



CITY OF CRESCENT, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2014

THE CITY OF CRESCENT, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS**

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CITY OF CRESCENT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Crescent, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crescent, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, each major fund, and the aggregate remaining fund information of the City of Crescent, 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 5-11 and 36-37 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 Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crescent, Oklahoma's basic financial statements. The general fund accounts combining schedules, nonmajor governmental combining statements, and the schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining general fund schedules, combining nonmajor governmental fund financial statements, and the schedule of expenditures of federal and state 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, general fund accounts combining schedules, nonmajor governmental combining statements, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 23, 2015, on my consideration of the City of Crescent, 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 the City of Crescent, Oklahoma's internal control over financial reporting and compliance.



Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma
January 23, 2015

CITY OF CRESCENT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

As Management of the City of Crescent, we offer readers this narrative overview and analysis of the financial activities of the City of Crescent for the fiscal year ended June 30, 2014. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$54,757 and the assets and deferred outflows of the City exceeded its liabilities and deferred inflows at June 30, 2014, by \$10.2 million (net position). Of this amount, approximately \$0.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$4.1 million. Of that amount approximately \$200,000 is available for spending at the government's discretion (unassigned fund balance) of the General Fund. The Crescent Public Works Authority (CPWA) enterprise fund reported an ending net position of \$4.4 million of which approximately \$329,000 is available for spending at the government's discretion (unrestricted net position).
- At the end of fiscal year 2014, unassigned fund balance for the General Fund was 25% of General Fund total revenues. The unrestricted net position of the CPWA was 55% of total CPWA revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Crescent (the "City") and the Crescent Public Work Authority (the "Authority"). Included in this report are government-wide statements for each of two categories of activities – governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), along with any inflow and outflows considered deferred.

Reporting the City as a Whole - Statements of Net Position and Activities

This discussion and analysis is intended to serve as an introduction to the City of Crescent's basic financial statements. One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

(Unaudited. See accompanying auditor's report.)

These two statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets and deferred outflows less liabilities and deferred inflows– as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state grants finance most of these activities.
- **Business-type activities** – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of Crescent, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Crescent can be divided into two categories: governmental funds and proprietary funds.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds -- When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary fund and 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 water, sewer and sanitation services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

(Unaudited. See accompanying auditor's report.)

CITY OF CRESCENT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Notes to the Financial Statements

The notes provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, combining and individual financial statements and schedules, and a schedule of federal and state awards.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by \$10.2 million at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 845	\$ 678	25%	\$ 362	\$ 289	25%	\$ 1,207	\$ 967	25%
Capital assets, net	1,700	1,799	-6%	4,060	4,018	1%	5,760	5,817	-1%
Other non-current assets	3,417	3,456	-1%	46	46	0%	3,463	3,502	-1%
Total assets	5,962	5,933	0%	4,468	4,353	3%	10,430	10,286	1%
Current liabilities	143	50	186%	25	35	-29%	168	85	98%
Non-current liabilities	12	6	100%	54	54	0%	66	60	10%
Total liabilities	155	56	177%	79	89	-11%	234	145	61%
Net position									
Investment in capital assets	1,700	1,799	-6%	4,060	4,018	1%	5,760	5,817	-1%
Restricted	3,706	3,734	-1%	-	-	0%	3,706	3,734	-1%
Unrestricted	401	344	17%	329	245	34%	730	589	24%
Total net position	\$ 5,807	\$ 5,877	-1%	\$ 4,389	\$ 4,263	3%	\$ 10,196	\$ 10,140	1%

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. This year the investment in capital assets amounted to \$5.8 million. Currently, the City has no capital related debt.

A portion of the City's net position, \$3.7 million, represents resources that are subject to internal and external restrictions on how they may be used. The remaining balance of unrestricted net position, \$730,011, may be used to meet the government's ongoing obligations to citizens and creditors.

(Unaudited. See accompanying auditor's report.)

CITY OF CRESCENT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Changes in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 90	\$ 53	70%	\$ 601	\$ 584	3%	\$ 691	\$ 637	8%
Operating grants and contributions	121	41	195%	-	-	-	121	41	195%
Capital grants and contributions	-	-	-	-	107	-100%	-	107	-100%
Taxes	618	533	16%	-	-	-	618	533	16%
Intergovernmental revenue	20	18	11%	-	-	-	20	18	11%
Investment income	41	14	193%	1	1	-	42	15	180%
Miscellaneous	19	12	58%	4	8	-50%	23	20	15%
Total revenues	909	671	35%	606	700	-13%	1,515	1,371	11%
Expenses									
General government	295	285	4%	-	-	-	295	285	4%
Public safety	428	421	2%	-	-	-	428	421	2%
Highways and streets	78	76	3%	-	-	-	78	76	3%
Code Enforcement	3	3	0%	-	-	-	3	3	0%
Culture and recreation	74	83	-11%	-	-	-	74	83	-11%
Water	-	-	-	376	338	11%	376	338	11%
Wastewater	-	-	-	64	100	-36%	64	100	-36%
Sanitation	-	-	-	141	149	-5%	141	149	-5%
Total expenses	878	868	1%	581	587	-1%	1,459	1,455	0%
Excess (deficiency) before transfers	31	(197)	-116%	25	113	-78%	56	(84)	-167%
Transfers	(101)	(200)	-50%	101	200	-50%	-	-	-
Change in net position	(70)	(397)	-82%	126	313	-60%	56	(84)	-167%
Beginning net position	5,877	6,274		4,263	3,950		10,140	10,224	
Ending net position	\$ 5,807	\$ 5,877		\$ 4,389	\$ 4,263		\$ 10,196	\$ 10,140	

Overall, the City's net position increased slightly by 0.5%. However, governmental activities reported a \$70,768 decrease, or 1.2%, while the business-type activities had a \$125,525 increase, or 2.9%.

(Unaudited. See accompanying auditor's report.)

CITY OF CRESCENT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
	General government	\$ 295		\$ 285	4%	
Public safety	428	420	2%	(349)	370	-194%
Highways and streets	78	76	3%	(64)	(63)	2%
Code enforcement	3	3	0%	8	(2)	-500%
Culture and recreation	74	83	-11%	(63)	(74)	-15%
Total	878	867	1%	\$ (668)	\$ (34)	1865%

Business-type Activities

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
	Water	\$ 376		\$ 337	12%	
Sewer	64	100	-36%	133	181	-27%
Sanitation	141	150	-6%	40	31	29%
Total	\$ 581	\$ 587	-1%	\$ 20	\$ 105	-81%

The above table shows that the sewer and sanitation activities had sufficient revenues to cover their costs while the water activity reported more expenses than revenue and did not cover its costs of operations.

(Unaudited. See accompanying auditor's report.)

CITY OF CRESCENT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$4.1 million, a 0.3% increase from the prior year. The enterprise fund reported net position of \$4.4 million, a 2.9% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance increased by \$88,465, or 2.3%, and the Street Capital Improvement Fund's total fund balance decreased by \$64,675 or 27%.
- The Crescent Municipal Authority reported an increase in net position, after transfers, of \$125,525, or 2.9%, for the year.

General Fund Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual revenues over final estimates by \$135,986, a 20.3% positive variance. General Fund actual expenditures were over final appropriations by \$69,468, a 10.3% negative variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had approximately \$5.8 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, and sewer systems, roads and bridges. This represents a net decrease of \$57,215 from last year.

TABLE 5
Primary Government Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 69	\$ 69	\$ 380	\$ 380	\$ 449	\$ 449
Buildings and Improvements	318	327	69	71	387	398
Machinery, furniture and equipment	652	692	149	168	801	860
Infrastructure	661	712	3,268	3,357	3,929	4,069
Construction in progress	-	-	194	42	194	42
Totals	<u>\$ 1,700</u>	<u>\$ 1,800</u>	<u>\$ 4,060</u>	<u>\$ 4,018</u>	<u>\$ 5,760</u>	<u>\$ 5,818</u>

(Unaudited. See accompanying auditor's report.)

CITY OF CRESCENT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Long-Term Debt

At year-end, the City had \$93,593 in long-term debt outstanding, which represents a \$13,071 decrease from the prior year.

TABLE 6
Primary Government Long-Term Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Accrued absences	\$ 22	\$ 10	\$ 14	\$ 14	\$ 36	\$ 24
Contract obligation	-	28	-	-	-	28
Meter deposits	-	-	58	55	58	55
Totals	\$ 22	\$ 38	\$ 72	\$ 69	\$ 94	\$ 107

The Upcoming Year

The CDBG Phase II project for the replacement of the remaining sewer lines will be continuing.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 205 N Grand, Crescent, Oklahoma 73078 or phone at (405) 969-2538.

(Unaudited. See accompanying auditor's report.)

CITY OF CRESCENT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF CRESCENT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Position– June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 407,606	\$ 264,564	\$ 672,170
Restricted cash and equivalents	216,488	12,353	228,841
Receivables:			
Accounts receivable, net of allowance	-	80,336	80,336
Due from other governments	180,688	-	180,688
Court fine receivable, net	15,562	-	15,562
Other receivables	19,955	-	19,955
Other assets	4,126	4,126	8,252
Noncurrent restricted investments	3,416,868	46,000	3,462,868
Capital Assets:			
Land, improvements and construction in progress	69,253	574,455	643,708
Other Capital Assets, net of depreciation	1,631,124	3,485,736	5,116,860
Total assets	<u>5,961,670</u>	<u>4,467,570</u>	<u>10,429,240</u>
LIABILITIES			
Accounts payable and accrued expenses	133,466	6,672	140,138
Long-term liabilities:			
Due within one year	9,695	18,516	28,211
Due in more than one year	11,850	53,532	65,382
Total liabilities	<u>155,011</u>	<u>78,720</u>	<u>233,731</u>
NET POSITION			
Investment in capital assets	1,700,377	4,060,191	5,760,568
Restricted for:			
Permanent - trust corpus	3,651,024	-	3,651,024
Street	52,050	-	52,050
Police	1,856	-	1,856
Unrestricted	401,352	328,659	730,011
Total net position	<u>\$ 5,806,659</u>	<u>\$ 4,388,850</u>	<u>\$ 10,195,509</u>

See accompanying notes to the financial statements.

CITY OF CRESCENT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Statement of Activities – For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General Government	\$ 295,423	\$ -	\$ 95,097	\$ -	\$ (200,326)	\$ -	\$ (200,326)
Public Safety	428,069	73,931	5,474	-	(348,664)	-	(348,664)
Highways and Streets	78,033	-	13,936	-	(64,097)	-	(64,097)
Code Enforcement	2,513	10,995	-	-	8,482	-	8,482
Culture and Recreation	74,156	4,615	6,639	-	(62,902)	-	(62,902)
Total governmental activities	<u>878,194</u>	<u>89,541</u>	<u>121,146</u>	<u>-</u>	<u>(667,507)</u>	<u>-</u>	<u>(667,507)</u>
Business-type activities:							
Water	375,672	221,973	-	-	-	(153,699)	(153,699)
Sewer	64,403	197,754	-	-	-	133,351	133,351
Sanitation	141,135	181,555	-	-	-	40,420	40,420
Total business-type activities	<u>581,210</u>	<u>601,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,072</u>	<u>20,072</u>
Total primary government	<u>\$ 1,459,404</u>	<u>\$ 690,823</u>	<u>\$ 121,146</u>	<u>\$ -</u>	<u>\$ (667,507)</u>	<u>\$ 20,072</u>	<u>\$ (647,435)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 565,016	\$ -	\$ 565,016
Franchise taxes					52,789	-	52,789
Intergovernmental, unrestricted					19,799	-	19,799
Unrestricted investment earnings					41,116	693	41,809
Miscellaneous					18,715	4,064	22,779
Transfers					(100,696)	100,696	-
Total general revenues and transfers					<u>596,739</u>	<u>105,453</u>	<u>702,192</u>
Change in net position					(70,768)	125,525	54,757
Net position - beginning					5,877,427	4,263,325	10,140,752
Net position - ending					<u>\$ 5,806,659</u>	<u>\$ 4,388,850</u>	<u>\$ 10,195,509</u>

See accompanying notes to the financial statements.

CITY OF CRESCENT, OKLAHOMA
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As of and for the Year Ended June 30, 2014

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF CRESCENT, OKLAHOMA
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Governmental Funds Balance Sheet – June 30, 2014

	<u>General Fund</u>	<u>Street Capital Improvement Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 364,984	\$ 174,034	\$ -	\$ 85,076	\$ 624,094
Investments	3,416,868	-	-	-	3,416,868
Court fines receivable	15,562	-	-	-	15,562
Due from other governments	84,383	-	95,097	1,208	180,688
Other receivables	19,955	-	-	-	19,955
Prepaid expenses	4,126	-	-	-	4,126
Total assets	<u>3,905,878</u>	<u>174,034</u>	<u>95,097</u>	<u>86,284</u>	<u>4,261,293</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable	33,560	-	99,906	-	133,466
Total liabilities	<u>33,560</u>	<u>-</u>	<u>99,906</u>	<u>-</u>	<u>133,466</u>
Deferred inflows:					
Deferred revenue	4,642	-	-	-	4,642
Fund balances:					
Nonspendable	3,651,024	-	-	-	3,651,024
Restricted	1,856	-	-	52,050	53,906
Assigned	13,585	174,034	-	34,234	221,853
Unassigned (deficit)	201,211	-	(4,809)	-	196,402
Total fund balances	<u>3,867,676</u>	<u>174,034</u>	<u>(4,809)</u>	<u>86,284</u>	<u>4,123,185</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,905,878</u>	<u>\$ 174,034</u>	<u>\$ 95,097</u>	<u>\$ 86,284</u>	<u>\$ 4,261,293</u>

See accompanying notes to the financial statements

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2014

	General Fund	Street Capital Improvement Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 617,805	\$ -	\$ -	\$ -	\$ 617,805
Fines and forfeitures	76,576	-	-	-	76,576
Licenses and permits	2,895	-	-	-	2,895
Intergovernmental	30,872	-	95,097	13,936	139,905
Charges for services	4,415	-	-	5,300	9,715
Investment earnings	41,115	230	-	91	41,436
Miscellaneous	19,765	-	-	-	19,765
Total revenues	<u>793,443</u>	<u>230</u>	<u>95,097</u>	<u>19,327</u>	<u>908,097</u>
EXPENDITURES					
Current:					
General government	261,334	-	-	-	261,334
City clerk	42,205	-	-	-	42,205
Police	327,663	-	-	-	327,663
Municipal court	6,517	-	-	-	6,517
Treasurer	1,981	-	-	-	1,981
Community Center	15,849	-	-	-	15,849
Fire	27,592	-	-	-	27,592
Library	34,072	-	-	-	34,072
Street	415	64,905	-	9,358	74,678
Parks	5,360	-	-	-	5,360
City attorney	7,206	-	-	-	7,206
Swimming pool	1,254	-	-	-	1,254
Code enforcement	2,513	-	-	-	2,513
Capital Outlay	22,332	-	99,906	16,559	138,797
Total Expenditures	<u>756,293</u>	<u>64,905</u>	<u>99,906</u>	<u>25,917</u>	<u>947,021</u>
Revenues over (under) expenditures	<u>37,150</u>	<u>(64,675)</u>	<u>(4,809)</u>	<u>(6,590)</u>	<u>(38,924)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	51,315	-	-	-	51,315
Total other financing sources and uses	<u>51,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,315</u>
Net change in fund balances	88,465	(64,675)	(4,809)	(6,590)	12,391
Fund balances - beginning	3,779,211	238,709	-	92,874	4,110,794
Fund balances - ending	<u>\$ 3,867,676</u>	<u>\$ 174,034</u>	<u>\$ (4,809)</u>	<u>\$ 86,284</u>	<u>\$ 4,123,185</u>

See accompanying notes to the financial statements

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Reconciliation of Governmental Fund and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	4,123,185
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$1,863,208		1,700,377
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Deferred revenue		4,642
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued compensated absences		(21,545)
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$</u></u>	<u><u>5,806,659</u></u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	12,391
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets		
Capital asset purchases capitalized		38,891
Depreciation expense		<u>(138,208)</u>
		<u>(99,317)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue		<u>25</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Paid on contract obligation		27,514
Change in accrued compensated absences		<u>(11,381)</u>
		<u>16,133</u>
Change in net position of governmental activities	<u><u>\$</u></u>	<u><u>(70,768)</u></u>

See accompanying notes to the financial statements

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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

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Proprietary Fund Statement of Net Position – June 30, 2014

	<u>Crescent Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 264,564
Restricted cash and cash equivalents	12,353
Accounts receivable, net	80,336
Prepaid Expenses	4,126
Total current assets	361,379
Noncurrent assets:	
Restricted investments	46,000
Capital assets:	
Land and improvements	574,455
Infrastructure	3,485,736
Total non-current assets	4,106,191
Total assets	4,467,570
 LIABILITIES	
Current liabilities:	
Accounts payable	6,672
Due to depositors	12,353
Compensated absences	6,163
Total current liabilities	25,188
Noncurrent liabilities:	
Due to depositors	46,000
Compensated absences	7,532
Total non-current liabilities	53,532
Total liabilities	78,720
 NET POSITION	
Investment in capital assets	4,060,191
Unrestricted	328,659
Total net position	\$ 4,388,850

See accompanying notes to the financial statements

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2014

	Crescent Public Works Authority
REVENUES	
Charges for services:	
Water charges	\$ 219,496
Sewer charges	179,725
Sanitation charges	181,555
Penalties	20,431
Total operating revenues	601,207
OPERATING EXPENSES	
Administration	118,321
Sanitation	108,105
Utilities	233,722
Repairs and maintenance	11,153
Depreciation	109,909
Total operating expenses	581,210
Operating income	19,997
NON-OPERATING REVENUES	
Interest and investment revenue	693
Miscellaneous revenue	4,139
Total non-operating revenue	4,832
Income before transfers and capital contributions	24,829
Capital contributions	152,011
Transfers out	(51,315)
Change in net position	125,525
Total net position - beginning	4,263,325
Total net position - ending	\$ 4,388,850

See accompanying notes to the financial statements

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Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2014

	Crescent Public Works Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 599,003
Payments to suppliers	(308,700)
Payments to employees	(180,880)
Receipt of customer deposits	13,060
Customer meter deposits refunded or applied	(9,588)
Net Cash Provided by Operating Activities	112,895
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(51,315)
Net Cash Provided by (Used in) Noncapital Financing Activities	(51,315)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	693
Net Cash Provided by Investing Activities	693
Net Increase in Cash and Cash Equivalents	62,273
Balances - beginning of the year	214,644
Balances - end of the year	\$ 276,917
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 264,564
Current restricted cash and cash equivalents	12,353
Total cash and cash equivalents	\$ 276,917
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 19,997
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	109,909
Miscellaneous income	4,139
Change in assets and liabilities:	
Receivables	(6,343)
Prepaid items	(4,126)
Accounts payable and accrued liabilities	(13,743)
Meter deposit liability	3,472
Accrued compensated absences	(410)
Net Cash Provided by Operating Activities	\$ 112,895
Noncash investing, capital, and financing activities:	
Transfer of construction in progress from governmental activities	\$ (152,011)

See accompanying notes to the financial statements

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Crescent) and blended component units as noted below. This annual report includes all activities for which the City of Crescent City Council is fiscally responsible.

The City of Crescent – that operates the public safety, health and welfare, streets and highways, parks and recreation and administrative activities.

The City of Crescent has a population of 1,411 located in central Oklahoma in Canadian County. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government.

- Legislative – the City Council is a five-member governing body with the mayor elected by the council and five council members elected by each ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.

The City provides typical municipal services such as a public safety, health and welfare, street and alley maintenance, parks and recreation.

Blended Component Units:

Crescent Public Works Authority (CPWA) – public trust created under 60 O.S. 162 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

Crescent Economic Development Authority - Created March 31, 1981, to stimulate economic growth and development, to promote, stimulate, encourage and finance the growth and development of the agricultural, commerce, and industry of the City of Crescent. The City council appoints the trustees with one current member of the City council serving as a trustee. Any issuances of debt would require a two-thirds approval of the City Council. The City of Crescent is the beneficiary of the trust. The CEDA is currently inactive.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and non-current are reported along with any inflows and outflows that are deferred. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- General Government: CDBG operating grants
- Public Safety: Fine revenue, animal fees, fire runs, on-behalf pension payments and rural fire operating grant
- Highways and Streets: Commercial vehicle and gasoline excise tax shared by the State
- Code Enforcement: permits and licenses
- Culture and Recreation: Pool fees, community center rentals, library donations, and library state operating grant

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Funds:

General Fund – accounts for all activities not accounted for in other special-purpose funds; included within the General Fund for reporting purposes are the following accounts:

- Electric sale trust account – accounts for funds permanently restricted that can only be spent upon approval by a vote of the citizens; 75% of the investment income is transferred to the General Fund as allowed by an election.
- Drug enforcement account – accounts for funds restricted for police drug enforcement activities
- CLEET account – accounts for a portion of fines collected pursuant to state law and remitted to the state
- Police equipment account-accounts for funds assigned for police equipment.

Capital Project Fund:

- Street Capital Improvement Fund – accounts for contributions and specific revenues and transfers from other city funds and expenditures for various street capital projects.
- Grant Fund – accounts for grants and transfers from other city funds expended for capital projects.

Nonmajor Funds:

Special Revenue Fund:

- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance

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Capital Project Fund:

- Fire Department Capital Improvement Fund – Accounts for contributions and specific revenues and transfers from other city funds and expenditures for various capital projects, and the fees from fire runs.

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

Proprietary Fund:

The City’s proprietary fund includes:

Major Enterprise Fund:

- Crescent Public Works Authority – accounts for the operation of the water, sewer, and sanitation activities.

The proprietary fund is reported on the accrual basis of accounting and economic resources measurement focus. For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

3. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three months or less.

At June 30, 2014, the reporting entity held the following deposits and investments:

<u>Type</u>	<u>Fair Value</u>	<u>On Demand</u>	<u>Less than One</u>	<u>1 -5</u>	<u>6 - 10</u>	<u>More than 10</u>
Deposits:						
Demand deposits	\$ 901,011	901,011	-	-	-	-
Time deposits	2,546,000	-	-	2,246,000	300,000	-
Investments:						
U.S. Obligations	916,868	-	-	-	-	916,868
Total deposits	<u>\$ 4,363,879</u>	<u>\$ 901,011</u>	<u>\$ -</u>	<u>\$ 2,246,000</u>	<u>\$ 300,000</u>	<u>\$ 916,868</u>
Reconciliation to Statement of Net Position:						
Cash and cash equivalents	\$ 672,170					
Restricted cash and cash equivalents	228,841					
Noncurrent restricted investments	3,462,868					
	<u>\$ 4,363,879</u>					

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Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2014, the City was not exposed to custodial credit as defined above.

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. The City was not exposed to investment interest rate risk.

Investment Credit Risk – the city has no investment 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.
- b. Certificates of deposit 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., b., c., and d.

The City was not exposed to investment credit rate risk.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

The City was not exposed to concentration of credit risk as defined above.

Restricted Cash and Investments - The amounts reported as restricted assets of the statement of net position are comprised of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill), and trust corpus amounts held in the Electric Sale Trust account to be used for purposes as voted on by the citizens. The restricted assets as of June 30, 2014 are as follows:

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	Cash and Cash Equivalents	Noncurrent Investments	Total
Governmental Activities:			
Electric Sale Trust	\$ 216,488	\$ 3,416,868	\$ 3,633,356
Business-type Activities:			
Utility Meter Deposit	12,353	46,000	58,353
Total Restricted Assets	<u>\$ 228,841</u>	<u>\$ 3,462,868</u>	<u>\$ 3,691,709</u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2014, capital assets balances changed as follows:

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
Governmental activities:				
Non-depreciable:				
Land	\$ 69,253	\$ -	\$ -	\$ 69,253
Total non-depreciable assets at historical cost	<u>69,253</u>	<u>-</u>	<u>-</u>	<u>69,253</u>
Depreciable:				
Buildings	630,934	-	-	630,934
Improvements	60,000	3,950	-	63,950
Machinery and equipment	1,507,493	34,941	-	1,542,434
Infrastructure	1,257,014	-	-	1,257,014
Total depreciable assets at historical cost	<u>3,455,441</u>	<u>38,891</u>	<u>-</u>	<u>3,494,332</u>
Less accumulated depreciation				
Buildings	306,715	12,112	-	318,827
Improvements	57,500	1,233	-	58,733
Machinery and equipment	815,396	74,260	-	889,656
Infrastructure	545,389	50,603	-	595,992
Total accumulated depreciation	<u>1,725,000</u>	<u>138,208</u>	<u>-</u>	<u>1,863,208</u>
Net depreciable assets	<u>1,730,441</u>	<u>(99,317)</u>	<u>-</u>	<u>1,631,124</u>
Governmental activities capital assets, net	<u>1,799,694</u>	<u>(99,317)</u>	<u>-</u>	<u>1,700,377</u>
Business-type activities				
Non-depreciable:				
Land	380,363	-	-	380,363
Construction-in-progress	42,081	152,011	-	194,092
Total non-depreciable assets at historical cost	<u>422,444</u>	<u>152,011</u>	<u>-</u>	<u>574,455</u>
Depreciable:				
Buildings	120,713	-	-	120,713
Machinery and equipment	339,042	-	-	339,042
Infrastructure	5,638,828	-	-	5,638,828
Totals depreciable assets at historical cost	<u>6,098,583</u>	<u>-</u>	<u>-</u>	<u>6,098,583</u>
Less accumulated depreciation				
Buildings	49,699	2,492	-	52,191
Machinery and equipment	171,379	18,765	-	190,144
Infrastructure	2,281,860	88,652	-	2,370,512
Total accumulated depreciation	<u>2,502,938</u>	<u>109,909</u>	<u>-</u>	<u>2,612,847</u>
Net depreciable assets	<u>3,595,645</u>	<u>(109,909)</u>	<u>-</u>	<u>3,485,736</u>
Business-type capital assets, net	<u>\$ 4,018,089</u>	<u>\$ 42,102</u>	<u>\$ -</u>	<u>\$ 4,060,191</u>

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Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows: Buildings 25 years, Vehicles 4-5 years, Machinery, furniture and equipment 5-15 years, and Utility property and improvements and infrastructure 30 years.

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	2,335	Water	54,032
Public safety	62,792	Wastewater	38,178
Highways and streets	55,460	Administration	17,699 *
Culture and recreation	17,621		
Total depreciation	<u>\$ 138,208</u>	Total depreciation	<u>\$ 109,909</u>

* Administration depreciation is allocated between water, wastewater, and sanitation activities based on proportionate share of revenues.

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Accrued Compensated Absences	\$ 10,164	\$ 22,195	\$ 10,814	\$ 21,545	\$ 9,695
Contract obligation	27,514	-	27,514	-	-
Total Governmental Long-Term Debt	<u>\$ 37,678</u>	<u>\$ 22,195</u>	<u>\$ 38,328</u>	<u>\$ 21,545</u>	<u>\$ 9,695</u>
Business-Type Activities:					
Meter deposits	\$ 54,881	\$ 13,060	\$ 9,588	\$ 58,353	\$ 12,353
Accrued Compensated Absences	14,105	3,858	4,268	13,695	6,163
Total BTA Long-Term Debt	<u>\$ 68,986</u>	<u>\$ 16,918</u>	<u>\$ 13,856</u>	<u>\$ 72,048</u>	<u>\$ 18,516</u>

Governmental debt will be paid with General Fund revenues.

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Governmental activities long-term debt:

Accrued Compensated Absences:

Current portion	9,695
Non-current portion	11,850
Total	<u>\$ 21,545</u>

Business-type activities long-term debt:

Meter Deposit Liability:

Current portion	12,353
Non-current portion	46,000
Total	<u>\$ 58,353</u>

Accrued Compensated Absences:

Current portion	6,163
Non-current portion	7,532
Total	<u>\$ 13,695</u>

6. Net Position and Fund Balances

Net position is displayed in three components:

- a. *Investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings, if any, that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “Investment in capital assets.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

The following schedule shows the detail of fund balance classifications as reported on the governmental balance sheet:

	Major Capital Improvement Funds			Other Governmental Funds	TOTAL
	General Fund	Street Capital Improvement	Grant		
Fund Balances:					
Nonspendable:					
Electric Sale Trust Corpus	\$ 3,651,024	\$ -	\$ -	\$ -	\$ 3,651,024
Restricted for:					
Police drug enforcement	940				940
CLEET fees	916	-	-	-	916
Street and alley operations and capital	-	-	-	52,050	52,050
Sub-total Restricted	1,856	-	-	52,050	53,906
Assigned to:					
Capital projects	-	174,034	-	-	174,034
Police	13,585	-	-	-	13,585
Fire operations	-	-	-	34,234	34,234
Sub-total Assigned	13,585	174,034	-	34,234	221,853
Unassigned (deficit):	201,211	-	(4,809)	-	196,402
TOTAL FUND BALANCES	\$ 3,867,676	\$ 174,034	\$ (4,809)	\$ 86,284	\$ 4,123,185

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

7. Internal and Interfund Balances and Transfers

The City’s policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2014 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
CPWA	General Fund	\$ 51,315	Operating
		<u>\$ 51,315</u>	

Reconciliation to Fund Financial Statements and Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 51,315	\$ -	\$ 51,315
Proprietary Funds	-	(51,315)	(51,315)
Total	<u>\$ 51,315</u>	<u>\$ (51,315)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Net Transfers at Fund Level	\$ 51,315
Transfer capital asset from governmental to business-type activities	(152,011)
Net Transfers on Statement of Activities	<u>\$ (100,696)</u>

8. Sales Tax Revenues

The City levies a three cent sales tax on taxable sales within the city limits in accordance with Ordinance No. 433. The City records three cents in the General Fund for general municipal operations.

9. Electric Sale Trust

On June 16, 1989, the City sold all the property comprising the City's electric distribution system. In accordance with a vote of the citizens, approximately, \$2,268,500 of the proceeds were designated as restricted for investment purposes and were invested in U.S. Treasury Bonds (with a \$2,000,000 par value) held in safekeeping by the Federal Reserve Bank in a Treasury Direct account. Of the interest earned on the investments, the City Council has earmarked, pursuant to an election, 75% to be transferred to the General Fund to be used to meet normal operating needs. The remaining 25% must be maintained in the Electric Sale Trust account.

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through purchased commercial insurance with a deductible of \$1,000.
- Workers' Compensation – Workers' compensation is covered through purchased commercial insurance with a deductible of \$1,000.
- Employee's Group Medical –City participates in Blue Cross Blue Shield insurance with a deductible of \$1,000 for each individual.

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

11. Contingencies

The City is a party to other various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

12. Pension Plan Participation

The City of Crescent participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Contribution Plan and Trust (OMRF-DCP) – an agent multi-employer defined contribution pension plan
- Oklahoma Municipal Retirement System City Manager Retirement Plan and Trust (OMRF-CMO) – an agent multi-employer defined contribution plan

OFPRS:

The City of Crescent, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. The City's annual required contribution was \$1,080 for the OFPRS plan and was equal to the City's actual contribution for the fiscal year 2014.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

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OMRF Defined Contribution Plan:

The City contributes to the Employee Retirement System of Crescent, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Contribution Plan and Trust, an agent multiple employer - defined contribution plan, for all eligible employees except for those covered by the Firefighter Pension System. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as administrator and securities custodian.

For the year ended June 30, 2014, the total contributions were 6 percent of covered payroll, of which 3 percent were contributed by both the employer and employee. For the year ended June 30, 2014, city contributions to the plan amounted to \$11,156 which was equal to the required contribution.

OMRF CMO Plan:

Effective July 1, 2001, the City has also provided a defined contribution plan and trust known as the City of Crescent City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. The plan is available only to the City Manager. The employee contributed 5% to the plan in the current fiscal year and the employer contributes 5% to the fund.

For the year ended June 30, 2014, the employer contribution rate was 5%. Contributions to the plan for the year ended June 30, 2014 were \$5,528 on a covered payroll of \$85,000.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

Summary of Contributions:

Fiscal	Oklahoma Firefighter's <u>Pension and Retirement System</u>		Oklahoma Municipal <u>Retirement Fund</u>		Oklahoma Municipal Retirement <u>Fund – (CMO Plan)</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	1,080	100%	10,741	100%	2,481	100%
2013	2,160	100%	11,018	100%	3,830	100%
2014	1,080	100%	11,156	100%	5,528	100%

13. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 69,493	\$ 69,493	\$ 103,100	\$ 33,607
Resources (Inflows):				
Alcoholic beverage tax	10,000	10,000	13,161	3,161
Community park and building	4,500	4,500	4,415	(85)
Franchise fees	46,000	46,000	52,415	6,415
Miscellaneous	1,125	1,125	15,758	14,633
Police fines	46,500	46,500	52,536	6,036
Permits and licenses	1,000	1,000	2,895	1,895
Sales tax	395,536	395,536	561,450	165,914
Use tax	19,000	19,000	21,371	2,371
Tobacco tax	5,000	5,000	6,704	1,704
Grants	7,000	7,000	11,063	4,063
Transfer in	129,540	134,651	64,530	(70,121)
Total Resources (Inflows)	<u>665,201</u>	<u>670,312</u>	<u>806,298</u>	<u>135,986</u>
Amounts available for appropriation	<u>734,694</u>	<u>739,805</u>	<u>909,398</u>	<u>169,593</u>
Charges to Appropriations (Outflows):				
General government	186,636	191,581	271,131	(79,550)
City treasurer	2,173	2,173	2,000	173
City attorney	8,000	8,000	7,213	787
Library	33,091	36,830	33,794	3,036
City clerk	42,636	42,636	42,521	115
Municipal court	7,411	7,411	6,575	836
Parks and recreation	8,000	9,350	7,430	1,920
Swimming pool	-	-	1,251	(1,251)
Community center	7,500	10,500	16,865	(6,365)
Police	313,951	319,467	322,530	(3,063)
Code enforcement	19,503	19,503	2,532	16,971
Streets and alleys	5,000	5,000	279	4,721
Fire department	21,557	21,557	29,318	(7,761)
Transfer out	-	-	37	(37)
Total Charges to Appropriations	<u>655,458</u>	<u>674,008</u>	<u>743,476</u>	<u>(69,468)</u>
Ending Budgetary Fund Balance	<u>\$ 79,236</u>	<u>\$ 65,797</u>	<u>\$ 165,922</u>	<u>\$ 100,125</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a non-GAAP budgetary basis that report revenues and expenditures on a modified cash basis. For budgetary purposes expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid.

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Sources/inflows of resources	<u>General Fund</u>
Actual amounts "Total Resources" from the budgetary comparison schedule	\$806,298
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:	
Revenues of General Fund Accounts not included in General Fund Budget:	
Electric Sale Trust	41,115
Police Equipment Account	13,222
CLEET Account	4,712
Revenue accruals	(13,724)
Transfers In	(64,530)
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	<u><u>\$787,093</u></u>

Uses/outflows of resources	
Actual amounts "Total Charges to Appropriations" from the budgetary comparison schedule	\$743,476
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:	
Expenditures of General Fund Accounts not included in General Fund Budget:	
CLEET Account	4,253
Expenditures accruals	8,661
Transfers out	(97)
<i>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	<u><u>\$756,293</u></u>

2. The legal level of appropriation control is the department level within a fund. The City Manager has the authority to make line item transfers but any overall increases or decreases are to be approved by the City Council.

The following departments exceeded appropriations:

General Fund:		
General government	(79,550)	
Swimming pool	(1,251)	
Community center	(6,365)	
Police		(3,063)
Fire	(7,761)	
Transfer out	(37)	

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General Fund Accounts Combining Balance Sheet – City of Crescent - June 30, 2014

	General Fund	Electric Sale Trust Account	Drug Enforcement Account	CLEET Account	Police Equipment Account	Total General Fund
ASSETS						
Cash and cash equivalents	\$ 133,055	216,488	\$ 940	\$ 916	\$ 13,585	\$ 364,984
Investments	-	3,416,868	-	-	-	3,416,868
Court fines receivable	15,562	-	-	-	-	15,562
Due from other governments	84,383	-	-	-	-	84,383
Other receivables	-	19,955	-	-	-	19,955
Prepaid expenses	4,126	-	-	-	-	4,126
Total assets	<u>237,126</u>	<u>3,653,311</u>	<u>940</u>	<u>916</u>	<u>13,585</u>	<u>3,905,878</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities:						
Accounts payable	33,560	-	-	-	-	33,560
Total liabilities	<u>33,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,560</u>
Deferred inflows:						
Unavailable revenue	2,355	2,287	-	-	-	4,642
Fund balances:						
Nonspendable	-	3,651,024	-	-	-	3,651,024
Restricted	-	-	940	916	-	1,856
Assigned	-	-	-	-	13,585	13,585
Unassigned	201,211	-	-	-	-	201,211
Total fund balances	<u>201,211</u>	<u>3,651,024</u>	<u>940</u>	<u>916</u>	<u>13,585</u>	<u>3,867,676</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 237,126</u>	<u>\$ 3,653,311</u>	<u>\$ 940</u>	<u>\$ 916</u>	<u>\$ 13,585</u>	<u>\$ 3,905,878</u>

General Fund Accounts Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – City of Crescent – Year Ended June 30, 2014

	General Fund	Electric Sale Trust Account	Drug Enforcement Account	CLEET Account	Police Equipment Account	Total General Fund
REVENUES						
Taxes	\$ 617,805	\$ -	\$ -	\$ -	\$ -	\$ 617,805
Fines and forfeitures	62,658	-	-	4,712	9,206	76,576
Licenses and permits	2,895	-	-	-	-	2,895
Intergovernmental	30,862	-	-	-	10	30,872
Charges for services	4,415	-	-	-	-	4,415
Investment earnings	-	41,115	-	-	-	41,115
Miscellaneous	15,759	-	-	-	4,006	19,765
Total revenues	<u>734,394</u>	<u>41,115</u>	<u>-</u>	<u>4,712</u>	<u>13,222</u>	<u>793,443</u>
EXPENDITURES						
Current:						
General government	261,334	-	-	-	-	261,334
City clerk	42,205	-	-	-	-	42,205
Police	323,410	-	-	4,253	-	327,663
Municipal court	6,517	-	-	-	-	6,517
Treasurer	1,981	-	-	-	-	1,981
Community Center	15,849	-	-	-	-	15,849
Fire	27,592	-	-	-	-	27,592
Library	34,072	-	-	-	-	34,072
Street	415	-	-	-	-	415
Parks	5,360	-	-	-	-	5,360
City attorney	7,206	-	-	-	-	7,206
Swimming pool	1,254	-	-	-	-	1,254
Code enforcement	2,513	-	-	-	-	2,513
Capital Outlay	22,332	-	-	-	-	22,332
Total Expenditures	<u>752,040</u>	<u>-</u>	<u>-</u>	<u>4,253</u>	<u>-</u>	<u>756,293</u>
Excess (deficiency) of revenues over expenditures	<u>(17,646)</u>	<u>41,115</u>	<u>-</u>	<u>459</u>	<u>13,222</u>	<u>37,150</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	51,315	-	-	-	-	51,315
Interaccount Transfers in	64,530	-	-	37	-	64,567
Interaccount Transfers out	(37)	(56,237)	-	-	(8,293)	(64,567)
Total other financing sources and uses	<u>115,808</u>	<u>(56,237)</u>	<u>-</u>	<u>37</u>	<u>(8,293)</u>	<u>51,315</u>
Net change in fund balances	98,162	(15,122)	-	496	4,929	88,465
Fund balances - beginning	103,049	3,666,146	940	420	8,656	3,779,211
Fund balances - ending	<u>\$ 201,211</u>	<u>\$ 3,651,024</u>	<u>\$ 940</u>	<u>\$ 916</u>	<u>\$ 13,585</u>	<u>\$ 3,867,676</u>

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Combining Balance Sheet – Nonmajor Governmental Funds – City of Crescent – June 30, 2014

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Street and Alley Fund</u>	<u>Fire Department Capital Improvement Fund</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 50,842	\$ 34,234	\$ 85,076
Receivable from other governments	1,208	-	1,208
Total assets	<u>52,050</u>	<u>34,234</u>	<u>86,284</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	52,050	-	52,050
Assigned	-	34,234	34,234
Total fund balances	<u>52,050</u>	<u>34,234</u>	<u>86,284</u>
Total liabilities and fund balances	<u>\$ 52,050</u>	<u>\$ 34,234</u>	<u>\$ 86,284</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds - City of Crescent - Year Ended June 30, 2014

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Street and Alley Fund</u>	<u>Fire Department Capital Improvement Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 13,936	\$ -	\$ 13,936
Charges for services	-	5,300	5,300
Investment earnings	60	31	91
Total revenues	<u>13,996</u>	<u>5,331</u>	<u>19,327</u>
EXPENDITURES			
Current:			
Streets	9,358	-	9,358
Capital Outlay	16,559	-	16,559
Total Expenditures	<u>25,917</u>	<u>-</u>	<u>25,917</u>
Excess (deficiency) of revenues over expenditures	<u>(11,921)</u>	<u>5,331</u>	<u>(6,590)</u>
Net change in fund balances	(11,921)	5,331	(6,590)
Fund balances - beginning	<u>63,971</u>	<u>28,903</u>	<u>92,874</u>
Fund balances - ending	<u>\$ 52,050</u>	<u>\$ 34,234</u>	<u>\$ 86,284</u>

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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2014

Federal/State Grantor/Pass Through Agency Grantor/Program Title	CFDA or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
CDBG	14.228	\$ 249,999	\$ 95,097
TOTAL FEDERAL AWARDS		\$ 249,999	\$ 95,097
STATE AWARDS:			
Department of Agriculture:			
Rural Fire Grant	N/A	\$ 4,474	\$ 4,474
Oklahoma Department of Libraries:			
State Aid 14	N/A	3,589	3,589
TOTAL STATE AWARDS		\$ 8,063	\$ 8,063

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Revenue, Expenditures and Changes in Program Balances of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

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INTERNAL CONTROL AND COMPLIANCE INFORMATION

Anne Marie Elfrink, MS, CPA

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Tulsa, Oklahoma 74137

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918-361-2133
Fax: 918-512-4280

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*

To the Honorable Mayor and City Council
City of Crescent, Oklahoma

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, each major fund, and the aggregate remaining fund information of the City of Crescent, 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 Crescent, Oklahoma's basic financial statements and have issued my report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Crescent, 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 the City of Crescent, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Crescent, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, I did identify a deficiency I consider to be a significant deficiency which is described in the accompanying schedule of findings and responses as item 2014-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crescent, 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 Crescent, Oklahoma's Response to Findings

The City of Crescent, Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The City of Crescent, 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 City of Crescent, Oklahoma'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 City of Crescent, Oklahoma's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma
January 23, 2015

SCHEDULE OF FINDINGS AND RESPONSES

This schedule is presented as an addendum to accompany the “*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*” for the City of Crescent, Oklahoma (City). Consideration of items listed should be made in conjunction with that report.

2014-01 – Negative Budget Variances

CONDITION: The City had charges to appropriations during the year ended June 30, 2014 in excess of appropriations in the departments and/or purposes of general government (\$79,550), swimming pool (\$1,251), community center (\$6,365), police (\$3,063) fire department (\$7,761) and transfer out (\$37). However, total charges to appropriations did not exceed amounts available for appropriation during the year. This is continued from the prior year.

CRITERIA: Oklahoma Title 11 section 17-101 requires that a municipal governing body may not draw any order on the treasurer for monies unless the same has been appropriated in the manner provided by law.

CAUSE OF CONDITION: The City Council did not approve supplemental appropriations and/or transfers prior to expenditure.

POTENTIAL EFFECT OF CONDITION: The City could be in violation of Oklahoma Title 11 section 17-101 which is an important control to prevent overspending of funds as well as assure that there is opportunity for public input for planned expenditures prior to occurrence.

RECOMMENDATION: The City Council should confirm available appropriations prior to approving expenditures. When appropriations are insufficient for an identified need, a budget revision should be approved by the Council prior to approving additional encumbrances or expenditures.

RESPONSE: The City struggled with the implementation of a new financial system during the year which impeded the generation of reliable budget versus actual reporting and controls. However, city management believes that the issues have been resolved and will assure that the Council is provided with an accurate reporting of available appropriations (total budgeted appropriations less expenditures, encumbrances, and commitments) prior to approving additional expenditures, encumbrances, or commitments.