



CITY OF NEWCASTLE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

**THE CITY OF NEWCASTLE,
OKLAHOMA**

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

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

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

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Newcastle, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of City of Newcastle, 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 I.B.; 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.

Opinion

In our opinion, the financial statements referred to above 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 Newcastle, 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 I.B.

Basis of Accounting

We draw attention to Note I.B. 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 opinions are not modified with respect to this matter.

Other Matters

Responsibility for Other Information Accompanying the Basic Financial Statements

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newcastle, Oklahoma's basic financial statements. The management's discussion and analysis (pages 7-13) and the budgetary comparison information (pages 48-49), which is the responsibility of management, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newcastle, Oklahoma's basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis (pages 50-53) and the schedule of expenditures of federal and state awards (page 54) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements—modified cash basis and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements 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 combining and individual nonmajor fund financial statements—modified cash basis and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the City of Newcastle, Oklahoma'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Newcastle, Oklahoma's internal control over financial reporting and compliance.



February 24, 2015
Yukon, Oklahoma

The management of the City of Newcastle 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 \$718,771, and the assets of the City exceed its liabilities at June 30, 2014, by \$18,798,802 (net position). Of this amount, \$1,701,539 (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 \$1,988,358.
- At the end of fiscal year 2014, unassigned fund balance on a modified cash basis for the General Fund was \$790,967 or 13% of General Fund revenues.

ABOUT THE CITY

The City of Newcastle is an incorporated municipality with a population of approximately 8,600 located in McClain County in central Oklahoma. The City is a Council-Manager form of government that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens
- Executive – the Mayor is the Chief Executive Officer and is elected by the citizens
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, cemetery, streets and alley maintenance, parks and recreation, community development and certain utility services including water, wastewater and sanitation.

The City's Financial Reporting Entity

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 following separate legal entities.

- **The City of Newcastle** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities

- **The Newcastle Public Works Authority (NPWA)** – that operates the water, wastewater, and sanitation services of the City – blended as a proprietary fund – *considered part of the primary government presentation for reporting purposes*

- **The Newcastle Educational Facilities Authority (NEFA)** – public trust to provide financing to and the promotion of educational facilities within the City – blended as a governmental fund – *considered part of the primary government presentation for reporting purposes*

- **The Newcastle Economic Development Authority (NEDA)** – public trust providing financing to businesses for the purpose of acquiring facilities for industrial or manufacturing, in or near the City, with the trustees appointed by the City Council – *reported as a discretely presented component unit*

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the primary government presented herein include all of the activities of the City of Newcastle (the “City”), the Newcastle Education Facilities Authority (the “NEFA”) and the Newcastle Public Works 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 as applicable to the modified cash basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), resulting from modified cash basis transactions. They present governmental 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 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.

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. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

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 that is different from other funds. 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 Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's major proprietary fund is the Newcastle Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities. In addition, a Sewer Impact Fund accounts for fees restricted for sewer infrastructure, and a Water Impact Fund that accounts for fees restricted for water infrastructure. The Phase 2 OKC Pipeline Fund is designed to account for construction of the water line to OKC.

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 25-47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the City of Newcastle, federal and state award schedules and combining non-major fund financial statements.

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

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 \$718,771.

Following is a summary of net position reported on a modified cash basis for the City of Newcastle primary government.

Net Position (Modified Cash Basis)
June 30, 2014

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 2,013	\$ 1,527	32%	\$ 1,033	\$ 2,038	-49%	\$ 3,046	\$ 3,565	-15%
Capital assets, net	9,225	9,633	-4%	12,260	10,834	13%	21,485	20,467	5%
Total assets	<u>11,238</u>	<u>11,160</u>	1%	<u>13,293</u>	<u>12,872</u>	3%	<u>24,531</u>	<u>24,032</u>	2%
Current liabilities	24	28	-14%	-	-	-	24	28	-14%
Non-current liabilities	1,149	1,245	-8%	4,559	4,679	-3%	5,708	5,924	-4%
Total liabilities	<u>1,173</u>	<u>1,273</u>	-8%	<u>4,559</u>	<u>4,679</u>	-3%	<u>5,732</u>	<u>5,952</u>	-4%
Net position									
Net investment in capital assets	8,077	8,388	-4%	7,850	6,334	24%	15,927	14,722	8%
Restricted	881	766	15%	289	807	-64%	1,170	1,573	-26%
Unrestricted	1,107	733	51%	595	1,052	-43%	1,702	1,785	-5%
Total net position	<u>\$ 10,065</u>	<u>\$ 9,887</u>	2%	<u>\$ 8,734</u>	<u>\$ 8,193</u>	7%	<u>\$ 18,799</u>	<u>\$ 18,080</u>	4%

The current assets for governmental activities increased \$485,778 or 32% due to the increase in sales tax revenue. This also caused an increase in unrestricted net position of \$373,830 or 51% for governmental activities.

The largest portion of the City's net position reflects its net investment capital assets. This year the net investment in capital assets amounted to \$15,926,612.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$1,170,651, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,701,539, may be used to meet the government's ongoing needs.

CITY OF NEWCASTLE, 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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 504	\$ 550	-8%	\$ 3,088	\$ 2,946	5%	\$ 3,592	\$ 3,496	3%
Operating grants and contributions	627	291	115%	-	-	-	627	291	115%
Capital grants and contributions	10	75	-87%	63	146	-57%	73	221	-67%
Taxes	5,988	5,367	12%	-	-	-	5,988	5,367	12%
Intergovernmental revenue	97	95	2%	-	-	-	97	95	2%
Investment income	22	22	-	8	7	14%	30	29	3%
Miscellaneous	201	122	65%	10	109	-91%	211	231	-9%
Total revenues	7,449	6,522	14%	3,169	3,208	-1%	10,618	9,730	9%
Expenses									
General government	1,652	1,380	20%	-	-	-	1,652	1,380	20%
Public safety	3,230	3,147	3%	-	-	-	3,230	3,147	3%
Streets	1,692	1,277	32%	-	-	-	1,692	1,277	32%
Culture, parks and recreation	106	121	-12%	-	-	-	106	121	-12%
Cemetery	5	10	-50%	-	-	-	5	10	-50%
Community development	-	61	-100%	-	-	-	-	61	-100%
Interest on long-term debt	24	31	-23%	-	-	-	24	31	-23%
Water	-	-	-	2,376	2,009	18%	2,376	2,009	18%
Wastewater	-	-	-	396	400	-1%	396	400	-1%
Sanitation	-	-	-	418	341	23%	418	341	23%
Total expenses	6,709	6,027	11%	3,190	2,750	16%	9,899	8,777	13%
Excess (deficiency) before transfers	740	495	49%	(21)	458	-105%	719	953	-25%
Transfers	(562)	169	-433%	562	(169)	433%	-	-	-
Change in net position	178	664	-73%	541	289	87%	719	953	-25%
Beginning net position	9,887	9,223	7%	8,193	7,904	4%	18,080	17,127	6%
Ending net position	\$ 10,065	\$ 9,887	2%	\$ 8,734	\$ 8,193	7%	\$ 18,799	\$ 18,080	4%

Governmental Activities

The City's governmental activities had an increase in net position of \$177,614. The increase in operating grants and contributions of 115% is primarily due to an increase in disaster assistance reimbursements from the Federal Emergency Management Agency related to the May 20, 2013 tornado. The decrease in capital grants and contributions of 87% was due to the completion of capital grants in the prior year. The decrease in street expenses of 32% was primarily due to increase in street maintenance and supplies for snow and ice removal. The decrease of 100% in community development is due to the decrease in payments related to a federal grant and the reclassification of employees to the general government department. The decrease in net transfers of 433% was due to an increase in transfers out of restricted sales tax directly related to the increase in sales tax collections.

Business-type Activities

The business-type activities had an increase in net position of \$541,157 from prior year. The increase in net transfers is due primarily to an increase in restricted sales tax transferred from the general fund. The decrease in capital grants of 57% is due the completion of the projects in the prior year.

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

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$1,988,358. For the year ended June 30, 2014, the General Fund's total fund balance increased by \$374,067 to \$1,106,727 or 13.0% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2014, the City of Newcastle reported actual budgetary basis revenues over final estimates by \$338,429 or a 3.3% positive variance. Actual expenditures were under final appropriations by \$341,403 or a 3.2% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had approximately \$21.5 million invested in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and infrastructure. This represents a net increase of \$1,017,990 from the prior year.

Below are details regarding the change in the City's capital assets for the year ended June 30, 2014.¹

	Capital Assets					
	(In Thousands)					
	(Net of accumulated depreciation)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 598	\$ 598	\$ 161	\$ 161	\$ 759	\$ 759
Buildings	2,339	2,531	4,890	3,651	7,229	6,182
Imp. other than buildings	101	58	6	6	107	64
Machinery, furniture and equipment	877	923	1,040	1,151	1,917	2,074
Infrastructure	5,213	5,380	-	-	5,213	5,380
Utility property	-	-	497	545	497	545
Construction in progress	97	143	5,666	5,320	5,763	5,463
Totals	<u>\$ 9,225</u>	<u>\$ 9,633</u>	<u>\$ 12,260</u>	<u>\$ 10,834</u>	<u>\$ 21,485</u>	<u>\$ 20,467</u>

¹ For more detailed information on capital asset activity please refer to pages 33-34, Note 3. Capital Assets and Depreciation

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

This year's more significant capital asset additions include the following:

- City Hall Building \$677,318
- Public Works Building \$739,232
- Continuation of OKC Waterline project \$282,149
- Continuation of OWRB Green project \$252,688

Debt Administration

At year-end, the City had \$5,558,969 in long-term debt outstanding, reported on a modified cash basis, which represents a \$189,665 decrease from the prior year, resulting from normal debt retirements and the issuance of \$1,570,144 of new notes and leases in 2014.

	Long-Term Debt (In Thousands)						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Notes payable	724	807	4,190	4,218	4,914	5,025	-2.2%
Capital leases	425	438	220	321	645	759	-15.0%
Totals	<u>\$ 1,149</u>	<u>\$ 1,245</u>	<u>\$ 4,410</u>	<u>\$ 4,539</u>	<u>\$ 5,559</u>	<u>\$ 5,784</u>	-3.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following information outlines significant known factors that will affect subsequent year finances:

- For the upcoming fiscal year ending June 30, 2015, the City's adopted budget is fairly consistent with the 2014 year.
- The City will continue with the OWRB Green project including construction of a water tower, water tower rehab, and meter replacement. The project is currently being funded with a low interest note from OWRB.

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 demonstrate 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 PO Box 179, Newcastle, Oklahoma 73065-0179 or telephone at 405-387-4427.

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

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF NEWCASTLE, 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</u>	<u>Business-Type</u>		<u>Newcastle</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Economic</u>
				<u>Development</u>
				<u>Authority</u>
ASSETS				
Cash and cash equivalents	\$ 1,995,641	\$ 1,050,422	\$ 3,046,063	\$ 9,852
Internal Balances	17,207	(17,207)	-	-
Capital Assets:				
Land and construction in progress	695,672	5,826,656	6,522,328	-
Other capital assets, net of depreciation	8,529,721	6,433,532	14,963,253	-
Total Assets	<u>11,238,241</u>	<u>13,293,403</u>	<u>24,531,644</u>	<u>9,852</u>
LIABILITIES				
Due to other governments	3,142	-	3,142	-
Due to bondholders	21,347	-	21,347	-
Long-term liabilities:				
Due within one year	212,996	773,116	986,112	-
Due in more than one year	935,846	3,786,395	4,722,241	-
Total liabilities	<u>1,173,331</u>	<u>4,559,511</u>	<u>5,732,842</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	8,076,551	7,850,061	15,926,612	-
Restricted for:				
Capital projects	865,161	289,020	1,154,181	-
Cemetery	16,470	-	16,470	-
Unrestricted	1,106,728	594,811	1,701,539	9,852
Total net position	<u>\$ 10,064,910</u>	<u>\$ 8,733,892</u>	<u>\$ 18,798,802</u>	<u>\$ 9,852</u>

See accompanying notes to the basic financial statements.

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

Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2014

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit Newcastle Economic Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 1,652,167	\$ 141,900	\$ 17,056	\$ -	\$ (1,493,211)	\$ -	\$ (1,493,211)	\$ -
Public Safety	3,229,901	285,474	112,098	9,910	(2,822,419)	-	(2,822,419)	-
Streets	1,691,820	-	497,499	-	(1,194,321)	-	(1,194,321)	-
Culture and Recreation	106,339	34,041	-	-	(72,298)	-	(72,298)	-
Cemetery	4,637	42,850	-	-	38,213	-	38,213	-
Interest on Long-term debt	24,458	-	-	-	(24,458)	-	(24,458)	-
Total governmental activities	<u>6,709,322</u>	<u>504,265</u>	<u>626,653</u>	<u>9,910</u>	<u>(5,568,494)</u>	<u>-</u>	<u>(5,568,494)</u>	<u>-</u>
Business-type activities:								
Water	2,376,184	2,229,300	-	62,661	-	(84,223)	(84,223)	-
Wastewater	396,413	289,896	-	-	-	(106,517)	(106,517)	-
Sanitation	417,602	569,249	-	-	-	151,647	151,647	-
Total business-type activities	<u>3,190,199</u>	<u>3,088,445</u>	<u>-</u>	<u>62,661</u>	<u>-</u>	<u>(39,093)</u>	<u>(39,093)</u>	<u>-</u>
Total primary government	<u>9,899,521</u>	<u>3,592,710</u>	<u>626,653</u>	<u>72,571</u>	<u>(5,568,494)</u>	<u>(39,093)</u>	<u>(5,607,587)</u>	<u>-</u>
Component Unit:								
Newcastle Economic Development	-	-	-	-	-	-	-	-
General revenues:								
Taxes:								
Sales and use taxes					\$ 5,679,622	\$ -	\$ 5,679,622	\$ -
Franchise taxes and public service taxes					297,183	-	297,183	-
Hotel/motel taxes					10,516	-	10,516	-
Intergovernmental revenue not restricted to specific programs					97,533	-	97,533	-
Investment income					22,245	7,768	30,013	19
Miscellaneous					201,198	10,293	211,491	993
Transfers					(562,189)	562,189	-	-
Total general revenues and transfers					<u>5,746,108</u>	<u>580,250</u>	<u>6,326,358</u>	<u>1,012</u>
Change in net position					177,614	541,157	718,771	1,012
Net position - beginning					9,887,296	8,192,735	18,080,031	8,840
Net position - ending					<u>\$ 10,064,910</u>	<u>\$ 8,733,892</u>	<u>\$ 18,798,802</u>	<u>\$ 9,852</u>

See accompanying notes to the basic financial statements.

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

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF NEWCASTLE, 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>Capital Improvement Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,114,009	\$ 865,161	\$ 16,470	\$ 1,995,640
Due from other funds	17,207	-	-	17,207
Total assets	<u>1,131,216</u>	<u>865,161</u>	<u>16,470</u>	<u>2,012,847</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to bondholders	21,347	-	-	21,347
Payable to other governments	3,142	-	-	3,142
Total liabilities	<u>24,489</u>	<u>-</u>	<u>-</u>	<u>24,489</u>
Fund balances:				
Restricted	-	865,161	16,470	881,631
Assigned	315,760	-	-	315,760
Unassigned	790,967	-	-	790,967
Total fund balances	<u>1,106,727</u>	<u>865,161</u>	<u>16,470</u>	<u>1,988,358</u>
Total liabilities and fund balances	<u>\$ 1,131,216</u>	<u>\$ 865,161</u>	<u>\$ 16,470</u>	<u>\$ 2,012,847</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, 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) – Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Improvement Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 4,603,773	\$ 709,952	\$ 709,953	\$ 6,023,678
Intergovernmental	778,172	-	-	778,172
Charges for services	134,479	-	5,156	139,635
Fines and forfeitures	252,305	-	-	252,305
Licenses and permits	85,629	-	-	85,629
Investment income	16,748	5,469	28	22,245
Miscellaneous	193,994	-	-	193,994
Total revenues	<u>6,065,100</u>	<u>715,421</u>	<u>715,137</u>	<u>7,495,658</u>
EXPENDITURES				
Current:				
General government	1,364,763	-	-	1,364,763
Police	1,512,348	-	-	1,512,348
Fire	1,298,232	-	-	1,298,232
Streets	969,188	-	-	969,188
Municipal court	72,250	-	-	72,250
Cemetery	4,637	-	-	4,637
Animal control	40,845	-	-	40,845
Parks and recreation	32,784	58,079	-	90,863
Planning and engineering	68,696	-	-	68,696
Vehicle maintenance	181,866	-	-	181,866
Sr. Citizens	-	16,562	-	16,562
Capital Outlay	454,455	446,602	-	901,057
Debt Service:				
Principal	166,449	57,385	-	223,834
Interest and other charges	24,458	27,065	-	51,523
Total Expenditures	<u>6,190,971</u>	<u>605,693</u>	<u>-</u>	<u>6,796,664</u>
Excess (deficiency) of revenues over expenditures	(125,871)	109,728	715,137	698,994
OTHER FINANCING SOURCES (USES)				
Loan proceeds	127,426	-	-	127,426
Transfers in	3,233,782	-	-	3,233,782
Transfers out	(2,861,270)	-	(709,953)	(3,571,223)
Total other financing sources and uses	<u>499,938</u>	<u>-</u>	<u>(709,953)</u>	<u>(210,015)</u>
Net change in fund balances	374,067	109,728	5,184	488,979
Fund balances - beginning	732,660	755,433	11,286	1,499,379
Fund balances - ending	<u>\$ 1,106,727</u>	<u>\$ 865,161</u>	<u>\$ 16,470</u>	<u>\$ 1,988,358</u>

See accompanying notes to the basic financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	1,988,358
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
		9,225,393
Some liabilities, (such as Notes Payable and Capital Lease Contract Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
		(1,148,841)
		10,064,910
Net Position of Governmental Activities in the Statement of Net Position		

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	488,979
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		261,768
Depreciation expense		(667,084)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		
Capital assets disposed		(2,458)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital lease principal payments		140,914
Note payable principal payment		82,921
Proceeds of long-term debt		(127,426)
Change in net position of governmental activities		\$ 177,614

See accompanying notes to the basic financial statements.

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

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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

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

	NPWA Enterprise Fund	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 244,576	\$ 347,845	\$ 592,421
Restricted:			
Cash and cash equivalents	168,981	289,020	458,001
Due from other funds	123,033	46,121	169,154
Total current assets	536,590	682,986	1,219,576
Non-current assets:			
Capital Assets:			
Land and construction in progress	5,826,656	-	5,826,656
Other capital assets, net of accumulated depreciation	6,433,532	-	6,433,532
Total non-current assets	12,260,188	-	12,260,188
Total assets	12,796,778	682,986	13,479,764
LIABILITIES			
Current Liabilities:			
Due to other funds	21,122	165,239	186,361
Deposits subject to refund	29,877	-	29,877
Capital lease obligation	104,962	-	104,962
Notes payable	590,667	47,610	638,277
Total current liabilities	746,628	212,849	959,477
Non-current liabilities:			
Deposits subject to refund	119,507	-	119,507
Capital lease obligation	114,688	-	114,688
Notes payable	2,592,975	959,225	3,552,200
Total non-current liabilities	2,827,170	959,225	3,786,395
Total liabilities	3,573,798	1,172,074	4,745,872
NET POSITION (DEFICIT)			
Net investment in capital assets	8,856,896	(1,006,835)	7,850,061
Restricted for capital projects	-	289,020	289,020
Unrestricted	366,084	228,727	594,811
Total net position (deficit)	\$ 9,222,980	\$ (489,088)	\$ 8,733,892

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, 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) – Year Ended June 30, 2014

	NPWA Enterprise Fund	Other Enterprise Funds	Total
REVENUES			
Water	\$ 1,946,235	\$ -	\$ 1,946,235
Wastewater	195,478	-	195,478
Sanitation	483,696	-	483,696
Fees, taps, and penalties	255,536	207,500	463,036
Total operating revenues	<u>2,880,945</u>	<u>207,500</u>	<u>3,088,445</u>
OPERATING EXPENSES			
Administration	223,581	-	223,581
Water	1,774,707	-	1,774,707
Wastewater	289,433	-	289,433
Sanitation	372,263	-	372,263
Depreciation	369,465	-	369,465
Total Operating Expenses	<u>3,029,449</u>	<u>-</u>	<u>3,029,449</u>
Operating income (loss)	(148,504)	207,500	58,996
NON-OPERATING REVENUES (EXPENSES)			
Investment income	6,764	1,004	7,768
Miscellaneous revenue	10,293	-	10,293
Capital grants and contributions	62,661	-	62,661
Interest expense	(159,074)	(1,676)	(160,750)
Total non-operating revenue (expenses)	<u>(79,356)</u>	<u>(672)</u>	<u>(80,028)</u>
Income (loss) before transfers	(227,860)	206,828	(21,032)
Transfers in	3,811,018	46,171	3,857,189
Transfers out	<u>(2,570,000)</u>	<u>(725,000)</u>	<u>(3,295,000)</u>
Change in net position	1,013,158	(472,001)	541,157
Total net position (deficit) - beginning	8,209,822	(17,087)	8,192,735
Total net position (deficit) - ending	<u>\$ 9,222,980</u>	<u>\$ (489,088)</u>	<u>\$ 8,733,892</u>

See accompanying notes to the basic financial statements.

CITY OF NEWCASTLE, 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

	<u>NPWA Enterprise</u> <u>Fund</u>	<u>Other Enterprise</u> <u>Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,880,945	\$ 207,500	\$ 3,088,445
Payments to suppliers	(1,772,065)	-	(1,772,065)
Payments to employees	(887,919)	-	(887,919)
Receipts/refunds of customer meter deposits	9,725	-	9,725
Miscellaneous receipts	10,293	-	10,293
Net cash provided by operating activities	<u>240,979</u>	<u>207,500</u>	<u>448,479</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,811,018	46,171	3,857,189
Transfers to other funds	(2,570,000)	(725,000)	(3,295,000)
Net cash provided by (used in) noncapital financing activities	<u>1,241,018</u>	<u>(678,829)</u>	<u>562,189</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(1,795,227)	-	(1,795,227)
Proceeds from debt	1,442,718	-	1,442,718
Principal paid on debt	(1,525,804)	(46,171)	(1,571,975)
Capital grants and contributions	62,661	-	62,661
Interest and fiscal agent fees paid on debt	(159,074)	(1,676)	(160,750)
Net cash provided by (used in) capital and related financing activities	<u>(1,974,727)</u>	<u>(47,847)</u>	<u>(2,022,574)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	6,764	1,004	7,768
Net cash provided by investing activities	<u>6,764</u>	<u>1,004</u>	<u>7,768</u>
Net increase (decrease) in cash and cash equivalents	(485,966)	(518,172)	(1,004,138)
Balances - beginning of year	<u>899,523</u>	<u>1,155,037</u>	<u>2,054,560</u>
Balances - end of year	<u>\$ 413,557</u>	<u>\$ 636,865</u>	<u>\$ 1,050,422</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	244,576	347,845	592,421
Restricted cash and cash equivalents - current	168,981	289,020	458,001
Total cash and cash equivalents, end of year	<u>413,557</u>	<u>636,865</u>	<u>1,050,422</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (148,504)	\$ 207,500	\$ 58,996
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	369,465	-	369,465
Miscellaneous revenue	10,293	-	10,293
Change in assets and liabilities:			
Deposits subject to refund	9,725	-	9,725
Net cash provided by operating activities	<u>\$ 240,979</u>	<u>\$ 207,500</u>	<u>\$ 448,479</u>

See accompanying notes to the basic financial statements.

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

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 and a discretely-presented component unit as follows:

- **The City of Newcastle** – that operates the public safety, cemetery, streets and public works, health and welfare, culture and recreation, and administrative activities, governed by the City Council
- **The Newcastle Public Works Authority (NPWA)** – that operates the water, wastewater, sanitation services of the City governed by the City Council members as trustees– blended as a proprietary fund – *considered part of the primary government presentation for reporting purposes*
- **The Newcastle Educational Facilities Authority (NEFA)** – public trust to provide financing to and the promotion of educational facilities within the City – blended as a governmental fund – *considered part of the primary government presentation for reporting purposes*
- **The Newcastle Economic Development Authority (NEDA)** – provides financing to businesses for the purpose of acquiring facilities and industrial or manufacturing, in or near the City, with the trustees appointed by the City Council – *reported as a discretely presented component unit*

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Council Statement No. 14, “*The Financial Reporting Entity*” and Statement No. 61, “*The Financial Reporting Entity: Omnibus*” and includes all component units for which the City of 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 the Public Trusts is dissolved.

The component units (Authorities) have the City Council as their governing body (trustees) and/or the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements with the NPWA treated as a blended component unit, and the NEDA treated as a discretely presented component unit.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement 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 modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- 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: Inspection fees, licenses and permits
- Public Safety: Animal impound fees, animal licenses, traffic fines and fees, operating grants, and fire run fees
- Streets: Gas excise tax, commercial vehicle tax, operating grants
- Culture and recreation: Assessment fees
- Cemetery: Lot sales and internment
- Community development: Capital grant

Governmental Funds:

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
- Capital Improvement Restricted Sales Tax Fund – accounts for the restricted sales tax levied for capital improvement purposes

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

- Fire Restricted Sales Tax Fund – accounts for the restricted sales tax levied for fire purposes
- Cemetery Care Fund – accounts for the State statute required 12.5 percent of cemetery revenues for cemetery capital improvements

The governmental funds are reported on a modified cash basis of accounting and a related current financial resources measurement focus. 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. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of a modified economic resources measurement focus at the government-wide level.

Proprietary Funds:

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

Enterprise Fund:

Major Fund:

- Newcastle Public Works Authority – accounts for the operation of the water, wastewater, and sanitation activities

Non-Major Funds (Reported as Other Enterprise Funds):

- NPWA Water Impact Fund – accounts for water connection fees collected for the purpose of water improvements
- NPWA Sewer Impact Fund – accounts for sewer connection fees collected for the purpose of wastewater improvements
- Phase 2 OKC Pipeline Fund – accounts for the funding and construction the OKC pipeline

The proprietary funds are reported on a modified cash basis, as defined above, and a related economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. 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 deposits and are reported at cost.

D. Capital Assets and Depreciation

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2003 are recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 10-25 years
- Improvements other than buildings 3-20 years
- Machinery, furniture and equipment 3-25 years
- Utility property and improvements 5-75 years
- Infrastructure 10-40 years

E. Long-Term Debt

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

G. Fund Balances and Net position

Fund Balances:

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- 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 – included 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, while the NEFA’s is made by resolution
- 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 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.

Net Position:

Net position is displayed in three components:

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

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

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

H. 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.

I. Use of Estimates

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

2. Deposits and Investments

For the year ended June 30, 2014, the City recognized \$211,491 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most 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:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 554,189
Time deposit - certificates of deposit			2,223,469
			<u>\$ 2,777,657</u>
Investments:			
NPWA - Federated Gov't Obligations Tax Managed Fund	N/A	AAAm	\$ 278,258
			<u>278,258</u>
Total deposits and investments			<u><u>\$ 3,055,915</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 3,046,063
			<u>\$ 3,046,063</u>
Component Unit:			
Cash and cash equivalents			\$ 9,852
			<u>\$ 9,852</u>
Total deposits and investments			<u><u>\$ 3,055,915</u></u>

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Custody Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government 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 had uncollateralized deposits of \$37,472 at one bank.

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 were limited to time deposits and government obligations 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 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 had no investments subject to credit risk.

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.

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Restricted cash and Investments – The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) and water and wastewater connections fees restricted for water and wastewater improvements.

	Current
	Cash and cash equivalents
Utility deposits	\$ 149,384
Trustee account - NPWA	19,597
Water impact fees	136,071
Sewer impact fees	152,949
Total	\$ 458,001

3. Capital Assets and Depreciation

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

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 597,948	\$ -	\$ -	\$ 597,948
Construction in progress	142,824	35,264	80,364	97,724
Total capital assets not being depreciated	740,771	35,264	80,364	695,672
Other capital assets:				
Buildings	3,366,178	-	-	3,366,178
Improvements	57,689	47,711	-	105,400
Infrastructure	7,121,545	54,270	-	7,175,815
Machinery, furniture and equipment	3,887,538	204,885	20,225	4,072,197
Total other capital assets at historical cost	14,432,950	306,866	20,225	14,719,591
Less accumulated depreciation for:				
Buildings	834,659	192,948	-	1,027,607
Improvements	-	4,512	-	4,512
Infrastructure	1,741,449	221,487	-	1,962,936
Machinery, furniture and equipment	2,964,448	248,138	17,770	3,194,815
Total accumulated depreciation	5,540,555	667,084	17,770	6,189,869
Other capital assets, net	8,892,395	(360,218)	2,455	8,529,721
Governmental activities capital assets, net	\$ 9,633,166	\$ (324,954)	\$ 82,819	\$ 9,225,393

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	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 160,588	\$ -	\$ -	\$ 160,588
Construction in progress	5,319,055	\$ 1,086,245	\$ 739,232	5,666,068
Total capital assets not being depreciated	<u>5,479,643</u>	<u>1,086,245</u>	<u>739,232</u>	<u>5,826,656</u>
Other capital assets:				
Buildings	6,937,130	1,416,549	-	8,353,680
Improvements	8,089	-	-	8,089
Machinery, furniture and equipment	1,940,636	31,947	-	1,972,583
Utility property	718,150	-	-	718,151
Total other capital assets at historical cost	<u>9,604,005</u>	<u>1,448,497</u>	<u>-</u>	<u>11,052,501</u>
Less accumulated depreciation for:				
Buildings	3,285,666	176,766	-	3,462,433
Improvements	1,753	270	-	2,022
Machinery, furniture and equipment	789,284	143,650	-	932,934
Utility Property Improvements	172,801	48,780	-	221,581
Total accumulated depreciation	<u>4,249,503</u>	<u>369,466</u>	<u>-</u>	<u>4,618,970</u>
Other capital assets, net	<u>5,354,502</u>	<u>1,079,032</u>	<u>-</u>	<u>6,433,532</u>
Business-type activities capital assets, net	<u>\$ 10,834,145</u>	<u>\$ 2,165,277</u>	<u>\$ 739,232</u>	<u>\$ 12,260,188</u>

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

Governmental Activities:

General government	\$ 36,843
Public safety	350,301
Highways and streets	251,026
Parks and recreation	28,914
	<u>\$ 667,084</u>

Business-Type Activities:

Water	\$ 273,446
Wastewater	73,512
Administration	22,508
	<u>\$ 369,466</u>

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4. 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>
Governmental Activities:					
Notes payable	\$ 806,879	\$ -	\$ 82,921	\$ 723,959	\$ 79,775
Capital lease payable	438,371	127,426	140,914	424,883	133,221
Total Governmental Activities	<u>\$ 1,245,250</u>	<u>\$ 127,426</u>	<u>\$ 223,834</u>	<u>\$ 1,148,842</u>	<u>\$ 212,996</u>
Business-Type Activities:					
Notes Payable	\$ 4,218,068	\$ 1,442,718	\$ 1,470,311	\$ 4,190,475	\$ 638,277
Capital lease payable	321,316	-	101,664	219,652	104,962
Deposits, subject to refund	139,659	9,725	-	149,384	29,877
Total Business-Type Activities	<u>4,679,043</u>	<u>1,452,444</u>	<u>1,571,975</u>	<u>4,559,511</u>	<u>773,116</u>
Total Long-Term Debt	<u>\$ 5,924,293</u>	<u>\$ 1,579,870</u>	<u>\$ 1,795,810</u>	<u>\$ 5,708,353</u>	<u>\$ 986,112</u>

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

Notes payable:

\$178,000 note payable to First National Bank, payable in monthly installments of \$1,458, including principal and interest at 5.5%, with final payment due August 2022	114,970
\$800,000 NPWA line of credit note payable to First National Bank, payable in monthly installments of \$7,677, including principal and interest at 4.40%, final payment due June 2022; repaid with restricted sales tax	608,988
Total Notes Payable	\$ 723,959
Current portion	79,775
Noncurrent portion	644,184
Total Notes Payable	\$ 723,959

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Capital leases payable:

\$105,565 capital lease agreement for the purchase of a Komatsu Loader, payable to Sooner State Bank in monthly installments of \$1,162, including principal and interest at 5.57%, with final payment due May 2016.	\$ 25,299
\$49,100 capital lease agreement for the purchase of a 3 Donge Chargers, payable to First National Bank in monthly installments of \$1,108, including principal and interest at 3.9%, with final payment due September 2018	\$ 40,467
\$76,1558 capital lease agreement for the purchase of 2010 Dodge Charger, 2011 Cheverolet 3/4 ton pickup, and 2011 Chevrolet 1 ton truck, payable to First National Bank in monthly installments of \$505, including principal and interest at 2.85%, with final payment due November 2016.	\$ 45,458
\$38,050 capital lease agreement for the purchase of a 2011 Chevy Tahoe, payable to First National Bank of Chickasha in monthly installments of \$859, including principal and interest at 3.95%, with final payment due October 2017.	\$ 32,135
\$40,276 capital lease agreement for the purchase of an asphalt paver, payable to Caterpillar financing in monthly installments of \$1,175, including principal and interest at 3.20%, with final payment due June 2017.	\$ 40,276
\$371,409 capital lease agreement for the purchase of a fire truck, payable to First National Bank of Chickasha in annual installments of \$61,887, including principal and interest at 4.0%, with final payment due October 2017.	\$ 224,785
\$35,932 capital lease agreement for purchase of two 2011 Chevrolet pickups, payable to First National Bank in monthly installments of \$1,049, including principal and interest at 3.25%, with final payment due December 2014.	\$ 5,187
\$32,400 capital lease agreement for purchase of two 2010 Ford Crown Victoria, payable to First National Bank in monthly installments of \$950, including principal and interest at 3.50%, with final payment due November 2014.	\$ 3,763
\$19,261 capital lease agreement for purchase of a 2011 Chevrolet pickup, payable to First National Bank in monthly installments of \$429, including principal and interest at 3.25%, with final payment due December 2015.	\$ 7,513
Total Capital Leases Payable	<u>\$ 424,883</u>
Current portion	133,221
Noncurrent portion	291,662
Total Capital Leases Payable	<u>\$ 424,883</u>

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

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Notes payable:

\$250,000 note payable to First National Bank, payable in monthly installments of \$2,713, including principal and interest at 5.5%, final payment due June 2016. The note is secured by pledge revenues of the NPWA and from one percent (1%) sales tax.	\$ 61,956
\$95,000 note payable to First National Bank, payable in monthly installments of \$1,005, including principal and interest, at 4.95%, final payment due November 2016. The note is secured by pledged revenues from a one percent (1%) sales tax.	27,486
\$250,000 note payable to First National Bank, payable in monthly installments of \$2,646, including principal and interest at 4.95%, final payment due November 2016. This note is secured by pledged revenues from a one percent (1%) sales tax.	72,091
\$5,000,000 note payable to First National Bank, payable in interest-only installments currently until finished drawing on note, principal and interest, at 4.90%, final payment due September 2021.	2,046,799
\$200,000 note payable to First National Bank, payable in monthly installments of \$1,901, including principal and interest at 5.50%, final payment due July 2020. This note is secured by pledged revenues from a one percent (1%) sales tax.	116,941
\$2,463,227 note payable to OWRB, payable in interest only installments currently until finished drawing on note, principal and interest at 2.55%, with final payment due September 2030.	1,006,835
\$1,389,455 note payable to OWRB, payable in interest only installments currently until finished drawing on note, principal and interest at 2.43%, with final payment due March 2034.	237,788
\$55,924 note payable to Chickasha Bank & Trust, payable in monthly installments of \$1,005, including principal and interest at 3.01%, final payment due February 2017.	30,813
\$45,819 note payable to First National Bank, payable in monthly installments of \$834, including principal and interest at 3.50%, final payment due October 2016. This note is secured by pledged revenues from a one percent (1%) sales tax.	22,382
\$575,000 note payable to First National Bank, interest at 2.95%, final payment due March 2029. Payable in monthly installments of \$3,958.	567,385
Total Notes Payable	<u>\$ 4,190,477</u>
Current portion	638,277
Noncurrent portion	3,552,200
Total Notes Payable	<u>\$ 4,190,477</u>

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Capital leases payable:

\$88,113 capital lease agreement for purchase of a tractor/mower, payable to Chickasha Bank & Trust in monthly installments of \$1,951, including principal and interest at 3.01%, with final payment due March 2016.	\$ 39,806
\$205,000 capital lease agreement for purchase of Okie Disposal Building, payable to First National Bank in monthly installments of \$1,919, including principal and interest at 5.25%, with final payment due July 2017.	\$ 65,476
\$43,572 capital lease agreement for purchase of a 2012 Chevrolet Tahoe, payable to Chickasha Bank & Trust in monthly installments of \$964, including principal and interest at 3.25%, with final payment due February 2016.	\$ 18,804
\$82,000 capital lease agreement for the purchase of a two 2011 3/4 ton trucks and a 2013 International lime truck payable to First National Bank in monthly installments of \$1,813 including principal and interest at 2.85%, with final payment due November 2016.	\$ 48,947
\$37,500 capital lease agreement for the purchase of a sewer jetting unit, payable to First National Bank in monthly installments of \$475, including principal and interest at 3.25%, with final payment due August 2016.	\$ 17,023
\$101,944 capital lease agreement for the purchase of a backhoe, payable to Warren Power & Machinery Inc. in monthly installments of \$2,290, including principal and interest at 3.75%, with final payment due March 2015.	\$ 27,002
\$17,966 capital lease agreement for the purchase of a 2011 Chevrolet pickup, payable to First National Bank, in monthly installments of \$524, including principal and interest at 3.25%, with final payment due December 2014.	\$ 2,592
Total Capital Leases Payable	\$ 219,652
Current portion	104,962
Noncurrent portion	114,690
Total Capital Leases Payable	\$ 219,652

Customer Deposits:

Customer deposits reported as a liability within the Statement of Net Assets are comprised of utility customer deposits payable.

	149,384
Total Refundable Grant Obligation	\$ 149,384
Current portion	29,877
Noncurrent portion	119,507
Total Refundable Grant Obligation	\$ 149,384

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

<u>Year Ending June 30,</u>	Governmental Activities			
	Capital		Notes Payable	
	Leases Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 133,221	\$ 57,963	\$ 79,775	\$ 28,920
2016	123,042	45,268	83,509	25,186
2017	97,569	41,248	87,450	21,246
2018	71,051	9,305	91,562	17,133
2019	-	-	95,869	12,826
2020-2023	-	-	285,794	14,598
Totals	\$ 424,883	\$ 153,784	\$ 723,959	\$ 119,909

<u>Year Ending June 30,</u>	Business Type Activities			
	Capital		Notes Payable	
	Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 104,962	\$ 13,050	638,277	231,906
2016	76,758	2,951	721,003	204,885
2017	28,277	780	674,709	177,863
2018	9,655	8	673,501	152,906
2019	-	-	697,448	127,539
2020-2024	-	-	2,072,809	318,765
2025-2029	-	-	849,667	143,876
2030-2034	-	-	617,698	45,718
Totals	\$ 219,652	\$ 16,789	\$ 6,945,112	\$ 1,403,458
			(2,754,635)	
			\$ 4,190,477	

Component Unit – NEDA Conduit Debt:

In August 2002, the NEDA authorized the issuance of indebtedness not-to-exceed \$625,000 for the Solidtech Animal Health, Inc. Project. The financing was used to acquire, remodel, construct, and equip a facility owned by the NPWA and leased to Solidtech Animal Health Inc. The terms of the note purchase agreement between the NEDA and Chickasha Bank and Trust Company, dated September 1, 2002, includes interest at a 6% rate adjusted every five years to 1.25% above the national prime lending rate. The adjusted rate shall not exceed 9.75% nor drop below 6%. The note is secured by a mortgage on the subject real estate and has been assigned to the trustee bank. This note does not constitute an indebtedness, general or special, or obligation, legal or moral, of the City of Newcastle or the State of Oklahoma, or any subdivision or agency thereof nor a personal obligation of the Trustees of the authority nor a general obligation of the Authority, but is a limited and special obligation of the Authority payable solely from the revenues and receipts derived by the Authority with respect to the Facilities Lease Agreement and the Contract. As a result of the non-commitment determination, the Authority's indebtedness and related receivables from the occupants are not recorded in the financial statements.

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\$625,000 note payable to Chickasha Bank and Trust Company, payable in monthly installments of \$4,570, with final payment due September 2022.

Balance outstanding at June 30, 2014 \$ 355,924

Component Unit – NEFA Conduit Debt:

In April 2010, the NEFA authorized the issuance of indebtedness of \$3,865,000, \$155,000, \$30,575,000, and \$165,000 for the purpose of providing funds for the I-1 school district, McClain County, Oklahoma (“Newcastle Public Schools”). The financing was used to construct, equip, repair and remodel school buildings, acquire school furniture, fixtures and equipment and acquiring and improving school sites. The terms of the revenue bonds agreement, dated on or about April 14, 2010, includes interest ranging from 4.224% to 5.895%. The bonds are secured by a lease on the subject property. These bonds do not constitute an indebtedness, general or special, or obligation, legal or moral, of the City of Newcastle or the State of Oklahoma, or any subdivision or agency thereof nor a personal obligation of the Trustees of the Authority nor a general obligation of the Authority, but is a limited and special obligation of the Authority payable solely from the revenues and receipts derived by the Authority with respect to the Ground Lease Agreement. As a result of the non-commitment determination, the Authority’s indebtedness and related receivables from the occupants are not recorded in the financial statements.

Balance June 30, 2014

\$3,865,000 revenue bonds payable to Bancfirst, payable in semi-annual installments of \$17,936, with final payment due September 2022	\$3,865,000
\$155,000 revenue bonds payable to Bancfirst, payable in one payment due September 2014.	155,000
\$30,575,000 revenue bonds payable to Bancfirst, payable in annual installments of \$120,000 to \$4,920,000 due September 2022.	30,325,000

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 25%) of future sales tax revenues and revenues of the Authority (bank fees, charges, governmental charges, utility charges, and taxes) to repay the \$250,000 of the Revenue Note 2006 Series, \$250,000 Revenue Note 2006 Series, \$95,000 Revenue Note Series 2006, and \$200,000 Revenue Note 2008 Series. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues and utility revenues of the NPWA and are payable through 2016, 2016, 2016 and 2020, respectively. The total principal and interest payable for the remainder of the life of these notes is \$305,744. Pledged sales taxes received in the current year were \$2,839,811 and pledged revenues from the Authority were \$2,880,945. Debt service payments of \$99,520 for the current fiscal year were 1.8% of pledged sales taxes, utility revenues and investment income of \$5,720,756.

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5. Sales Tax Revenue

Sales tax revenue represents a 4 cent local tax on each dollar of taxable sales within the City, of which 1 cent is voter-restricted for debt service on NPWA debt, ½ cent is voter-restricted for fire improvements, and ½ cent is voter-restricted for capital improvements in accordance with a City ordinance. Three cents of the sales tax is received and recorded in the General Fund, ½ cent is recorded in the Fire Department Tax Fund, and ½ cent is recorded in the Capital Improvement Sales Tax Fund. One cent is transferred from the General Fund to the NPWA for debt service. The unused sales tax is then transferred back to the General Fund.

6. 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.

7. Internal and Interfund Balances and Transfers

Balances:

Interfund receivables and payables at June 30, 2014 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Phase 2 OKC Waterline	General	\$ 17,207	Claims paid on behalf of others
Phase 2 OKC Waterline	NPWA	123,033	Claims paid on behalf of others
NPWA	OKC Water Line	21,122	Fees posted to wrong fund
Sewer Impact Fund	Water Impact Fund	24,999	Fees posted to wrong fund
Total		<u>\$ 186,361</u>	
Reconciliation to Fund Financial Statements:			
	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 17,207	\$ -	\$ 17,207
Proprietary Funds	169,154	(186,361)	(17,207)
Total	<u>\$ 186,361</u>	<u>\$ (186,361)</u>	<u>\$ -</u>

Transfers:

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

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Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	NPWA	\$ 2,839,811	Sales and use tax transfer
General Fund	NPWA	21,459	Debt activity transfer
NPWA	General Fund	2,523,829	Operating transfer
NPWA	General Fund	194,748	Capital asset transfer
General Fund	NPWA	30,000	Capital asset transfer
NPWA	Phase 2 OKC	46,171	Debt activity transfer
Water Impact Fees	NPWA	715,000	Capital outlay transfer
Sewer Impact	NPWA	10,000	Capital outlay transfer
Fire Restricted Sales Tax Fund	General Fund	709,953	Sales tax transfer for fire
Total		<u>\$ 7,090,971</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 3,233,782	\$ (3,571,223)	\$ (337,441)
Proprietary Funds	3,857,189	(3,295,000)	562,189
	<u>\$ 7,090,971</u>	<u>\$ (6,866,223)</u>	\$ 224,748
Government wide Reconciliation: Capital Asset transfers			<u>(224,748)</u>
			<u>\$ -</u>

8. Fund Equity

The following tables show the fund balance classifications as shown in the Governmental Funds balance sheet:

	General Fund	Capital Improvement Tax Fund	Other Governmental Fund	Total
Fund Balance:				
Restricted For:				
Capital projects	\$ -	\$ 865,161	\$ -	\$ 865,161
Cemetery capital	-	-	16,470	16,470
Sub-total Restricted	<u>-</u>	<u>865,161</u>	<u>16,470</u>	<u>881,631</u>
Assigned to:				
Future year's budget	<u>315,760</u>	<u>-</u>	<u>-</u>	<u>315,760</u>
Unassigned	<u>790,967</u>	<u>-</u>	<u>-</u>	<u>790,967</u>
Total Fund Balance	<u>\$ 1,106,727</u>	<u>\$ 865,161</u>	<u>\$ 16,470</u>	<u>\$ 1,988,358</u>

Enterprise Funds:

Retricted for Capital Projects	\$ 289,020
Total Enterprise fund Restrictions	<u>\$ 289,020</u>

9. 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. The City’s risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. 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.

10. Pension Plan Participation

The City of Newcastle 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. City of Newcastle Retirement and Savings Plan (the City Plan) – a defined contribution benefit plan
4. Oklahoma Municipal Retirement System Defined Contribution Plan (OMRF) - an agent multiple-employer defined contribution plan

OFPRS:

Plan Summary Information. The City of Newcastle, 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. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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. The City is required by state law to contribute 13% of covered payroll per year for each fulltime firefighter. Employees contribute 8% of covered payroll. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. 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 Contribution	Amount Contributed
2012	\$ 94,904	\$ 94,904
2013	\$ 96,021	\$ 96,021
2014	\$ 107,225	\$ 107,225

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OPPRS:

Plan Summary Information. The City of Newcastle, 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 City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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. 63rd St., Suite 305
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 Contribution	Amount Contributed
2012	\$ 86,689	\$ 86,689
2013	\$ 91,216	\$ 91,216
2014	\$ 97,506	\$ 97,506

The City Plan:

The City of Newcastle maintains a defined contribution retirement/savings plan (the “City Plan”) which covers substantially all employees not covered by other retirement plans. The City Plan is an elective plan with participants vesting in the City’s contributions as follows:

Years of Service	Vested Percentage
Less than 1 Year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

Plan members are required to contribute a minimum of 3.0%, and up to 100% of compensation, however, federal law limits employee contributions to a maximum amount of \$16,500 for 2014. The City contributes 5.0% of annual covered payroll. The contribution requirements of the City are established and may be amended by the City Council. For fiscal year 2014, the City and NPWA contributed a total of \$81,471 to the plan, while employees contributed an aggregate of \$132,659.

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OMRF Defined Contribution Plan:

For the year ending June 30, 2008, the City began providing a defined contribution plan and trust known as the City of Newcastle Plan and Trust (the “OMRF Plan”) in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF) available only to the city manager. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered the City Council and plan assets are supervised by OMRF. The City Council determines the City’s contribution rate each year. City contributions begin vesting immediately. The authority to amend the provisions of the plan rests with the City Council.

Contribution Information

Fiscal Year	Required Contribution	Amount Contributed
2012	\$ 6,638	\$ 6,638
2013	\$ 8,373	\$ 8,373
2014	\$ 10,775	\$ 10,775

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 Newcastle Deferred Compensation Plan (457)

The City has provided effective July 1, 2010 a deferred compensation plan known as the City of Newcastle Deferred Compensation Plan (457) (the “Plan”). The Plan is administered by the City and the plan assets are supervised by Nationwide Retirement Solutions. The deferred compensation plan is available to all employees. The City does not contribute to this plan, only participating employees can make contributions. The authority to establish and amend the provisions of the Plan rests with the City Council.

Contribution Information

Fiscal Year	Required Contribution	Amount Contributed
2012	\$ 69,631	\$ 69,631
2013	\$ 78,861	\$ 78,861
2014	\$ 81,471	\$ 81,471

11. Commitments and Contingencies

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 compensatory 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:

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- General Fund – accrued compensated absences \$146,643
- NPWA – accrued compensated absences \$91,532

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 Newcastle 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.

Construction Commitments:

The NPWA had committed to construction of the storm sirens at June 30, 2014. At year end, \$39,105 of the project was outstanding.

Economic Development Incentive:

The City has entered into an economic development incentive with a hotel developer. Under the agreement, the city has agreed to assist in defraying a portion of the developers cost up to \$200,000. The incentive shall include water and sewer line improvements up to \$147,000 and hotel tax rebates of \$53,000. As of June 30, the city had expended approximately \$130,000 on water and sewer line extensions under the incentive program.

12. Noncompliance

Deficit Fund Balance:

The City had a deficit fund balance in the Phase 2 OKC Pipeline Fund in the amount of \$778,108.

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SUPPLEMENTARY AND OTHER INFORMATION

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Budgetary Comparison Schedule (Purpose Based) – Year Ended June 30, 2014

CITY OF NEWCASTLE				
<u>SOURCES OF INCOME AND REVENUE</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET and ACTUAL VARIANCE</u>
Program revenue	\$ 592,575	\$ 1,043,387	\$ 1,064,860	\$ 21,473
Restricted general revenue	3,841,580	4,205,621	4,355,824	150,203
Unrestricted general revenue	1,721,300	1,788,300	1,958,950	170,650
Debt proceeds	165,000	165,000	87,150	(77,850)
Transfers in	3,159,829	3,159,829	3,233,782	73,953
Net asset carryover	1,264,437	1,264,437	1,499,379	234,942
TOTALS - ALL SOURCES	<u>\$ 10,744,721</u>	<u>\$ 11,626,574</u>	<u>\$ 12,199,945</u>	<u>\$ 573,371</u>
<u>USES OF INCOME AND REVENUE</u>				
Streets	\$ 936,251	\$ 1,042,577	\$ 990,298	\$ 52,279
Vehicle maintenance	193,427	181,626	179,845	1,781
General government	1,222,005	1,299,168	1,257,127	42,041
Police	1,348,288	1,218,890	1,175,258	43,632
Fire	1,281,194	1,271,594	1,247,209	24,385
Planning and engineering	68,027	61,527	60,983	544
Animal control	40,880	43,380	40,845	2,535
Parks and recreation	146,500	87,500	61,827	25,673
Municipal court	70,852	73,651	72,160	1,491
Communications	331,047	342,467	324,769	17,698
Transportation services	-	32,000	27,079	4,921
Capital outlay	520,000	1,210,602	1,033,104	177,498
Debt service	209,320	316,105	295,263	20,842
Other financing sources - transfer out	3,180,000	3,370,000	3,443,917	(73,917)
TOTALS - CURRENT YEAR USES	<u>\$ 9,547,791</u>	<u>\$ 10,551,087</u>	<u>\$ 10,209,684</u>	<u>\$ 341,403</u>

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**Reconciliation of Budgetary Comparison Schedule (Purposed Based) to the Governmental Fund
Financial Statements – Year Ended June 30, 2014**

	Per Statement of Revenues, Expenditures, and Changes in Fund Balance	Correct Sales Tax Posting	To Clear Payroll Clearing and Account Payable Accounts	To Clear Capital Imp Fund Transfers	To Adjust CLEET Payable	To Reclassify Debt Payments	To Reclassify Capital Outlay	Unrecorded Debt Proceeds	Void Returned Check	To Correct Mispostings	Per Budgetary Comparison Schedule
Resources (Inflows):											
Total Revenues	\$ 7,495,658	\$ (105,847)	\$ -	\$ -	\$ (8,627)	\$ -	\$ -	\$ -	\$ -	\$ (1,550)	\$7,379,634
Loan Proceeds	127,426	-	-	-	-	-	-	(40,276)	-	-	87,150
Transfers In	3,233,782	-	-	-	-	-	-	-	-	-	3,233,782
Net asset carryover	1,499,379	-	-	-	-	-	-	-	-	-	1,499,379
Total Revenues and Other Financing Sources	<u>12,356,245</u>	<u>(105,847)</u>	<u>-</u>	<u>-</u>	<u>(8,627)</u>	<u>-</u>	<u>-</u>	<u>(40,276)</u>	<u>-</u>	<u>(1,550)</u>	<u>12,199,945</u>
Charges to Appropriations (Outflows):											
Total Expenditures	5,620,250	-	(9,914)	-	-	-	(172,325)	-	(611)	-	5,437,400
Capital outlay	901,057	-	-	-	-	-	172,325	(40,276)	-	(2)	1,033,104
Debt service	275,357	-	-	-	-	21,459	-	-	-	(1,553)	295,263
Transfers Out	3,571,223	(105,847)	-	-	-	(21,459)	-	-	-	-	3,443,917
Total Expenditures and Other Financing Uses	<u>10,367,887</u>	<u>(105,847)</u>	<u>(9,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,276)</u>	<u>(611)</u>	<u>(1,555)</u>	<u>10,209,684</u>
Ending Fund Balance	<u>\$ 1,988,358</u>	<u>\$ -</u>	<u>\$ 9,914</u>	<u>\$ -</u>	<u>\$ (8,627)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 611</u>	<u>\$ 5</u>	<u>\$1,990,261</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements, and the format is purposed based budgeting. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end; therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will reappropriate the lapsed encumbrances in the subsequent year budget. The difference of results between the governmental fund financial statements to the purpose based budget is explained in the reconciliation following the budgetary comparison schedule.

2. The legal level of appropriation control is at the purpose level within the City budget. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.

3. In the General Fund, the City had negative variances in the following departments and for the following amount:

General Fund – transfers \$73,917

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

	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
	Newcastle Fire Dept. Tax Fund	Cemetery Care Fund	
ASSETS			
Cash and cash equivalents	\$ -	\$ 16,470	\$ 16,470
Total assets	-	16,470	16,470
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Total liabilities	-	-	-
Fund balances:			
Restricted	-	16,470	16,470
Total fund balances	-	16,470	16,470
Total liabilities and fund balances	\$ -	\$ 16,470	\$ 16,470

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

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Newcastle Fire Dept. Tax Fund</u>	<u>Cemetery Care Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Taxes	\$ 709,953	\$ -	\$ 709,953
Charges for services	-	5,156	5,156
Investment earnings	-	28	28
Total revenues	<u>709,953</u>	<u>5,184</u>	<u>715,137</u>
EXPENDITURES			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	709,953	5,184	715,137
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(709,953)</u>	<u>-</u>	<u>(709,953)</u>
Total other financing sources and uses	<u>(709,953)</u>	<u>-</u>	<u>(709,953)</u>
Net change in fund balances	-	5,184	5,184
Fund balances - beginning	-	11,286	11,286
Fund balances - ending	<u>\$ -</u>	<u>\$ 16,470</u>	<u>\$ 16,470</u>

**CITY OF NEWCASTLE, OKLAHOMA
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Combining Statement of Net Position – Non-Major Enterprise Funds (Modified Cash Basis) – June 30, 2014

	<u>Sewer Impact Fees</u>	<u>Water Impact Fees</u>	<u>Phase 2 OKC Pipeline</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 347,845	\$ 347,845
Restricted:				
Cash and cash equivalents	152,949	136,071	-	289,020
Due from other funds	-	24,999	21,122	46,121
Total current assets	<u>152,949</u>	<u>161,070</u>	<u>368,967</u>	<u>682,986</u>
Total assets	<u>152,949</u>	<u>161,070</u>	<u>368,967</u>	<u>682,986</u>
LIABILITIES				
Current Liabilities:				
Due to other funds	24,999	-	140,240	165,239
Notes payable	-	-	47,610	47,610
Total current liabilities	<u>24,999</u>	<u>-</u>	<u>187,850</u>	<u>212,849</u>
Non-current liabilities:				
Notes payable	-	-	959,225	959,225
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>959,225</u>	<u>959,225</u>
Total liabilities	<u>24,999</u>	<u>-</u>	<u>1,147,075</u>	<u>1,172,074</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	-	-	(1,006,835)	(1,006,835)
Restricted for capital projects	127,950	161,070	-	289,020
Unrestricted	-	-	228,727	228,727
Total net position (deficit)	<u>\$ 127,950</u>	<u>\$ 161,070</u>	<u>\$ (778,108)</u>	<u>\$ (489,088)</u>

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Combining Statement of Revenues, Expenses and Changes in Net Position – Non-Major Enterprise Funds (Modified Cash Basis) – Year Ended June 30, 2014

	<u>Sewer Impact Fees</u>	<u>Water Impact Fees</u>	<u>Phase 2 OKC Pipeline</u>	<u>Total</u>
REVENUES				
Pledged as security:				
Fees, taps and penalties	\$ 62,300	\$ 145,200	-	\$ 207,500
Total operating revenues	<u>62,300</u>	<u>145,200</u>	<u>-</u>	<u>207,500</u>
OPERATING EXPENSES				
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	62,300	145,200	-	207,500
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	194	810	-	1,004
Interest expense	-	(1,676)	-	(1,676)
Total non-operating revenue (expenses)	<u>194</u>	<u>(866)</u>	<u>-</u>	<u>(672)</u>
Income before transfers	62,494	144,334	-	206,828
Transfers in	-	-	46,171	46,171
Transfers out	<u>(10,000)</u>	<u>(715,000)</u>	<u>-</u>	<u>(725,000)</u>
Change in net position	52,494	(570,666)	46,171	(472,001)
Total net position (deficit) - beginning	75,456	731,736	(824,279)	(17,087)
Total net position (deficit) - ending	<u>\$ 127,950</u>	<u>\$ 161,070</u>	<u>\$ (778,108)</u>	<u>\$ (489,088)</u>

**CITY OF NEWCASTLE, OKLAHOMA
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Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – Year Ended June 30, 2014

Federal/State Grantor/Pass Through Agency Grantor/Program Title	CFDA #	Project or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:				
U.S. DEPARTMENT OF JUSTICE:				
Passed through District Attorneys Council:				
Justice Assistance Grant	16.738	JAG-LLE-2013-CI-20025	\$ 9,910	\$ 9,910
			<u>\$ 9,910</u>	<u>\$ 9,910</u>
FEDERAL HIGHWAY ADMINISTRATION:				
Passed through Oklahoma Department of Transportation:				
National Highway Traffic Safety Administration Discretionary Safety Grants	20.614	CE-13-03-20-13	4,000	1,024
			<u>\$ 4,000</u>	<u>\$ 1,024</u>
ENVIRONMENTAL PROTECTION AGENCY:				
Passed through Oklahoma Water Resources Board:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	ORF-13-0006-DW	\$ 208,418	\$ 89,390
			<u>\$ 208,418</u>	<u>\$ 89,390</u>
DEPARTMENT OF HOMELAND SECURITY:				
Passed through Oklahoma Civil Emergency Management:				
Disaster Grants - Public Assistance	97.036	FEMA-4117-008	\$ 303,750	\$ 176,800 *
Disaster Grants - Public Assistance	97.036	FEMA-4117-NCE2A80	70,543	70,543 *
Disaster Grants - Public Assistance	97.036	FEMA-4117-PW 247	1,492	1,492 *
Disaster Grants - Public Assistance	97.036	FEMA-4117-PW 282	35,607	35,607 *
			<u>\$ 411,392</u>	<u>\$ 284,442</u>
Citizens-Community Resilience Innovation Challenge	97.053	CERT 380.524(2011)	17,066	14,753
Total Homeland Security			<u>\$ 428,458</u>	<u>\$ 299,195</u>
TOTAL FEDERAL AWARDS			<u>\$ 650,786</u>	<u>\$ 399,519</u>

* Federal awards were approved in FY 2014, but expenditures were incurred in FY 2013.

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INTERNAL CONTROL AND COMPLIANCE SECTION

**CITY OF NEWCASTLE, OKLAHOMA
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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 City Council
City of Newcastle, 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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Newcastle, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Newcastle, Oklahoma's basic modified cash basis financial statements, and have issued our report thereon dated February 24, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 City of Newcastle, Oklahoma'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.



February 24, 2015