



# CITY OF HENRYETTA OKLAHOMA

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ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

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

**THE CITY OF HENRYETTA,  
OKLAHOMA**

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

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

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

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

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Independent Auditor’s Report on Financial Statements</b> .....	5-6
<b>Management’s Discussion and Analysis</b> .....	7-13
<b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position (Modified Cash Basis).....	15
Statement of Activities (Modified Cash Basis).....	16
<b>Governmental Funds Financial Statements:</b>	
Balance Sheet (Modified Cash Basis).....	18
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	19
<b>Proprietary Funds Financial Statements:</b>	
Statement of Net Position (Modified Cash Basis) .....	21
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	22
Statement of Cash Flows (Modified Cash Basis).....	23
<b>Footnotes to the Basic Financial Statements</b> .....	24-39
<b>Supplementary Information:</b>	
<b>Budgetary Comparison Information</b>	
Budgetary Comparison Schedule (Modified Cash Basis)– General Fund.....	41
Footnotes to Budgetary Comparison Schedule.....	41
<b>Combining Non-Major Governmental Fund Statements</b>	
Combining Balance Sheet (Modified Cash Basis).....	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) .....	43

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

---

**TABLE OF CONTENTS**

<b>Combining General Fund Account Schedules</b>	
Combining Balance Sheet (Modified Cash Basis).....	44
Combining Schedule of Revenues, Expenses and Changes in Fund Balance (Modified Cash Basis).....	45
<b>Combining HMA Enterprise Fund Account Schedules</b>	
Combining Schedule of Net Position (Modified Cash Basis).....	46
Combining Schedule of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	47
<b>Federal and State Awards Schedule</b>	
Schedule of Federal and State Awards .....	48
<b>Debt Service Coverage Information</b>	
Schedule of Debt Service Coverage Requirements .....	49

**Internal Control and Compliance Information:**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	51-52
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Henryetta, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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***

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

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

#### ***Basis for Adverse Opinion on Aggregate Discretely Presented Component Units***

The financial statements do not include financial data for the Henryetta Hospital Authority, which is a legally separate component unit. As discussed in Note 1, the City elected to exclude the financial activities of the Henryetta Hospital Authority, a discretely presented component unit of the City. The amount by which this departure would affect the assets liabilities net position, revenues, and expenses of the aggregate discretely presented component units has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the modified cash basis financial position of the aggregate discretely presented component units of the City of Henryetta, Oklahoma, as of June 30, 2014, or the changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henryetta, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

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

### **Other Matters – Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying supplemental budgetary comparison information, combining fund schedules – modified cash basis, federal and state awards information, and debt service coverage information, and other information including management’s discussion and analysis, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, combining and individual nonmajor fund financial statements – modified cash basis, federal and state awards information, and debt service coverage information, as listed in the table of contents, 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 our opinion, the budgetary comparison information, combining and individual nonmajor fund financial statements, federal and state awards information, and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management’s discussion and analysis, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



December 2, 2014

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

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The management of the City of Henryetta is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2014. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$174,980, and the assets of the City exceed its liabilities at June 30, 2014, by \$3,622,576 (Net Position). Of this amount, \$917,019 (Unrestricted Net Position) is available to meet the government's ongoing needs.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,777,254.
- At the end of fiscal year 2014, unassigned fund balance on a modified cash basis for the General Fund was \$723,523 or 31% of General Fund revenues.

### **ABOUT THE CITY**

The City of Henryetta is an incorporated municipality with a population of approximately 6,096 located in east central Oklahoma. 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 elected by the citizens at large
- 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 public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, wastewater, and sanitation.

#### ***The City's Financial Reporting Entity***

With the exception of one component unit, this annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the primary government and the component units as follows:

- **The City of Henryetta** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Henryetta Municipal Authority** – that operates the water, wastewater, sanitation, transfer sanitation and EMS activities of the City
- **The Henryetta Economic Development Authority** – that operates to finance, develop and promote economic development activities of the City. – *reported as a discretely-presented component unit*
- **The Henryetta Hospital Authority** is also a component unit of the City that issues a separate financial statement report, but management has elected to exclude the financial activities of the Authority in this financial statement report. The reason for the Hospital Authority's exclusion from this financial statement report is that the Hospital Authority's annual financial statements are prepared using a different financial reporting framework than that of the City. The Hospital Authority provides physical facilities (in the form of a tenant-renter relationship), improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting the Hospital administration at 918-650-1301.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements of the primary government presented herein include all of the activities of the City of Henryetta (the “City”) and the Henryetta Municipal Authority (the “Authority”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type, in addition to a separate presentation for the discretely presented component unit.

The government-wide financial statements present the complete financial picture of the City from the modified cash basis of accounting. These statements include all assets of the City as well as all liabilities, resulting from modified cash basis transactions. They present governmental 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.

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” 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. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Position and the Statement of Activities, we divide the City's primary government into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *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. Also included in business-type activities are EMS activities.

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

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain 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.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) 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, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. The City's proprietary fund is also reported on the modified cash basis of accounting. The City's proprietary fund is the Henryetta Municipal Authority which accounts for the operation of the water, sewer, and sanitation activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 25-42 of this report.

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, combining and individual fund financial statements and schedules, and debt service coverage and reserve schedules.

**THE CITY AS A WHOLE**

For the year ended June 30, 2014, net position on a modified cash basis for the governmental and business-type activities increased \$174,980. Following is a summary of Net Position reported on a modified cash basis for the City of Henryetta primary government.

**Net Position (Modified Cash Basis)**  
**June 30, 2014**  
**(In Thousands)**

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Current assets	\$ 2,780	\$ 2,847	-2%	\$ 1,120	\$ 872	28%	\$ 3,900	\$ 3,719	5%
<b>Total assets</b>	<u>2,780</u>	<u>2,847</u>	-2%	<u>1,120</u>	<u>872</u>	28%	<u>3,900</u>	<u>3,719</u>	5%
Current liabilities	3	3	0%	275	269	2%	278	272	2%
<b>Total liabilities</b>	<u>3</u>	<u>3</u>	0%	<u>275</u>	<u>269</u>	2%	<u>278</u>	<u>272</u>	2%
Net position									
Restricted	1,901	1,780	7%	11	563	-98%	1,911	2,343	-18%
Unrestricted	876	1,064	-18%	834	40	1967%	1,710	1,104	55%
<b>Total net position</b>	<u>\$ 2,777</u>	<u>\$ 2,844</u>	-2%	<u>\$ 845</u>	<u>\$ 603</u>	40%	<u>\$ 3,622</u>	<u>\$ 3,447</u>	5%

Unrestricted net position decreased for the governmental activities 18% due to decrease in General Fund cash and cash equivalents. This was the result of an increase in overall expenditures in the current year and revenues remaining primarily unchanged in that fund.

In the business-type activities, the restricted net position decreased approximately \$155,000 from the prior year, due in a large part to the HMA Sewer Depreciation Account no longer considered restricted.

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

**Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2014**  
**(In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
<b>Revenues</b>									
Charges for service	\$ 218	\$ 174	25%	\$ 2,946	\$ 3,045	-3%	\$ 3,164	\$ 3,219	-2%
Operating grants and contributions	135	113	19%	-	-	-	135	113	19%
Capital grants and contributions	1	163	-99%	1,040	133	682%	1,041	296	252%
Sales and use tax	2,683	2,647	1%	-	-	-	2,683	2,647	1%
Other taxes	240	217	10%	-	-	-	240	217	11%
Other general revenues	275	236	17%	3	3	-	278	239	16%
<b>Total revenues</b>	<b>3,552</b>	<b>3,550</b>	<b>0%</b>	<b>3,989</b>	<b>3,181</b>	<b>25%</b>	<b>7,541</b>	<b>6,731</b>	<b>12%</b>
<b>Expenses</b>									
General government	2,003	2,002	0%	-	-	-	2,003	2,002	-
Public safety	1,842	1,829	1%	-	-	-	1,842	1,829	1%
Streets and Highways	218	304	-28%	-	-	-	218	304	-28%
Culture and recreation	140	126	11%	-	-	-	140	126	11%
Cemetery	131	111	18%	-	-	-	131	111	18%
Airport	65	57	14%	-	-	-	65	57	14%
Interest on long-term debt	27	33	-18%	-	-	-	27	33	-18%
Payment to component unit	107	105	2%	-	-	-	107	105	2%
Water	-	-	-	1,772	1,570	13%	1,772	1,570	13%
Sewer	-	-	-	946	922	3%	946	922	3%
Sanitation	-	-	-	331	366	-10%	331	366	-10%
EMS	-	-	-	91	91	-	91	91	-
<b>Total expenses</b>	<b>4,533</b>	<b>4,567</b>	<b>-1%</b>	<b>3,140</b>	<b>2,949</b>	<b>6%</b>	<b>7,673</b>	<b>7,516</b>	<b>2%</b>
Excess (deficiency) before transfers	(981)	(1,017)	3%	849	232	266%	(132)	(785)	-83%
Transfers	607	308	97%	(607)	(308)	-97%	-	-	-
<b>Change in net position</b>	<b>(374)</b>	<b>(709)</b>	<b>47%</b>	<b>242</b>	<b>(76)</b>	<b>418%</b>	<b>(132)</b>	<b>(785)</b>	<b>83%</b>
<b>Beginning net position</b>	<b>2,844</b>	<b>3,553</b>	<b>-20%</b>	<b>603</b>	<b>679</b>	<b>-11%</b>	<b>3,447</b>	<b>4,232</b>	<b>-19%</b>
<b>Ending net position</b>	<b>\$ 2,470</b>	<b>\$ 2,844</b>	<b>-13%</b>	<b>\$ 845</b>	<b>\$ 603</b>	<b>40%</b>	<b>\$ 3,315</b>	<b>\$ 3,447</b>	<b>-4%</b>

**Governmental Activities**

The City's governmental activities had a decrease in net position of \$66,917.

In the street department, the City received \$307,000 in capital grants in the current year; whereas the cemetery department received \$78,000 in capital grants in the previous year.

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

**Net Revenue/Expense Governmental Activities (Modified Cash Basis)**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
	General government	\$ 2,003		\$ 2,002	0%	
Public safety	1,842	1,829	1%	(1,649)	(1,698)	3%
Highways and streets	218	304	-28%	(161)	(252)	36%
Culture and recreation	140	126	11%	(130)	(115)	-13%
Cemetery	131	111	18%	(123)	(26)	-373%
Airport	65	57	14%	(40)	(32)	-25%
Interest on long-term debt	27	33	-18%	(27)	(33)	18%
Total expenses	<u>4,426</u>	<u>4,462</u>		<u>(4,072)</u>	<u>(4,013)</u>	
Payment to component unit	<u>107</u>	<u>105</u>	2%	<u>(107)</u>	<u>(105)</u>	-2%
<b>Total</b>	<u>\$ 4,533</u>	<u>\$ 4,567</u>	-1%	<u>\$(4,179)</u>	<u>\$ (4,118)</u>	-1%

**Business-type Activities**

The business-type activities had an increase in net position of \$241,897. The increase is due primarily to the equipment loan proceeds reported in the water department as capital contributions and not being fully spent. The sewer department has \$131,000 in capital contributions in prior year.

**Net Revenue/Expense Business-type Activities (Modified Cash Basis)**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. Dec.</b>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
	Water	\$ 1,772		\$ 1,570	13%	
Sewer	946	922	3%	(149)	62	-340%
Sanitation	331	366	-10%	334	306	9%
EMS	<u>91</u>	<u>91</u>	0%	<u>-</u>	<u>-</u>	-
<b>Total</b>	<u>\$ 3,140</u>	<u>\$ 2,949</u>	6%	<u>\$ 846</u>	<u>\$ 230</u>	268%

**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 \$2,777,254. For the year ended June 30, 2014, the General Fund's total fund balance decreased by \$189,451 to \$854,951 or 36.1% of annual revenues.

### **Budgetary Highlights**

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues below final estimates by \$406,227 or a 10.1% negative variance. General Fund actual expenditures were under final appropriations by \$164,850 or a 4.1% positive variance.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Over the past fiscal year, the City has carefully reviewed its financial condition and made minimal changes in personnel and other expenditures to ensure a continuous of improving their financial condition. The FY 2015 budget was prepared with this in mind.

### **Contacting the City's Financial Management**

This 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 115 S. 4<sup>th</sup> Street, Henryetta, Oklahoma 74437 or phone (918) 652-3348.

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

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

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

**Statement of Net Position (Modified Cash Basis) – June 30, 2014**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Henryetta Economic Development Authority</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,489,276	\$ 717,700	\$ 3,206,976	\$ 232,960
Investments	457,570	235,987	693,557	1,026,065
Internal balances	(166,729)	166,729	-	-
Total assets	<u>2,780,117</u>	<u>1,120,416</u>	<u>3,900,533</u>	<u>1,259,025</u>
<b>LIABILITIES</b>				
Due to depositors	<u>2,863</u>	<u>275,094</u>	<u>277,957</u>	<u>-</u>
Total liabilities	<u>2,863</u>	<u>275,094</u>	<u>277,957</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for:				
Capital & Debt Service	1,498,798	316,016	1,814,814	-
Debt Service	-	(304,774)	(304,774)	-
Cemetery	102,342	-	102,342	-
Public Safety	283,254	-	283,254	-
Culture & Recreation	16,624	-	16,624	-
Unrestricted	<u>876,236</u>	<u>834,080</u>	<u>1,710,316</u>	<u>1,259,025</u>
Total net position	<u>\$ 2,777,254</u>	<u>\$ 845,322</u>	<u>\$ 3,622,576</u>	<u>\$ 1,259,025</u>

See accompanying notes to the basic financial statements.

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

**Statement of Activities (Modified Cash Basis)– For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants, Loan Proceeds, and Contributions	Governmental Activities	Business-type Activities	Total	Henryetta Economic Development Authority
<b>Primary government</b>								
Governmental activities:								
General government	\$ 2,002,926	\$ 19,799	\$ 41,138	\$ -	\$ (1,941,989)	\$ -	\$ (1,941,989)	\$ -
Public safety	1,841,678	160,524	31,727	-	(1,649,427)	-	(1,649,427)	-
Highways and streets	217,610	15	55,861	1,090	(160,644)	-	(160,644)	-
Culture and recreation	140,537	3,931	6,466	-	(130,140)	-	(130,140)	-
Cemetery	130,739	8,255	-	-	(122,484)	-	(122,484)	-
Airport	65,387	25,841	-	-	(39,546)	-	(39,546)	-
Interest on long-term debt	27,138	-	-	-	(27,138)	-	(27,138)	-
HEDA (payments to component unit)	107,426	-	-	-	(107,426)	-	(107,426)	-
Total governmental activities	<u>4,533,441</u>	<u>218,365</u>	<u>135,192</u>	<u>1,090</u>	<u>(4,178,794)</u>	<u>-</u>	<u>(4,178,794)</u>	<u>-</u>
Business-type activities:								
Water	1,771,986	1,393,438	-	1,040,000	-	661,452	661,452	-
Sewer	946,031	797,071	-	-	-	(148,960)	(148,960)	-
Sanitation	330,772	664,588	-	-	-	333,816	333,816	-
EMS	90,756	90,874	-	-	-	118	118	-
Total business-type activities	<u>3,139,545</u>	<u>2,945,971</u>	<u>-</u>	<u>1,040,000</u>	<u>-</u>	<u>846,426</u>	<u>846,426</u>	<u>-</u>
Total primary government	<u>\$ 7,672,986</u>	<u>\$ 3,164,336</u>	<u>\$ 135,192</u>	<u>\$ 1,041,090</u>	<u>(4,178,794)</u>	<u>846,426</u>	<u>(3,332,368)</u>	<u>-</u>
<b>Component Units:</b>								
Henryetta Economic Development Authority	<u>\$ 18,717</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,717)</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					2,683,039	-	2,683,039	-
Franchise taxes and public service taxes					227,585	-	227,585	-
Hotel/Motel taxes					12,384	-	12,384	-
Intergovernmental revenue not restricted to specific programs					63,158	-	63,158	-
Unrestricted investment earnings					3,623	2,708	6,331	7,984
Miscellaneous					207,981	-	207,981	-
Payment from primary government					-	-	-	107,426
Transfers					607,237	(607,237)	-	-
Total general revenues and transfers					<u>3,805,007</u>	<u>(604,529)</u>	<u>3,200,478</u>	<u>115,410</u>
Change in net position					<u>(373,787)</u>	<u>241,897</u>	<u>(131,890)</u>	<u>101,693</u>
Net position - beginning					<u>3,151,041</u>	<u>603,425</u>	<u>3,754,466</u>	<u>1,157,332</u>
Net position - ending					<u>\$ 2,777,254</u>	<u>\$ 845,322</u>	<u>\$ 3,622,576</u>	<u>\$ 1,259,025</u>

See accompanying notes to the basic financial statements.

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

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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

**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014**

	<u>General Fund</u>	<u>Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 156,428	\$ 1,922,018	\$ 410,830	\$ 2,489,276
Investments	457,570	-	-	457,570
Due from other funds	308,054	2,124	120	310,298
Total assets	<u>\$ 922,052</u>	<u>\$ 1,924,142</u>	<u>\$ 410,950</u>	<u>\$ 3,257,144</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 64,238	\$ 406,661	\$ 6,128	\$ 477,027
Due to depositors	2,863	-	-	2,863
Total liabilities	<u>67,101</u>	<u>406,661</u>	<u>6,128</u>	<u>479,890</u>
Fund balances:				
Restricted	4,281	1,498,798	397,939	1,901,018
Assigned	127,147	18,683	6,883	152,713
Unassigned	723,523	-	-	723,523
Total fund balances	<u>854,951</u>	<u>1,517,481</u>	<u>404,822</u>	<u>2,777,254</u>
Total liabilities and fund balances	<u>\$ 922,052</u>	<u>\$ 1,924,142</u>	<u>\$ 410,950</u>	<u>\$ 3,257,144</u>

See accompanying notes to the basic financial statements.

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

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – For the Fiscal Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,780,678	\$ 1,066,757	\$ 12,384	\$ 2,859,819
Intergovernmental	166,623	307,960	31,727	506,310
Charges for services	34,198	-	70,030	104,228
Fines and forfeitures	164,275	-	-	164,275
Licenses and permits	13,051	-	-	13,051
Investment income	2,375	595	653	3,623
Miscellaneous	205,572	-	2,409	207,981
Total revenues	<u>2,366,772</u>	<u>1,375,312</u>	<u>117,203</u>	<u>3,859,287</u>
<b>EXPENDITURES</b>				
Current:				
General government	842,689	6,431	-	849,120
Public Safety	1,685,685	-	44,365	1,730,050
Highway and streets	217,610	-	42	217,652
Culture and recreation	138,118	-	-	138,118
Cemetery	112,513	-	-	112,513
Airport	65,387	-	-	65,387
Capital Outlay	24,818	1,085,883	7,637	1,118,338
Debt Service:				
Principal	-	167,699	-	167,699
Interest and other charges	-	27,138	-	27,138
Total expenditures	<u>3,086,820</u>	<u>1,287,151</u>	<u>52,044</u>	<u>4,426,015</u>
Excess (deficiency) of revenues over expenditures	<u>(720,048)</u>	<u>88,161</u>	<u>65,159</u>	<u>(566,728)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales tax payment to HEDA	(107,426)	-	-	(107,426)
Transfers in	1,288,827	713,133	-	2,001,960
Transfers out	(650,804)	(743,919)	-	(1,394,723)
Total other financing sources and (uses)	<u>530,597</u>	<u>(30,786)</u>	<u>-</u>	<u>499,811</u>
Net change in fund balances	(189,451)	57,375	65,159	(66,917)
Fund balances - beginning	1,044,402	1,460,106	339,663	2,844,171
Fund balances - ending	<u>\$ 854,951</u>	<u>\$ 1,517,481</u>	<u>\$ 404,822</u>	<u>\$ 2,777,254</u>

See accompanying notes to the basic financial statements.

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

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

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

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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2014**

	<b><u>Henryetta</u></b> <b><u>Municipal</u></b> <b><u>Authority</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 270,898
Restricted:	
Restricted cash and cash equivalents	446,802
Restricted investments	235,987
Due from other funds	178,529
Total current assets	<u>1,132,216</u>
Total assets	<u>1,132,216</u>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	11,800
Deposits subject to refund	275,094
Total liabilities	<u>286,894</u>
<b>NET POSITION</b>	
Restricted for capital outlay	316,016
Restricted for debt service	91,679
Unrestricted	437,627
Total net position	<u>\$ 845,322</u>

See accompanying notes to the basic financial statements.

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

**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – For the Fiscal Year Ended June 30, 2014**

	<b><u>Henryetta Municipal Authority</u></b>
<b>OPERATING REVENUES</b>	
Water charges	\$ 1,332,593
Water taps	2,500
Sewer charges	795,871
Sewer taps	1,200
Sanitation charges	651,139
Transfer station fees	6,193
EMS assessment	90,874
Penalty charges	31,690
Miscellaneous	33,911
Total Operating Revenues	2,945,971
<b>OPERATING EXPENSES</b>	
Water	384,813
Utility office operations	187,996
Water treatment plant operations	624,008
Sewer operations	294,626
Sewer treatment plant operations	206,319
Sanitation	153,296
Transfer station operations	177,476
EMS contract	90,756
Total Operating Expenses	2,119,290
Operating income	826,681
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	2,708
Principal expense	(766,359)
Interest expense	(253,896)
Proceeds from capital debt	1,040,000
Total non-operating revenue (expenses)	22,453
Income before transfers	849,134
Transfers in	1,439,496
Transfers out	(2,046,733)
Change in net position	241,897
Total net position - beginning	603,425
Total net position - ending	\$ 845,322

See accompanying notes to the basic financial statements.

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

**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2014**

	<b>Henryetta Municipal Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,945,971
Payments to suppliers	(1,276,579)
Payments to employees	(842,711)
Interfund receipts (payments)	(164,675)
Receipts of customer meter deposits	57,204
Refunds of customer meter deposits	(51,294)
<b>Net cash provided by operating activities</b>	<b><u>667,916</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	1,439,496
Transfers to other funds	(2,046,733)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>(607,237)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from note	1,040,000
Principal paid on debt	(766,359)
Interest and fiscal agent fees paid on debt	(253,896)
<b>Net cash provided by capital and related financing activities</b>	<b><u>19,745</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(1,058)
Interest income	2,708
<b>Net cash provided by investing activities</b>	<b><u>1,650</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>82,074</b>
<b>Balances - beginning of year</b>	<b><u>635,626</u></b>
<b>Balances - end of year</b>	<b><u>\$ 717,700</u></b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 270,898
Restricted cash and cash equivalents - current	446,802
<b>Total cash and cash equivalents, end of year</b>	<b><u>\$ 717,700</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 826,681
Change in assets and liabilities:	
Due from other funds	(175,231)
Due to other funds	10,556
Deposits subject to refund	5,910
<b>Net cash provided by operating activities</b>	<b><u>\$ 667,916</u></b>

See accompanying notes to the basic financial statements.

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

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

## **1. Summary of Significant Accounting Policies**

### **A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (the City), a blended component unit (HMA) and two discretely-presented component units as follows:

- **The City of Henryetta** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Henryetta Municipal Authority** – that operates the water, wastewater, sanitation, transfer sanitation and EMS activities of the City - *considered part of the primary government presentation for reporting purposes as a blended component unit*
- **The Henryetta Economic Development Authority** – that operates to finance, develop and promote economic development activities of the City – *reported as a discretely presented component unit*
- **The Henryetta Hospital Authority** is also a discretely presented component unit of the City that issues a separate financial statement report, but management has elected to exclude the financial activities of the Authority in this financial statement report. The reason for the Hospital Authority's exclusion from this financial statement report is that the Hospital Authority's annual financial statements are prepared using a different financial reporting framework than that of the City. The Hospital Authority provides physical facilities (in the form of tenant-renter relationship), improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting the Hospital administration at 918-650-1301.

With the exception of one component unit, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Statement 61, and includes all component units for which the City is financially accountable.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

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

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**Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The Statements of Net Position and Activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for the following modifications that have substantial support in generally accepted accounting principles and are recommended by the GFOA small government annual financial report model. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- utility deposit liabilities

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

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

- General government: License and permits, rents and royalties
- Public safety: Fine revenue, operating and capital grants
- Highways and Streets: Gas excise taxes, commercial vehicle taxes and cemetery lot sales
- Culture and recreation: Operating and capital grants
- Cemetery: Cemetery lot fee and stone setting fees
- Airport: Hangar rent and gasoline revenue

*Governmental Funds:*

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

---

*Proprietary Fund:*

Enterprise Fund – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net position changes similar to the private sector. The reporting entity includes the Henryetta Municipal Authority, a blended component unit enterprise fund. This fund accounts for activities of the public trust in providing, water, EMS, wastewater, and sanitation services to the public.

The City’s governmental funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds. For financial statement reporting purposes the General Fund contains the following combining accounts: Library Account, Airport Account, Street Improvement Account, Police Special Response Account, and REAP Grant Account.
- Restricted Sales Tax – a capital project fund that accounts for one and two-thirds cent sales tax restricted for capital expenditures.

**Non-Major Funds (Reported as Other Governmental Funds):**

Special Revenue Funds:

- E-911 Fund – accounts for the City’s share of E-911 customer assessment that is restricted for public safety use.
- Hotel/Motel Tax Fund – accounts for hotel/motel taxes the City receives and is to be used for the promotion of tourism and development and maintenance of parks and recreation.

Capital Project Funds:

- Police Equipment – accounts for the donation revenue received to be used for police equipment.
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenue restricted for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Fund:*

The City’s proprietary fund is comprised of the following:

*Enterprise Fund:*

- Henryetta Municipal Authority – that operates the water, sewer, EMS, and sanitation services of the City

The proprietary fund is also reported on a modified cash basis, as defined above.

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.

**B. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposit and are reported at cost.

**C. Fund Balances and Net Position**

*Fund Balances:*

Governmental fund equity is classified as fund balance. Fund balance can be further classified as nonspendable, restricted, committed, assigned and unassigned. More information is provided in Note 3. 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.
- 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.

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.

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

*Net Position:*

Net Position is displayed in two components:

- a. *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.
- b. *Unrestricted Net Position* - All other net position that does not meet the definition of “restricted.”

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.

**D. Internal and Interfund Balances and Transfers**

The City’s policy is to eliminate interfund transfers and balances in the statement 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 then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**2. Deposits and Investments**

For the year ended June 30, 2014, the City recognized \$6,331 of investment income. Due to the minimal rates of return on allowable investments in the current environment, all of the City’s deposits are in demand and short-term time deposits.

At June 30, 2014, the primary government held the following deposits and investments:

<b>Type</b>	<b>Carrying Value</b>
<b>Primary Government</b>	
<b>Deposits:</b>	
Petty Cash	629
Demand Deposits	3,206,347
Time deposit - certificates of deposit	693,557
	<b>\$ 3,900,533</b>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 3,206,976
Investments	693,557
	<b>\$ 3,900,533</b>
 <b>Component Units</b>	
<b>Henryetta Economic Development Authority:</b>	
Demand Deposits	\$ 232,960
Time deposit - certificates of deposit	1,026,065
	<b>1,259,025</b>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 232,960
Investments	1,026,065
	<b>\$ 1,259,025</b>

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

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*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2014, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2014, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

*Investment Credit Risk*

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and (5) government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2014, the City was not exposed to investment credit risk as defined above.

*Concentration of Investment Credit Risk*

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2014, the City had no concentration of credit risk as defined above.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the proprietary fund Statement of Net Position are comprised of amounts restricted for meter deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2014 are as follows:

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

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ 119,713	\$ 155,381
Bond and Note Indenture Accounts:		
Sales Tax Account	11,073	80,606
Notes Accounts	316,016	-
 Total Bond and Note Indenture Accounts	327,089	80,606
 Total Proprietary Fund	\$ 446,802	\$ 235,987

**3. Fund Balance and Net Position**

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position:

	Major Capital Project Fund		Other Governmental Funds	TOTAL
	General Fund	Restricted Sales Tax		
Fund Balances:				
Restricted for:				
Capital and/or capital debt service	\$ -	\$ 1,498,798	\$ -	\$ 1,498,798
Cemetery	-	-	102,342	102,342
Public Safety	-	-	283,254	283,254
Culture and Recreation	4,281	-	12,343	16,624
Sub-total Restricted	4,281	1,498,798	397,939	1,901,018
Assigned to:				
Capital and/or capital debt service	-	18,683	-	18,683
Cemetery	-	-	183	183
E911	-	-	4,240	4,240
Public Safety	53	-	2,460	2,513
Airport	2,738	-	-	2,738
Culture and Recreation	57,050	-	-	57,050
Highway and streets	67,306	-	-	67,306
Sub-total Assigned	127,147	18,683	6,883	152,713
Unassigned:	723,523	-	-	723,523
 TOTAL FUND BALANCES	854,951	1,517,481	404,822	2,777,254

**Enterprise Fund:**

Restricted for Capital Outlay	\$ 316,016
Restricted for Debt Service	91,679
Total Enterprise Fund Restricted for debt service	\$ 407,695

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

**4. Sales Tax Revenue**

Sales tax revenue represents a 4 cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 1/3 cents is recorded in the General Fund of which 1 cent is pledged and transferred to the HMA to assist in HMA debt service coverage requirements per Ordinance No. 623; 1/6 of one cent is transferred to the Henryetta Economic Development Authority, and 1 1/6 cent is retained by the General Fund
- 1 2/3 cent is recorded in the Restricted Sales Tax Fund with one cent pledged toward HMA debt in accordance with Ordinance No. 1001 effective November 2007 and 2/3 cent restricted for the purchase of capital assets or debt related to the purchase of capital assets with Ordinance No. 987.

**5. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**6. Internal and Interfund Balances and Transfers**

*Balances:*

Interfund balances between activities at June 30, 2014, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	HMA	\$ 1,991	Vendor and payroll reimbursements payable
General Fund	Restricted Sales Tax Fund	2,124	Voided check
General Fund	E911 Fund	120	Reclassification of transaction
Airport	General Fund	60,000	Fuel cost
E911 Fund	General Fund	6,124	Reclassification of transaction
Restricted Sales Tax Fund	General Fund	231,661	Reclassification of transaction
Street Improvement Project	General Fund	3	Reclassification of transaction
Cemetery Care Fund	General Fund	4	Reclassification of transaction
HMA Operating Account	General Fund	10,262	Vendor and payroll reimbursements payable
Restricted Sales Tax Fund	HMA Sewer Depreciation Account	175,000	Reclassification of transaction
Meter Deposit Account	HMA Operating Account	1,538	Meter deposit refunds
Total		<u>\$ 488,827</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 310,298	\$ (477,027)	\$ (166,729)
Proprietary Funds	178,529	(11,800)	166,729
Total	<u>\$ 488,827</u>	<u>\$ (488,827)</u>	<u>\$ -</u>

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

*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>
HMA	General Fund	\$ 1,288,827	Return of residual revenue for debt coverage
General Fund	HMA	644,554	Sales tax transfer
General Fund	HMA	6,250	Debt service payments
HMA	Restricted Sales Tax Fund	713,133	Debt service payments
HMA Sewer Depreciation Account	HMA	44,773	Reclassification of transaction
Restricted Sales Tax Fund	HMA	568,919	Debt service payments
Restricted Sales Tax Fund	HMA Sewer Depreciation Account	175,000	Reclassification of transaction
Total		<u>\$ 3,441,456</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,001,960	\$ (1,394,723)	\$ 607,237
Proprietary Funds	1,439,496	(2,046,733)	(607,237)
	<u>\$ 3,441,456</u>	<u>\$ (3,441,456)</u>	<u>\$ -</u>

## 7. 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 by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. 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.

## 8. Pension Plan Participation

The City of Henryetta participates in four pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF-DBP) – an agent multiple-employer defined benefit plan
4. OMRF Defined Contribution – an agent multiple-employer defined contribution plan

*OFPRS:*

*Plan Summary Information.* The City of Henryetta, 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). 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 full-time or volunteer firefighters.

**CITY OF HENRYETTA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 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.

*Funding Policy.* OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. OFPRS plan members are required to contribute 8% to the plan. The City is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

Fiscal Year	Required Contributions	Amount Contributed
2012	\$ 58,025	\$ 58,025
2013	\$ 61,241	\$ 61,241
2014	\$ 67,009	\$ 67,009

**OPPRS:**

*Plan Summary Information.* The City of Henryetta, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS 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 a certain number of fulltime police officers.

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

OPPRS  
1001 N.W. 63<sup>rd</sup> St., Suite 605  
Oklahoma City, OK 73116-7335

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

Fiscal Year	Required Contributions	Amount Contributed
2012	\$ 52,691	\$ 52,691
2013	\$ 52,312	\$ 52,312
2014	\$ 53,627	\$ 53,627

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

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*OMRF Defined Benefit Plan:*

The City contributes to the City of Henryetta Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. 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. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contribution Methods and Benefit Provisions

<b>Provision</b>	<b>OMRF Plan</b>
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	9.31% of covered payroll
-Employee Rate	0.65% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	1.875% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

For the year ended June 30, 2014, the City's employer contribution to the plan was \$105,668 which was equal to the actuarial required contribution.

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.

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

*OMRF Defined Contribution Plan:*

*Plan Summary Information.* The City has provided a defined contribution plan and trust available to the City Manager. The trust is in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to immediately participate upon being hired.

*Funding Policy.* Employees participating in the Plan are required to contribute at least 3%. By City ordinance, the City, as employer, is required to make contributions to the plan, at a current rate of 7% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested 100% upon participations in the plan. The authority to establish and amend the provisions of the plan rests with the City Council. Currently all eligible employees have opted not to participate in the plan for fiscal year 2014.

**9. Commitments and Contingencies**

*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 July 01, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ 732,901	\$ -	\$ 116,315	\$ 616,586	\$ 245,227
Total Governmental Activities	<u>\$ 732,901</u>	<u>\$ -</u>	<u>\$ 116,315</u>	<u>\$ 616,586</u>	<u>\$ 245,227</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 8,860,502	\$ 1,040,000	\$ 766,359	\$ 9,134,143	\$ 711,563
Capital lease payable	118,996	-	51,385	67,611	16,435
Total Business-Type Activities	<u>8,979,498</u>	<u>1,040,000</u>	<u>817,744</u>	<u>9,201,754</u>	<u>727,998</u>
Total Long-Term Debt	<u>\$ 9,712,399</u>	<u>\$ 1,040,000</u>	<u>\$ 934,059</u>	<u>\$ 9,818,340</u>	<u>\$ 973,225</u>
<b>Component Unit:</b>					
<b>HEDA:</b>					
Notes Payable	\$ 88,750	\$ -	\$ 7,100	\$ 81,650	\$ 7,100
Total Component Unit	<u>\$ 88,750</u>	<u>\$ -</u>	<u>\$ 7,100</u>	<u>\$ 81,650</u>	<u>\$ 7,100</u>

*Governmental activities* long-term debt payable from taxes and other general revenues at June 30, 2014 include the following:

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

*Capital Lease Payable:*

Capital lease payable to American Exchange Bank for a fire truck, original amount of \$309,005, payable in 60 monthly installments, interest rate at 4.0%, final payment due August 10, 2014.	\$ 170,568
Capital lease payable to American Exchange Bank for a fire truck, original amount of \$498,918, payable in 96 monthly installments, interest rate at 3.4%, final payment due June 1, 2020.	383,762
Capital lease payable to American Exchange Bank for a fire truck, original amount of \$77,901, payable in monthly installments of \$1,418, interest rate at 3.4%, final payment due June 2018.	62,256
<b>Total Capital Leases Payable</b>	<b>\$ 616,586</b>

*Business-type activities* long-term debt payable from net revenues generated by the utility revenue and pledged sales tax include the following:

*Notes Payable:*

OWRB Promissory Note dated September 29, 2009, original amount \$9,500,000, \$719,059 available to be drawn, payable in semi-annual installments each March 15 and September 15 beginning March 2011, final installment due September 15, 2030 with a 3.07% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.	\$ 5,788,731
OWRB Promissory Note dated December 21, 2009, original amount \$3,650,000, \$1,032,336 available to be drawn, payable in semi-annual installments each March 15 and September 15 beginning September 2011, final installment due March 15, 2031 with a 2.73% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.	1,811,233
Series 2014 Utility System and Sales Tax Revenue Note, original amount \$1,040,000, payable in semi-annual installments each June 1 and December 1 beginning June 1, 2016, final installment due June 1, 2019 with a 1.95% interest rate.	1,040,000
OWRB Promissory Note dated March 28, 2000, original amount \$1,991,463, payable in semi-annual installments each February 15 and August 15 beginning August 2000, final installment due August 15, 2015 with a 0% interest rate and an administration fee of .5% payable semi-annually based on the principal outstanding.	161,470
Oklahoma Department of Commerce note dated March 16, 1998, authorized amount of \$125,000, payable in monthly installments of \$521, including principal with a 0% interest rate, with final payment due October 2018.	42,709
OWRB Promissory Note dated May 27, 2004, original amount \$1,955,000, payable in semi-annual installments each March 15 and September 15, beginning March 2004, final installment due September 15, 2015 with an annual interest rate of 2.12% and an administration fee of .5% payable semi-annually based on the principal outstanding.	290,000
<b>Total Notes Payable</b>	<b>\$ 9,134,143</b>

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

*Capital Lease Payable:*

\$84,828 lease obligation for the purchase of a water truck, payable in monthly installments of \$1,540 with an annual interest rate of 3.40%, final payment due June 2018	67,611
<b>Total Capital Leases Payable</b>	<b>\$ 67,611</b>

*Component unit - HEDA:*

Oklahoma Department of Commerce note dated March 17, 2005, authorized amount of \$142,000, payable in monthly installments of \$592, including principal with a 0% interest rate, with a final payment due December 2025.	\$ 81,650
<b>Total Notes Payable</b>	<b>\$ 81,650</b>

Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	Governmental Activities			
	Capital Lease obligations			
	Principal		Interest	
2015	\$ 245,227		15,147	
2016	77,235		11,434	
2017	79,907		8,762	
2018	81,197		6,001	
2019	68,193		3,460	
2020	64,827		1,104	
<b>Totals</b>	<b>\$ 616,586</b>		<b>\$ 45,908</b>	

  

<u>Year Ending June 30,</u>	Business Type Activities			
	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 16,435	\$ 2,045	\$ 711,563	\$ 199,378
2016	16,996	1,484	666,786	234,563
2017	17,587	893	679,225	217,938
2018	16,593	285	695,702	201,019
2019	-	-	712,527	183,704
2020-2024	-	-	2,208,029	707,289
2025-2029	-	-	2,551,222	352,640
2030-2031	-	-	909,089	29,229
<b>Totals</b>	<b>\$ 67,611</b>	<b>\$ 4,707</b>	<b>\$ 9,134,143</b>	<b>\$ 2,125,760</b>

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

<u>Year Ending June 30,</u>	<u>Component Unit Activities</u>	
	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 7,100	-
2016	7,100	-
2017	7,100	-
2018	7,100	-
2019	7,100	-
2020-2024	28,400	-
2025-2026	17,750	-
Totals	\$ 81,650	\$ -

**Pledge of Future Revenues**

*Sales Tax and Net Utility Revenues Pledge* - The City has pledged two cents (or 50%) of future sales tax revenues and net utility revenues to repay the 1997 OWRB SRF \$1,991,463, OWRB CWSRF \$1,955,000, 2009 OWRB CWSRF \$3,650,000, 2009 OWRB DWSRF \$9,500,000, and the 2014 Utility System and Sales Tax Revenue \$1,040,000 notes payable. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these notes is \$11,217,193. Pledged sales taxes received in the current year were \$1,289,108 and net utility revenues were \$826,563. Debt service payments of \$1,014,005 for the current fiscal year were 48% of both pledged sales taxes and net utility revenues of \$2,115,671.

*Compensated Absences:*

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensation leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2014, is summarized as follows:

- Governmental activities \$193,930
- Business-type activities \$46,179

*Litigation:*

The City is party to 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. These statutory provisions do not apply to the City’s public trust Authorities. 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 City of Henryetta participates in various federal or state grant/loan programs from year to year. In 2014, the City’s involvement in federal and state award programs was not significant. 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.

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

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**SUPPLEMENTARY INFORMATION**

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

**Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2014**

	General Fund			
	<u>Budgeted Amounts</u>		<u>Actual Amounts.</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
<b>Beginning Budgetary Fund Balance</b>	\$ 991,475	\$ 991,475	\$ 936,273	\$ (55,202)
<b>Resources (Inflows):</b>				
Taxes	1,763,500	1,763,500	1,780,678	17,178
Intergovernmental	130,500	130,500	160,157	29,657
Charges for services	4,600	4,600	8,357	3,757
Fines and forfeitures	229,000	229,000	164,275	(64,725)
Licenses and Permits	10,550	10,550	13,051	2,501
Investment Income	4,000	4,000	2,324	(1,676)
Miscellaneous	188,200	188,200	201,759	13,559
Other Financing Sources - Transfers In	1,695,305	1,695,305	1,288,827	(406,478)
<b>Total Resources</b>	<u>4,025,655</u>	<u>4,025,655</u>	<u>3,619,428</u>	<u>(406,227)</u>
<b>Amount available for appropriation</b>	<u>5,017,130</u>	<u>5,017,130</u>	<u>4,555,701</u>	<u>(461,429)</u>
<b>Charges to Appropriations (Outflows):</b>				
Departmental:				
<b>General Government:</b>				
General government	854,381	908,981	845,160	63,821
Public Safety	1,736,414	1,735,714	1,705,613	30,101
Street	328,294	267,294	217,610	49,684
Culture and Recreation	163,121	158,121	133,765	24,356
Cemetery	104,816	116,916	112,513	4,403
Airport	40,029	40,029	39,314	715
Transfers to Other Funds	750,000	750,000	758,230	(8,230)
<b>Total Charges to Appropriations</b>	<u>3,977,055</u>	<u>3,977,055</u>	<u>3,812,205</u>	<u>164,850</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 1,040,075</u>	<u>\$ 1,040,075</u>	\$ 743,496	<u>\$ (296,579)</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Library Account Balance			61,331	
Airport Account Balance			(17,235)	
Street Improvement Account Balance			67,306	
Police Special Response Account Balance			53	
<b>Total General Fund Fund Balance</b>			<u>\$ 854,951</u>	

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

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

**Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2014**

	<u>Special Revenue</u>		<u>Capital Project</u>		<u>Total Governmental Funds</u>
	<u>E911 Fund</u>	<u>Hotel Motel Tax Fund</u>	<u>Cemetery Care Fund</u>	<u>Police Equipment Fund</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 252,011	\$ 12,343	\$ 102,529	\$ 43,947	\$ 410,830
Due from other funds	120	-	-	-	120
Total assets	<u>\$ 252,131</u>	<u>\$ 12,343</u>	<u>\$ 102,529</u>	<u>\$ 43,947</u>	<u>\$ 410,950</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ 6,124	\$ -	\$ 4	\$ -	\$ 6,128
Total liabilities	<u>6,124</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>6,128</u>
Fund balances:					
Restricted	241,767	12,343	102,342	41,487	397,939
Assigned	4,240	-	183	2,460	6,883
Total fund balances	<u>246,007</u>	<u>12,343</u>	<u>102,525</u>	<u>43,947</u>	<u>404,822</u>
Total liabilities and fund balances	<u>\$ 252,131</u>	<u>\$ 12,343</u>	<u>\$ 102,529</u>	<u>\$ 43,947</u>	<u>\$ 410,950</u>

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

**Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2014**

	<u>Special Revenue</u>		<u>Capital Project</u>		<u>Total-Other Governmental Funds</u>
	<u>E911 Fund</u>	<u>Hotel Motel Tax Fund</u>	<u>Cemetery Care Fund</u>	<u>Police Equipment Fund</u>	
<b>REVENUES</b>					
Taxes	\$ -	\$ 12,384	\$ -	\$ -	\$ 12,384
Intergovernmental	-	-	-	31,727	31,727
Charges for services	63,189	-	6,841	-	70,030
Investment earnings	602	1	50	-	653
Miscellaneous	-	-	-	2,409	2,409
Total revenues	<u>63,791</u>	<u>12,385</u>	<u>6,891</u>	<u>34,136</u>	<u>117,203</u>
<b>EXPENDITURES</b>					
Public Safety	44,361	-	-	4	44,365
Economic development	-	42	-	-	42
Capital Outlay	-	-	3,600	4,037	7,637
Total Expenditures	<u>44,361</u>	<u>42</u>	<u>3,600</u>	<u>4,041</u>	<u>52,044</u>
Excess (deficiency) of revenues over expenditures	<u>19,430</u>	<u>12,343</u>	<u>3,291</u>	<u>30,095</u>	<u>65,159</u>
Net change in fund balances	19,430	12,343	3,291	30,095	65,159
Fund balances - beginning	<u>226,577</u>	<u>-</u>	<u>99,234</u>	<u>13,852</u>	<u>339,663</u>
Fund balances - ending	<u>\$ 246,007</u>	<u>\$ 12,343</u>	<u>\$ 102,525</u>	<u>\$ 43,947</u>	<u>\$ 404,822</u>

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

**Combining Balance Sheet Schedule (Modified Cash Basis) – Henryetta General Fund Accounts – June 30, 2014**

	<u>General Fund</u>	<u>Library Account</u>	<u>Airport Account</u>	<u>Street Improvement Account</u>	<u>Police Special Response Account</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ (12,530)	\$ 58,831	\$ 42,765	\$ 67,309	\$ 53	\$ 156,428
Investments	455,070	2,500	-	-	-	457,570
Due from other funds	308,054	-	-	-	-	308,054
Total assets	<u>\$ 750,594</u>	<u>\$ 61,331</u>	<u>\$ 42,765</u>	<u>\$ 67,309</u>	<u>\$ 53</u>	<u>\$ 922,052</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ 4,235	\$ -	\$ 60,000	\$ 3	\$ -	\$ 64,238
Due to depositors	2,863	-	-	-	-	2,863
Total liabilities	<u>7,098</u>	<u>-</u>	<u>60,000</u>	<u>3</u>	<u>-</u>	<u>67,101</u>
Fund balances:						
Restricted	-	4,281	-	-	-	4,281
Assigned	-	57,050	2,738	67,306	53	127,147
Unassigned (deficit)	743,496	-	(19,973)	-	-	723,523
Total fund balances	<u>743,496</u>	<u>61,331</u>	<u>(17,235)</u>	<u>67,306</u>	<u>53</u>	<u>854,951</u>
Total liabilities and fund balances	<u>\$ 750,594</u>	<u>\$ 61,331</u>	<u>\$ 42,765</u>	<u>\$ 67,309</u>	<u>\$ 53</u>	<u>\$ 922,052</u>

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

**Combining Schedule of Revenues, Expenses, and Changes in Fund Balance (Modified Cash Basis) -  
General Fund Accounts - Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Library Account</u>	<u>Airport Account</u>	<u>Street Improvement Account</u>	<u>Police Special Response Account</u>	<u>Total</u>
<b>REVENUES</b>						
Taxes	\$ 1,780,678	\$ -	\$ -	\$ -	\$ -	\$ 1,780,678
Intergovernmental	160,157	6,466	-	-	-	166,623
Charges for services	8,357	-	25,841	-	-	34,198
Fines and forfeitures	164,275	-	-	-	-	164,275
Licenses and permits	13,051	-	-	-	-	13,051
Investment earnings	2,324	-	20	31	-	2,375
Miscellaneous	201,759	3,813	-	-	-	205,572
Total revenues	<u>2,330,601</u>	<u>10,279</u>	<u>25,861</u>	<u>31</u>	<u>-</u>	<u>2,366,772</u>
<b>EXPENDITURES</b>						
Current:						
General government	842,689	-	-	-	-	842,689
Public Safety	1,685,685	-	-	-	-	1,685,685
Highways and streets	217,610	-	-	-	-	217,610
Culture and recreation	131,346	6,772	-	-	-	138,118
Cemetery	112,513	-	-	-	-	112,513
Airport	39,314	-	26,073	-	-	65,387
Capital Outlay	24,818	-	-	-	-	24,818
Total Expenditures	<u>3,053,975</u>	<u>6,772</u>	<u>26,073</u>	<u>-</u>	<u>-</u>	<u>3,086,820</u>
Excess (deficiency) of revenues over expenditures	<u>(723,374)</u>	<u>3,507</u>	<u>(212)</u>	<u>31</u>	<u>-</u>	<u>(720,048)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sales tax payment to HEDA	(107,426)	-	-	-	-	(107,426)
Transfers in	1,288,827	-	-	-	-	1,288,827
Transfers out	(650,804)	-	-	-	-	(650,804)
Total other financing sources and uses	<u>530,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,597</u>
Net change in fund balances	(192,777)	3,507	(212)	31	-	(189,451)
Fund balances (deficit) - beginning	936,273	57,824	(17,023)	67,275	53	1,044,402
Fund balances (deficit) - ending	<u>\$ 743,496</u>	<u>\$ 61,331</u>	<u>\$ (17,235)</u>	<u>\$ 67,306</u>	<u>\$ 53</u>	<u>\$ 854,951</u>

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

**Combining Schedule of Net Position (Modified Cash Basis) – Henryetta Municipal Authority**  
**Enterprise Fund Accounts - June 30, 2014**

	<u>HMA</u>	<u>Meter Deposit</u>	<u>Sewer Depreciation</u>	<u>87 Bond (Sales Tax)</u>	<u>CDBG Water Project</u>	<u>2009 CWSRF</u>	<u>2009 DWSRF</u>	<u>TOTALS</u>
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 9,198	\$ 40,246	\$ 221,453	\$ -	\$ 1	\$ -	\$ -	\$ 270,898
Restricted cash and cash equivalents	316,016	119,713	-	11,073	-	-	-	446,802
Restricted investments	-	155,381	-	80,606	-	-	-	235,987
Due from other funds	1,538	-	175,000	1,991	-	-	-	178,529
Total assets	<u>326,752</u>	<u>315,340</u>	<u>396,453</u>	<u>93,670</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1,132,216</u>
<b>LIABILITIES</b>								
Current liabilities:								
Due to other funds	10,262	1,538	-	-	-	-	-	11,800
Meter deposit liability	-	275,094	-	-	-	-	-	275,094
Total liabilities	<u>10,262</u>	<u>276,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,894</u>
<b>NET POSITION</b>								
Restricted for debt service	-	-	-	91,679	-	-	-	91,679
Restricted for capital outlay	316,016	-	-	-	-	-	-	316,016
Unrestricted	474	38,708	396,453	1,991	1	-	-	437,627
Total net position	<u>\$ 316,490</u>	<u>\$ 38,708</u>	<u>\$ 396,453</u>	<u>\$ 93,670</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 845,322</u>

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

**Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) –**  
**Henryetta Municipal Authority Enterprise Fund Accounts - Year Ended June 30, 2014**

	<u>HMA</u>	<u>Meter Deposit</u>	<u>Sewer Depreciation</u>	<u>87 Bond (Sales Tax)</u>	<u>CDBG Water Project</u>	<u>2009 CWSRF</u>	<u>2009 DWSRF</u>	<u>Total</u>
<b>Operating Revenues:</b>								
Water charges	\$ 1,332,593	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,332,593
Water taps	2,500	-	-	-	-	-	-	2,500
Sewer charges	795,871	-	-	-	-	-	-	795,871
Sewer taps	1,200	-	-	-	-	-	-	1,200
Sanitation charges	651,139	-	-	-	-	-	-	651,139
Transfer station fees	6,193	-	-	-	-	-	-	6,193
EMS Assessments	90,874	-	-	-	-	-	-	90,874
Penalty charges	31,690	-	-	-	-	-	-	31,690
Miscellaneous	33,911	-	-	-	-	-	-	33,911
Total operating revenues	<u>2,945,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,945,971</u>
<b>OPERATING EXPENSES</b>								
Water operations	327,815	52	-	56,946	-	-	-	384,813
Utility office operations	187,996	-	-	-	-	-	-	187,996
Water treatment plant operations	624,008	-	-	-	-	-	-	624,008
Sewer operations	94,503	-	200,123	-	-	-	-	294,626
Sewer treatment plant operations	206,319	-	-	-	-	-	-	206,319
Sanitation operations	153,296	-	-	-	-	-	-	153,296
Transfer station operations	177,476	-	-	-	-	-	-	177,476
EMS contract	90,756	-	-	-	-	-	-	90,756
Total Operating Expenses	<u>1,862,169</u>	<u>52</u>	<u>200,123</u>	<u>56,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,119,290</u>
Operating income (loss)	<u>1,083,802</u>	<u>(52)</u>	<u>(200,123)</u>	<u>(56,946)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>826,681</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
Interest and investment revenue	419	1,112	834	343	-	-	-	2,708
Principal expense	-	-	(297,647)	-	(6,250)	(82,462)	(380,000)	(766,359)
Interest expense	-	-	(12,726)	-	-	(52,251)	(188,919)	(253,896)
Proceeds from long-term debt	1,040,000	-	-	-	-	-	-	1,040,000
Total non-operating revenue (expenses)	<u>1,040,419</u>	<u>1,112</u>	<u>(309,539)</u>	<u>343</u>	<u>(6,250)</u>	<u>(134,713)</u>	<u>(568,919)</u>	<u>22,453</u>
Income (loss) before transfers	<u>2,124,221</u>	<u>1,060</u>	<u>(509,662)</u>	<u>(56,603)</u>	<u>(6,250)</u>	<u>(134,713)</u>	<u>(568,919)</u>	<u>849,134</u>
Interaccount transfers in	-	-	495,808	-	-	134,713	-	630,521
Interaccount transfers out	(495,808)	-	(134,713)	-	-	-	-	(630,521)
Transfers in	689,327	-	175,000	-	6,250	-	568,919	1,439,496
Transfers out	(2,001,960)	-	(44,773)	-	-	-	-	(2,046,733)
Change in net position	315,780	1,060	(18,340)	(56,603)	-	-	-	241,897
Total net position - beginning	710	37,648	414,793	150,273	1	-	-	603,425
Total net position - ending	<u>\$ 316,490</u>	<u>\$ 38,708</u>	<u>\$ 396,453</u>	<u>\$ 93,670</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 845,322</u>

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

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

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Department of Transportation:				
I-40 Waterline Relocation Project Grant	20.205	NHPPIY-0040-6(384)UT	126,740	10,285
			126,740	10,285
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management:				
Disaster Relief	97.036	FEMA-4117-DR-OK	28,376	28,376
Disaster Relief	97.036	FEMA-4117-DR-OK	7,104	7,104
			35,480	35,480
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 162,220</b>	<b>\$ 45,765</b>
<b>STATE AWARDS:</b>				
<u>OKLAHOMA DEPARTMENT OF TRANSPORTATION:</u>				
Lake Access Grant	N/A	N/A	\$ 300,000	\$ 300,000
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A	N/A	4,474	4,474
<u>OKLAHOMA DEPARTMENT OF CIVIL EMERGENCY MANAGEMENT:</u>				
Disaster Recovery	N/A	N/A	1,184	1,184
Disaster Recovery	N/A	N/A	4,729	-
<u>OKLAHOMA FORESTRY SERVICES:</u>				
Rural Fire Grant	N/A	N/A	5,956	5,956
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid 2013	N/A	N/A	6,623	505
State Aid 2014	N/A	N/A	6,466	6,267
<b>TOTAL STATE AWARDS</b>			<b>\$ 329,432</b>	<b>\$ 318,386</b>

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

**Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2014**

Gross Revenue Available for Debt Service:

Operating revenues of leased systems (1)	\$ 2,855,097
Sales tax pledged	1,289,108
	4,144,205
 Total Gross Revenues Available	 4,144,205
 System Operating Expenses (1)	 2,028,534
	2,028,534
 Net Revenues Available for Debt Service	 \$ 2,115,671
	2,115,671

Debt Service Requirements:

Maximum annual debt service - OWRB promissory note - SRF	\$ 117,059
Maximum annual debt service - OWRB promissory note - CWSRF	203,042
Maximum annual debt service - OWRB promissory note - 2009 CWSRF	191,407
Maximum annual debt service - OWRB promissory note - 2009 DWSRF	510,261
	1,021,769
 Total Debt Service Requirements	 \$ 1,021,769
	1,021,769

Coverage	207%
	207%

Coverage Requirement	125%
	125%

(1) Leased systems include water, sewer, sanitation and administration thereof.

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

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**



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 Henryetta, Oklahoma

We 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Henryetta, 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, and have issued our report thereon dated December 2, 2014. The report on the aggregate discretely presented component units was an adverse opinion due to the omission of the Henryetta Hospital Authority. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Arledge & Associates, P.C.*

December 2, 2014