000	215,000

The annual requirements to amortize bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	$ 215,000	$ 156,100	$ 371,100
2016	250,000	95,463	345,463
2017	265,000	86,625	351,625
2018	270,000	77,262	347,262
2019	280,000	67,725	347,725
2020-2024	1,555,000	183,312	1,738,312
2025	170,000	2,975	172,975
Total	$ 3,005,000	$ 669,462	$ 3,674,462

The following is a summary of long-term debt transactions in the Proprietary Funds of the City for the year:

	Balance July 1, 2013	Additions	Payments and Cancellations	Balance June 30, 2014
Notes payable	$ 8,211,888	$ -	$ 692,784	$ 7,519,104
Total	$ 8,211,888	$ -	$ 692,784	$ 7,519,104

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

The Proprietary Fund long-term debt is as follows:

(1)	Pawnee Public Works Authority: Note payable to Armstrong Bank, Pawnee, Oklahoma, collateralized by the current city hall building. Note is dated January 8, 2001 with monthly payments of $1,000 through January 2020 with interest at 7.75% until maturity.	$ 18,518
(2)	Note payable to Oklahoma Department of Commerce, collateralized by sewer plant and sewer service revenues. The note is to be paid in 240 monthly installments of $521 beginning November 1, 1998 with final maturity on October 1, 2018. The note is non-interest bearing.	27,088
(3)	A note payable to Oklahoma Water Resources Board, secured by utility revenues and accounts, contract rights and other assets owned by Pawnee Public Works Authority. The note is payable beginning February 1, 2010 in semi-annual installments of $25,500 including interest at 2.39%.	641,010
(4)	A note payable to Oklahoma Water Resources Board, secured by utility revenues and accounts, contract rights and other assets owned by Pawnee Public Works Authority. The note is payable beginning August 15, 2013 in semi-annual installments including interest at 2.74%.	1,572,449
(5)	A note payable to Oklahoma Water Resources Board, secured by utility revenues and accounts, contract rights and other assets owned by Pawnee Public Works Authority. The note is payable beginning February 15, 2013 in semi-annual installments including interest at 3.34%.	5,168,756
(6)	Note payable to Armstrong Bank, Pawnee, Oklahoma, collateralized by an excavator. Note is dated January 4, 2012 with monthly payments of $500 with interest at 7% until maturity.	19,900
(7)	Pawnee Industrial Authority: Note payable to Central Oklahoma Economic Development District, Inc., Shawnee, Oklahoma, collateralized by a building. Monthly payments of $1,161 through September, 2020 with interest at 8.5% are required by the contract.	71,383
	Total Proprietary Fund long-term debt	$ 7,519,104

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

The annual requirements to retire the Proprietary Funds long-term debt are as follows:

Year Ending June 30,	Proprietary Funds Principal	Interest	Totals
2015	$ 329,923	$ 213,797	$ 543,720
2016	318,020	203,698	521,718
2017	312,518	194,481	506,999
2018	311,023	185,546	496,569
2019	308,864	176,637	485,501
2020-2024	1,516,214	752,157	2,268,371
2025-2029	1,525,533	546,682	2,072,215
2030-2034	1,315,407	350,552	1,665,959
2035-2039	988,318	172,955	1,161,273
2040-2044	195,835	57,478	253,313
2045-2049	195,835	34,645	230,480
2050-2054	195,835	20,712	216,547
2055	5,779	65	5,844
Total	$ 7,519,104	$ 2,909,405	$ 10,428,509

Total interest incurred on long-term debt in the Proprietary Funds was $503,090, which was charged to expense. A reserve of an adequate amount is available for debt services as required by the City's debt service agreement. A reserve of an adequate amount is available for debt service as required by the City's debt service agreement.

G. Operating Lease

On May 5, 1988, the City of Pawnee entered into an amended 38-year lease of a sanitary landfill with Herbert Berg, which began April 3, 1984. The terms of the lease agreement call for basic rent payments of $250 per month adjusted annually for any percentage Consumer Price Index increase as determined by the U.S. Department of Labor. During the year ended June 30, 2014, $5,677 was paid for the lease of the property. The rental expense was reported in the Pawnee Public Works Authority.

H. Capitalized Leases

The City entered into capitalized leases for the acquisition of ambulances. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification* (ASC) 840-10, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

The capital lease is described below.

(1) Lease payable to First National Bank for the lease purchase of a fire truck. 60 monthly payments of $1,000 plus interest.	$ 21,418
(2) Lease payable to First National Bank for the lease purchase of an ambulance. 45 monthly payments of $1,000 plus interest.	1,166
(3) Lease payable to First National Bank for the lease purchase of an ambulance. 60 monthly payments of $1,036 plus interest.	41,884
Total	$ 64,468

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

H. Capitalized Leases (Continued)

The following is a summary of capitalized lease transactions for the year:

	Balance July 1, 2013	Additions	Payments and Cancellations	Balance June 30, 2014
Capital lease obligations	$ 65,629	$ 28,000	$ 29,161	$ 64,468

The annual debt service requirements to maturity, including principal and interest, for capital leases are as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	$ 23,943	$ 1,659	$ 25,602
2016	21,672	909	22,581
2017	12,038	394	12,432
2018	6,815	63	6,878
Total	$ 64,468	$ 3,025	$ 67,493

3. OTHER INFORMATION

A. Risk Management

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

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

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

On June 16, 1997, the City participated with other area cities in the creation of The Oklahoma Municipal Employee Benefit Trust (OMEBT) as provided by the Interlocal Cooperation Act of the Oklahoma Statutes (Section 1001 through 1008 of Title 74 of the Oklahoma Statutes). OMEBT is a public entity risk management and insurance program for several member cities.

The City withdrew participation in OMEBT effective July 1, 2000. While a member, the City paid monthly premiums to an administrator designated by OMEBT for employee health and life insurance coverage. The agreement establishing the OMEBT provided that each participating agency would pay for all costs, premiums, or other fees attributable to its respective participation in any plan, policy or service established under the agreement. Additionally, each participant was responsible for its obligations under any contract entered into with the group. Reinsurance with commercial companies was provided for life insurance and for individual medical claims in excess of $50,000 and aggregate monthly claims in excess of $121,987. As discussed in note 3C, OMEBT officials could not determine the amount of charges, if any, that would be assessed in the future against the City as a result of accumulated losses while a participant in the plan.

3. OTHER INFORMATION (Continued)

B. Commitments

Water Purchase Commitment:

The City of Pawnee, together with seven other cities and rural water districts located in Noble, Pawnee, and Payne Counties, Oklahoma, have jointly formed Lone Chimney Water Association. The purpose of the Association is to provide a water system for the benefit of its members and other users. The association has entered into various loan agreements with the United States of America (USDA Rural Development) and the Oklahoma Water Resources Board to provide financing for the facility. Under the terms of the agreement regarding the Lone Chimney Water Association, each member contracted to purchase a minimum amount of water from the Association during the 40-year term of the notes. In addition, each individual member is proportionately liable for any debts that exceed the assets of the association to the extent of one and one-half times the percentage of ownership interest held by the entity pursuant to the agreement. The City is contingently liable for 12.12% of the obligations of the Association, which total approximately $4,749,012 to the Oklahoma Water Resources Board at year-end. The City's contingent share of the Association's long-term debt is $575,960.

The City of Pawnee is obligated to purchase a minimum of 31.2 million gallons of water annually, currently at a cost of $93,000. Net revenues must equal at least 125% of required debt service, which could affect the future cost of water to each of the participating entities. The rates charged for the water can be adjusted every three years as necessary to provide sufficient revenues for the Association.

Future purchase commitments at current rates are as follows:

Year Ending June 30,	Totals
2015	$ 93,000
2016	93,000
2017	93,000
2018	93,000
2019	93,000
2020-2024	465,000
2025-2029	465,000
2030-2032	279,000
Total	$ 1,674,000

C. Contingent Liabilities

Pending Litigation:

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

Public Entity Risk Pool, Health Insurance:

As further explained in Note 3A, the City was a participant through June 30, 2000 in a Public Entity Risk Pool (PERP) for employee health and life insurance. The Oklahoma Municipal Employee Benefit Trust (OMEBT) had incurred an operating deficit estimated to be $550,000 at June 30, 1999. Trust management could not provide an estimate of operating deficits, if any, at June 30, 2014. As a previously participating member of the PERP, the city could be assessed its share of accumulated operating losses. OMEBT has not provided operating statements to the City but does continue to operate. During FY 2014, Trust management adjusted the rates charged participating municipal governments in an attempt to recover the estimated deficit. No provision for loss has been reflected in the City's financial statements.

3. OTHER INFORMATION (Continued)

C. Contingent Liabilities (Continued)

Grant Awards:

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

Landfill:

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Closure and post-closure care costs, are not presently determinable, and it is not known if these matters will have a material adverse effect on the financial condition of the City.

D. Employee Retirement Plans

Description of Plan

The City provides pension benefits for substantially all of its full time employees (excluding firemen who are covered under a separate state retirement system) through a defined benefit cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent

multiple employer defined benefit plan. An employee includes any person who, if last hired after July 1, 1971, had not reached his 60th birthday at the time of hiring. An employee is eligible to participate in the Plan on the employee's employment commencement date, which means the first day of the first pay period during which the employee receives wages as an employee from which federal taxes are withheld.

An employee becomes fully vested after ten years. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

<u>Funding Policy</u>

The required contribution rate for the 2013-2014 plan year was 14.86% of each participant's payroll. This consisted of 6.0% contributed by the employee and 8.86% contributed by the City. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost

The City's annual pension cost of $70,141 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per year. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2013 was 11 years.

The contribution from the City for this plan was $78,518, $118,536 and $70,141 for 2012, 2013 and 2014, respectively.

3. OTHER INFORMATION (Continued)

D. Employee Retirement Plans (Continued)

Schedule of Funding Progress

Actuarial Valuation Date		Value of Assets	Asset Valuation Basis		Actuarial Accrued Liability (AAL)*		Unfunded AAL (UAAL)	Funded Ratio
1/1/2005	$	1,127,531	Actuarial	$	1,049,097	$	(78,434)	107.5%
1/1/2006		1,177,669	Actuarial		1,205,433		27,764	97.7%
1/1/2007		1,252,039	Actuarial		1,265,900		13,861	98.9%
1/1/2008		1,358,100	Actuarial		1,276,999		(81,101)	106.4%
1/1/2009		1,318,647	Actuarial		1,530,244		211,597	86.2%
1/1/2010		1,371,779	Actuarial		1,655,547		283,768	82.9%
1/1/2011		1,487,542	Actuarial		1,819,483		331,941	81.8%
1/1/2012		1,619,822	Actuarial		1,895,171		275,349	85.5%
1/1/2013		1,790,164	Actuarial		2,018,316		228,152	88.7%
1/1/2014		1,952,939	Actuarial		2,061,635		108,696	94.7%

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

Firemen's Pensions Plan

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8% of base salary and the City contributes an additional 13% ($60 for volunteer firemen). The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for this plan was $13,732, $14.291 and $10,718 for 2012, 2013 and 2014, respectively. The required contribution was fully contributed. At June 30, 2013 the system held no related-party investments of the City or of its related entities.

E. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2014, no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree age. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree.

3. OTHER INFORMATION (Continued)

E. Other Post-Employment Benefits (Continued)

The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2014 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the respective audit report date, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

CITY OF PAWNEE
Pawnee, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

CITY OF PAWNEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year ended June 30, 2014
(Unaudited)

GENERAL FUND

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget Over (Under)
Revenues:				
Charges for Services	$ 361,500	$ 383,500	$ 381,633	$ (1,867)
Licenses & Permits	31,000	32,100	7,647	(24,453)
Interest	1,000	1,000	252	(748)
Franchis Fees	30,000	31,000	20,165	(10,835)
Fines & Forfeitures	30,000	30,000	29,761	(239)
Taxes	974,600	765,700	716,289	(49,411)
Intergovernment Programs	155,000	105,000	4,882	(100,118)
Donations	15,000	15,000	300	(14,700)
Sales of Property	-	-	-	-
Miscellaneous	16,000	16,000	15,214	(786)
Total Revenues				
Expenditures:				
Current:				
General Government	334,800	283,900	244,632	39,268
Public Safety	806,445	742,808	707,740	35,068
Highways, Roads, & Airport	141,575	161,575	125,205	36,370
Cultural & Recreational	251,992	242,792	225,424	17,368
Leases Payable	30,376	36,000	31,432	4,568
Capital Outlay	127,000	87,000	82,503	4,497
Total Expenditures	1,692,188	1,554,075	1,416,936	137,139
Excess of Revenue Over (Under) Expenditures	(78,088)	(174,775)	(240,793)	(66,018)
Other Financing Sources (Uses):				
Operating Transfers in (out)	65,900	152,400	156,204	3,804
Loan Proceeds	-	-	28,000	28,000
Net Change in Fund Balance	(12,188)	(22,375)	(56,589)	(34,214)
Fund Balance at Beginning of Year	112,109	112,109	112,109	-
Fund Balance at end of Year	99,921	89,734	55,520	(34,214)

The Notes to Required Supplemental Information are an Integral Part of this Statement

CITY OF PAWNEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts			
	Original Budget	Budget	Actual	Variance With Fianl Budget Over (Under)
Revenues:				
IntergovernmentalPrograms	$ 35,000	$ 35,000	$ 21,201	$ (13,799)
Donations	-	-	-	-
Interest	200	200	10	(190)
Rental	300	300	-	(300)
Miscellaneous	30,000	30,000	-	(30,000)
Special Assessments	35,000	35,000	30,986	(4,014)
Total Revenues	100,500	100,500	52,197	(48,303)
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	35,000	40,000	38,790	1,210
Highways, Roads, & Airport	34,542	29,542	30,720	(1,178)
Cultural, Parks & Recreation	32,219	32,219	-	32,219
Capital Outlay	-	-	-	-
Total Expenditures	101,761	101,761	69,510	32,251
Excess of Revenue Over (Under) Expenditures	(1,261)	(1,261)	(17,313)	(16,052)
Othr Financing Sources (Uses)				
Operaitng Transfers In (Out)	-	-	299	299
Net Changes in Fund Balance	(1,261)	(1,261)	(17,014)	(15,753)
Fund Balance at Beginning of Year	108,845	108,845	108,845	-
Fund Balance at End of Year	107,584	107,584	91,831	(15,753)

The Notes to Required Supplemental Information are an Integral Part of this Statement

CITY OF PAWNEE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHAGNES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

CAPITAL PROJECT FUNDS

	Budgeted Amounts			Variance With
	Original Budget	Final Budget	Actual	Fianl Budget Over (Under)
Revenues:				
Intergovernment Programs	$ 329,000	$ 329,000	$ 2,200	$ (306,800)
Miscellaneous	-	-	-	-
Total Revenues	329,000	329,000	2,200	(306,800)
Expenditures:				
Economic Development	29,000	29,000	18,750	10,250
Capital Outlay	300,000	300,000	-	300,000
Total Expenditures	329,000	329,000	-	310,250
Excess of Revenue Over (Under) Expenditures	-	-	3,450	3,450
Othr Financing Sources (Uses)				
Operaitng Transfers In (Out)	-	-	-	-
Net Changes in Fund Balance	-	-	3,450	3,450
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	$ -	$ -	$ 3,450	$ 3,450

The Notes to Required Supplemental Information are an Integral Part of this Statement

CITY OF PAWNEE
Pawnee, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2014
(Unaudited)

BUDGETARY INFORMATION

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

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

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

CITY OF PAWNEE
Pawnee, Oklahoma

OTHER INFORMATION
June 30, 2014

CITY OF PAWNEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue				
Assets:	**911 Fund**	**Cemetery Fund**	**Skate Park Fund**	**Street & Alley Fund**	**Buffalo Theatre Fund**
Cash & Equivalents	$ 58,077	$ 32,199	$ -	$ 1,321	$ 200
Investments at Cost	-	-	-	-	-
Accouts Receivable, Net	2,388	-	-	3,482	-
Interest Receivable	-	-	-	-	-
Total Assets	$ 60,465	$ 32,199	$ -	$ 4,803	$ 200
Liabilities:					
Accounts Payable	$ 3,147	$ -	$ -	$ 2,689	$ -
Total Liabilities	3,147	-	-	2,689	-
Fund Balances:					
Restricted	57,318	32,199	-	2,114	200
Total Fund Balances	57,318	32,199	-	2,114	200
Total Liabilities and Fund Balances	$ 60,465	$ 32,199	$ -	$ 4,803	$ 200

CITY OF PAWNEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

Liabilities:					
Accounts Payable	$ -	$ -	$ -	$ -	$ 5,836
Total Liabilities	-	-	-	-	5,836
Fund Balances:					
Unreserved	3,450	5,596	71,972	73,604	246,453
Total Fund Balances	3,450	5,596	71,972	73,604	246,453
Total Liabilities and					
Fund Balances	$ 3,450	$ 5,596	$ 71,972	$ 73,604	$ 252,289

CITY OF PAWNEE
COMBINING STATEMTN OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Special Revenue				
Revenues:	**911 Fund**	**Cemetery Fund**	**Skate Park Fund**	**Street & Alley Fund**	**Buffalo Theatre Fund**
Intergovernmental Programs	$ -	$ -	$ -	$ 21,201	$ 200
Donations	-	-	-	-	-
Interest Receivable	-	10	-	-	-
Miscellaneous Revenues	-	-	-	-	
Rental	-	-	-	-	
Special Assessments	30,986	-	-	-	
Grants	-	-	-	-	-
Total Revenues	$ 30,986	$ 10	$ -	$ 21,201	$ -
Expenditures:					
Public Safety	38,790	-	-	-	-
Highway & Roads	-	-	-	30,720	-
Cultural, Parks, & Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Health & Welfare	-	-	-	-	-
Capital Outlay	$ -	$ -	$ -	$ -	$ -
Total Expenditures	38,790	-	-	2,689	-
Excess of Revenues Over (Under) Expenditures	(7,804)	10	-	(9,519)	-
Transfers in (Out)	-	299	-	-	-
Fund Balance - Beginning of Year	65,122	31,890	-	11,633	200
Fund Balance - End of Year	$ 57,318	$ 32,199	$ -	$ 2,114	$ 200

CITY OF PAWNEE
COMBINING STATEMTN OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Capital Projects	Debt Service			Total
(Continued)	**Captial**	**Sinking**	**Municipal Hospital**	**Cemetery Perpetual**	**Non-Major Governmental**
Revenues:	**Projects**	**Fund**	**Authority**	**Care**	**Funds**
Intergovernmental Programs	$ -	$ -	$ -	$ -	$ 21,201
Donations	-	-	-	2,400	2,400
Interest Receivable	-	8	36	300	354
Miscellaneous Revenues	-	-	-	-	-
Rental	-	-	1,380	-	1,380
Special Assessments	-	-	-	-	30,986
Grants	22,200	-	-	-	22,200
Total Revenues	$ 22,200	$ 8	$ 1,416	$ 2,700	$ 78,521
Expenditures:					
Public Safety	-	-	-	-	38,790
Highway & Roads	-	-	-	-	30,720
Cultural, Parks, & Recreation	-	-	-	-	-
Economic Development	18,750	-	-	-	18,750
Health & Welfare	-	-	2,638	-	26,384
Capital Outlay	$ -	$ -	$ -	$ -	$ -
Total Expenditures	18,750	-	2,638	-	90,898
Excess of Revenues Over (Under) Expenditures	3,450	8	(1,222)	2,700	(12,377)
Transfers in (Out)	-	-	-	(299)	-
Fund Balance - Beginning of Year	-	5,588	73,194	71,203	258,830
Fund Balance - End of Year	$ 3,450	$ 5,596	$ 71,972	$ 73,604	$ 246,453

CITY OF PAWNEE
Pawnee, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Total Expend-itures
U.S. Department of Housing and Urban Development:				
Passed Through the Oklahoma Department of Commerce:				
CDBG	14.228	22,200	22,200	18,750
Passed Through the Indian Health Services:				
IHSC Grant		355,000	355,000	311,404
U.S. Departmnet of Education:				
Passed Through the Oklaoma Department of Libraries:				
Liberary State Aid Grant	84.034	4,882	4,882	4,882
Total Expenditures of Federal Awards		1,319,482	1,282,482	767,661
Environmental Protection Agency				
Passed Through Indian Health Services				
IHS Clean Water Set Aside	66.458	937,400	900,400	432,625

CITY OF PAWNEE
Pawnee, Oklahoma

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARD*
June 30, 2014

Linda S. Woodruff
CPA
A Professional Corporation

AICPA • OSCPA

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

The Board of City Commissioners
City of Pawnee
510 Illinois Street
Pawnee, Oklahoma 74058

I have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pawnee, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Pawnee, State of Oklahoma's basic financial statements and have issued my report thereon dated December 22, 2014.

Internal Control over Financial Reporting

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

My consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [2014-01;2014-02]

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. [2014-03]

Compliance and Other Matters

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

City of Pawnee, State of Oklahoma's Response to Findings

City of Pawnee, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. City of Pawnee, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Linda S. Woodruff, CPA, P.C.

Linda S. Woodruff, CPA, P.C.

Oklahoma City, OK 73172
December 22, 2014

City of Pawnee
Pawnee, Oklahoma

Schedule of Findings & Questioned Costs
June 30, 2014

While there are no questioned costs for this audit period, the schedule of findings is as follows:

2014-01. Internal Control—Segregation of Duties

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

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

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

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

Response: City Council concurs with the recommendation, although the cost to correct this might exceed the benefit.

2014-02 Internal Control—Meter Reading

Condition: Meters are not being read consistently from month to month

Criteria: Reading of meters should occur at the same time each month so that revenue is spread evenly throughout the year.

Effect: The meter reading process and billing cycle is taking too much time resulting in uneven billing cycles. This practice is creating difficulties for customers to budget for the utility cost which also results in possible cash flow problems for the City.

Recommendation: I recommend a specific time be set each month for the reading of meters. Each reader should be given a route to read all meters within a short time span (no more than two or three days) and the reader should be responsible for legible/ accurate readings on the first read. City Council may wish to review hand held reading capabilities and equipment requirements to resolve some of the errors and timing issues.

Response: City Council concurs with the recommendation and will implement a time frame for reading. The Mayor and City Clerk will review the options and costs for hand held units.

2014-03 Internal Control—Compensated Absences

Condition: Sick and vacation leave for four employees have exceeded that amount allowed in the policy adopted by the city.

Criteria: No employees should be allowed to accrue more sick or vacation time than stated in the city's employee policy manual

Effect: Compensated absence payable on the financial statements is overstated by the overage from these employees and will continue to increase unless the accrual is discontinued.

Recommendation: City Officials should meet with the affected employees and notify them of the loss of the excess sick leave and vacation. When sick leave reaches the maximum, no further accrual should be recorded unless some time is used. Employees should be required to take annual vacation in order to maintain their health and no hold over to the next year should be allowed.

Response: City Clerk and the Mayor will discuss this situation with the employees and closely monitor future accruals.

Linda S. Woodruff
CPA
A Professional Corporation

AICPA • OSCPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of City Commissioners
City of Pawnee
510 Illinois Street
Pawnee, Oklahoma 74058

Report on Compliance for Each Major Federal Program

I have audited City of Pawnee, State of Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Pawnee, State of Oklahoma's major federal programs for the year ended June 30, 2014. City of Pawnee, State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of City of Pawnee, State of Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Pawnee, State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Pawnee, State of Oklahoma's compliance.

Opinion on Each Major Federal Programs

In my opinion, City of Pawnee, State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-01. My opinion on each major federal program is not modified with respect to these matters.

City of Pawnee, State of Oklahoma's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. City of Pawnee, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

Management of City of Pawnee, State of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered City of Pawnee, State of Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Pawnee, State of Oklahoma's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-01 and 2014-02 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-03 to be significant deficiencies.

City of Pawnee, State of Oklahoma's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. City of Pawnee, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Linda S. Woodruff, CPA, P.C.

Linda S. Woodruff, CPA, P.C.

Oklahoma City, OK 73172
December 22, 2014