



# CITY OF OKMULGEE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

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



# **THE CITY OF OKMULGEE, OKLAHOMA**

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

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

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

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the  
City of Okmulgee, Oklahoma

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Okmulgee, Oklahoma (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 opinions.

### ***Basis for Qualified Opinion***

Because of the inadequacy of accounting records for prior years with both the City and the discretely presented component unit, we were unable to form an opinion regarding the amounts at which property and equipment and accumulated depreciation are reported in the accompanying financial statements at June 30, 2014, or the amount of depreciation expense for the year then ended. The amount by which this departure would affect the property and equipment, accumulated depreciation, and depreciation expense has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each

major proprietary fund of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund of the City, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Pension Plan Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 27, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
February 27, 2015

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2014**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Okmulgee’s financial performance provides an overview of the City’s financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City’s financial statements, which follow this section.

***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended June 30, 2014, the City’s total net position increased \$189,987 or 0.5% from the prior year.
- During the year, the City’s expenses for governmental activities were \$7,872,226 and were funded by program revenues of \$1,516,627 and further funded with taxes and other general revenues that totaled \$7,004,629, excluding net transfers.
- In the City’s business-type activities, such as utilities, total program expenses exceeded revenues by \$601,304.
- At June 30, 2014, the General Fund reported an unassigned fund balance of \$4,780,821, which is an increase of 3.3% from the prior year unassigned fund balance.
- For budgetary reporting purposes, the General Fund reported revenues less than estimates by \$629,085 or 6.7%, while expenditures were under the final appropriations by \$2,287,110 or 20.9%.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

The financial statements presented herein include all of the activities of the City of Okmulgee (the “City”) and its component units using the integrated approach as prescribed by GASB Statements. Included in this report are government-wide statements for each of three categories of activities – governmental, business-type and discretely-presented component units. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

**Reporting the City as a Whole**

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

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

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

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities** – Most of the City’s basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City’s water, wastewater, sanitation, airport and economic development activities are reported here.
- **Discretely-presented component unit** – This accounts for activities of the City’s reporting entity that do not meet the criteria for blending. The City’s discretely-presented component unit reports parking activities.

### **Reporting the City’s Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

*Governmental funds* - Most 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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

*Proprietary funds* - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. In fact, the City’s enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2014**

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Position**

The City's combined net position increased from \$40,993,867 to \$41,183,854 between fiscal years 2013 and 2014. Looking at the net position of governmental and business-type activities separately, governmental activities decreased \$86,289 while business-type activities increased \$276,276.

**TABLE 1  
NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 8,972	\$ 8,680	3%	\$ 11,675	\$ 8,637	35%	\$ 20,647	\$ 17,317	19%
Capital assets, net	8,267	8,645	-4%	68,264	69,118	-1%	76,531	77,763	-2%
<b>Total assets</b>	<u>17,239</u>	<u>17,325</u>	0%	<u>79,939</u>	<u>77,755</u>	3%	<u>97,178</u>	<u>95,080</u>	2%
Deferred outflows	-	-	-	3,340	3,661	-9%	3,340	3,661	-9%
Current liabilities	282	236	20%	5,090	4,398	16%	5,373	4,634	16%
Non-current liabilities	442	488	-9%	53,520	52,625	2%	53,961	53,113	2%
<b>Total liabilities</b>	<u>724</u>	<u>724</u>	0%	<u>58,610</u>	<u>57,023</u>	3%	<u>59,334</u>	<u>57,747</u>	3%
Net position									
Net investment in capital assets	8,267	8,754	-6%	19,401	18,284	6%	27,668	27,038	2%
Restricted	235	229	2%	926	1,074	-14%	1,161	1,303	-11%
Unrestricted	8,013	7,618	5%	4,342	5,035	-14%	12,355	12,653	-2%
<b>Total net position</b>	<u>\$ 16,515</u>	<u>\$ 16,601</u>	-1%	<u>\$ 24,669</u>	<u>\$ 24,393</u>	1%	<u>\$ 41,184</u>	<u>\$ 40,994</u>	0%

Net position of the City's governmental activities remained steady at approximately \$16.5 million. However, \$8,501,855 of that net position either is restricted as to the purposes it can be used for or is invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position was \$8,013,090 at the end of this year. Current liabilities increased by approximately \$46,000 due to an increase in accounts payable in the current year.

Net position of the City's business-type activities remained steady at \$24.7 million. However, \$20,327,307 of that net position either is restricted as to the purposes it can be used for or is invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position was \$4,341,602 at the end of this year. Current assets increased approximately \$3,038,000 or 35% due to an increase in unrestricted cash. Current liabilities increased approximately \$692,000 or 16% due to an increase in the current portion of long-term liabilities of approximately \$484,000 and an increase in accounts payable of approximately \$157,000.

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2014**

**Changes in Net Position**

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

**TABLE 2  
CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
<b>Revenues</b>									
Charges for service	\$ 902	\$ 948	-5%	\$ 8,643	\$ 8,386	3%	\$ 9,545	\$ 9,334	2%
Operating grants and contributions	601	630	-5%	-	-	-	601	630	-5%
Capital grants and contributions	13	152	-91%	149	336	-56%	162	488	-67%
Taxes	6,650	6,550	2%	-	-	-	6,650	6,550	2%
Intergovernmental revenue	139	143	-3%	-	-	-	139	143	-3%
Investment income	25	27	-7%	7	8	-13%	32	35	-9%
Miscellaneous	191	318	-40%	135	107	26%	326	425	-23%
<b>Total revenues</b>	<b>8,521</b>	<b>8,768</b>	<b>-3%</b>	<b>8,934</b>	<b>8,837</b>	<b>1%</b>	<b>17,455</b>	<b>17,605</b>	<b>-1%</b>
<b>Expenses</b>									
General government	2,122	2,088	2%	-	-	-	2,122	2,088	2%
Public safety	4,203	4,327	-3%	-	-	-	4,203	4,327	-3%
Streets	776	914	-15%	-	-	-	776	914	-15%
Culture, parks and recreation	519	515	1%	-	-	-	519	515	1%
Community development	252	395	-36%	-	-	-	252	395	-36%
Water	-	-	-	3,470	3,503	-1%	3,470	3,503	-1%
Wastewater	-	-	-	3,419	3,526	-3%	3,419	3,526	-3%
Sanitation	-	-	-	1,567	1,402	12%	1,567	1,402	12%
Economic development	-	-	-	58	37	57%	58	37	57%
Airport	-	-	-	653	652	0%	653	652	0%
Interest charge - governmental activities	-	-	-	226	234	-3%	226	234	-3%
<b>Total expenses</b>	<b>7,872</b>	<b>8,239</b>	<b>-4%</b>	<b>9,393</b>	<b>9,354</b>	<b>0%</b>	<b>17,265</b>	<b>17,593</b>	<b>-2%</b>
Excess (deficiency) before transfers	649	529	23%	(459)	(517)	-11%	190	12	1483%
Transfers	(735)	(459)	-60%	735	459	60%	-	-	-
<b>Change in net position</b>	<b>(86)</b>	<b>70</b>	<b>-223%</b>	<b>276</b>	<b>(58)</b>	<b>-576%</b>	<b>190</b>	<b>12</b>	<b>1483%</b>
<b>Beginning net position</b>	<b>16,601</b>	<b>16,531</b>	<b>0%</b>	<b>24,393</b>	<b>24,451</b>	<b>0%</b>	<b>40,994</b>	<b>40,982</b>	<b>0%</b>
<b>Ending net position</b>	<b>\$ 16,515</b>	<b>\$ 16,601</b>	<b>-1%</b>	<b>\$ 24,669</b>	<b>\$ 24,393</b>	<b>1%</b>	<b>\$ 41,184</b>	<b>\$ 40,994</b>	<b>0%</b>

The City's governmental activities had a decrease in net position of \$86,289 to remain relatively steady at approximately \$16.5 million. The governmental capital grants and contributions decreased approximately \$139,000 or 91% due to a grant received in the prior year, but not in the current year. The business-type activities had an increase in net position of \$276,276 from the prior year to also remain relatively steady at approximately \$24.7 million. Business-type capital grants and contributions decreased approximately \$187,000 or 56% due to a decrease in airport grant revenue. The results indicate the City's financial condition, as a whole, remained consistent with the prior year.

**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 \$8,276,776 or a 2.1% increase from the prior year. The enterprise funds reported net position of \$24,668,909 or a 1.1% increase from the prior year.

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2014**

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund’s total fund balance increased by \$169,427 or 2.2%. This increase was due mainly to a reduction of expenditures in the current year.
- The Dedicated Sales Tax Fund’s total fund balance increased by \$2,504 or 1.1%.

**Governmental Activities**

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

For the year ended June 30, 2014, the City’s governmental activities were funded as follows:

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2014	2013		2014	2013	
General government	\$ 2,122	\$ 2,088	2%	\$ (2,022)	\$ (1,993)	1%
Public safety	4,203	4,327	-3%	(3,232)	(3,267)	-1%
Streets	776	914	-15%	(366)	(505)	-28%
Culture, parks and recreation	519	515	1%	(483)	(349)	38%
Community development	252	395	-36%	(252)	(395)	-36%
<b>Total</b>	<b>\$ 7,872</b>	<b>\$ 8,239</b>	-4%	<b>\$ (6,355)</b>	<b>\$ (6,509)</b>	-2%

For the year ended June 30, 2014, total expenses for governmental activities amounted to \$7,872,226. Of these total expenses, taxpayers and other general revenues funded \$7,004,629, while those directly benefiting from the program funded \$614,300 from grants and other contributions and \$902,327 from charges for services. General government net revenue (expense) is relatively consistent with the prior year.

**Business-type Activities**

In reviewing the business-type activities net expense/revenue, the following highlights should be noted:

- Total business-type activities reported net expenses of \$601,304 for the year ended June 30, 2014.
- All individual activities reported net expenses for the year ended June 30, 2014, with the exception of water, which reported net revenues of \$1,467,844.

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2014**

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2014	2013		2014	2013	
	Water	\$ 3,470		\$ 3,503	-1%	
Sewer	3,419	3,526	-3%	(1,419)	(1,502)	-6%
Sanitation	1,567	1,402	12%	(205)	(216)	-5%
Economic development	58	37	57%	(58)	(37)	57%
Airport	653	652	0%	(161)	(17)	847%
Interest charges - governmental activities	226	234	-3%	(226)	(234)	-3%
<b>Total</b>	<b>\$ 9,393</b>	<b>\$ 9,354</b>	<b>0%</b>	<b>\$ (601)</b>	<b>\$ (631)</b>	<b>-5%</b>

**Budgetary Highlights**

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues under final estimates by \$629,085 or a 6.7% negative variance. General Fund actual expenditures were under final appropriations by \$2,287,110 or a 20.9% positive variance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2014, the City had \$76,530,531 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a decrease of approximately \$1,232,000 or 1.6% over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
	Land	\$ 80	\$ 72	\$ 3,519	\$ 3,523	\$ 3,599
Buildings	2,312	2,460	1,352	1,407	3,664	3,867
Imp. other than buildings	1,976	2,061	-	-	1,976	2,061
Infrastructure	1,946	2,163	62,126	62,933	64,072	65,096
Machinery, furniture and equipment	1,953	1,889	1,267	1,255	3,220	3,144
<b>Totals</b>	<b>\$ 8,267</b>	<b>\$ 8,645</b>	<b>\$ 68,264</b>	<b>\$ 69,118</b>	<b>\$ 76,531</b>	<b>\$ 77,763</b>

This year's more significant capital asset additions included:

- New Cell at the Landfill
- Water Treatment Plant Improvements

**CITY OF OKMULGEE, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
As of and for the year ended June 30, 2014**

- Phase II Airport Improvements
- Freightliner sanitation truck
- 2 Ford Explorer Police Vehicles

See Note 5 to the financial statements for more detail information on the City’s capital assets and changes therein.

**Long- Term Debt**

At year-end, the City had \$58,063,093 in long-term debt outstanding which represents a \$1,315,243 or 2.3% increase from the prior year. The City’s changes in long-term debt by type of debt are as follows:

**TABLE 6  
Long-Term Debt  
(In Thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Accrued absences	\$ 491	\$ 542	\$ 191	\$ 196	\$ 682	\$ 738	-8%
Meter deposit liability	-	-	323	298	323	298	8%
Notes payable	-	-	29,601	26,785	29,601	26,785	11%
Revenue bonds	-	-	25,950	27,885	25,950	27,885	-7%
Landfill closure liability	-	-	1,507	1,041	1,507	1,041	45%
<b>Totals</b>	<b>\$ 491</b>	<b>\$ 542</b>	<b>\$ 57,572</b>	<b>\$ 56,205</b>	<b>\$ 58,063</b>	<b>\$ 56,747</b>	<b>2%</b>

See Note 6 to the financial statements for more detailed information on the City’s long-term debt and changes therein.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

Despite improvements in the State Sales Tax collections, Sales and Use Tax collections for the City of Okmulgee are not expected to change drastically in either direction. Indications are very strong that the increased sales through the Internet, for which taxes are not collected, are costing the City of Okmulgee more and more revenue each year leading to the lack of increase or even a decline in use tax collections. Cities in Oklahoma are almost totally dependent on Sales and Use Tax to fund their operations and most cities, including the City of Okmulgee depend on Sales and Use Tax to pay for Capital Improvements as well.

As mentioned in previous audits, the funds from the Sale of the Creek Council House to the Muscogee (Creek) Nation for \$3,200,000 provided the City of Okmulgee with some highly restricted Capital Improvement Funds. The Okmulgee Community Trust has been formed to invest and manage these funds. The Trust members will be the Councilmen acting as Trustees. At a minimum, these funds should only be spent on capital improvements that benefit the entire community for a purpose similar to the original bond proposal. It is suggested that these funds only be expended on projects with a significant match of funds from other sources.

The Okmulgee Municipal Authority raised Water and Sewer Rates in July of 2010 in anticipation of borrowing significant amounts for water and sewer improvements required by ODEQ/USEPA. These rate increases were based on a utility rate study conducted by the City's Financial Advisor, Paul Smith, and the revenue appears to be sufficient to cover the repayments. The total amount borrowed from the Oklahoma Water Resources Board for Water and Sewer was \$24,400,000. However, additional capital improvements are necessary for both water and sewer and accomplishing these improvements without further borrowing is not possible.

The Municipal Authority raised commercial solid waste collection fees for commercial dumpsters from \$35 per month to \$40 per month in February, 2011 and increased residential fees from \$10 per month to \$11 per month in July, 2012 and added a bulky waste collection service at that time. While this amount appears to cover operational costs at the present time, these charges are significantly lower than comparable cities. The new cell at the landfill was completed in June 2014. The closeout of the old cell will be addressed in 2015. The new cell went on line in July 2014 and Stone Horse LLC continues to operate the landfill with the City not paying for usage.

The stormwater fee approved in 2008 is producing approximately \$300,000 per year for stormwater improvements but projected cost of improvements is far in excess of the revenue generated. The inequity of Cities being required by ODEQ/EPA to have ordinances and fees for stormwater while the State and Counties have no such requirement is very unfair and is proving to be a deterrent to commercial development within the Cities.

Okmulgee Regional Airport fencing contracts are complete. Tulsa International Airport Trust is interested in assuming the management of Okmulgee Regional and expanding its utilization for private hangars. Negotiations are ongoing.

The Okmulgee area continues to provide an available, trained labor force and a relatively low cost-of-living. Educational training opportunities are many and varied due to the presence of Oklahoma State University Institute of Technology (OSUIT) and Green Country Technology Center. Both OSUIT and Green Country Technology Center continue to expand their physical campuses as well as their curriculum and degree programs.

The presence of the Muscogee (Creek) Nation headquarters is an additional positive factor for Okmulgee. The construction of the auditorium/physical fitness center with a seating capacity of 300 and Phase One of the College of the Muscogee Nation and housing at the College in calendar year 2010 were important events. Three additional, identical education buildings at the College are planned in the near future. The Muscogee Nation anticipates an influx of 600 to 800 students. This influx would create significant sales tax collections for the City and would probably require additional housing units as well. A significant Muscogee Nation housing Project just east of the Best Western Motel was completed in calendar year 2011 and provides quality housing for future tribal residents. The recent purchase of the Okmulgee Golf Club by the Muscogee (Creek) Nation should create additional infrastructure improvements in the nearby area which could be accomplished with cooperative efforts between the Muscogee Nation and the City of Okmulgee.

The agreement between Okmulgee Area Development Corporation and the City of Okmulgee coupled with the financial support of the Viersen Family Foundation is presently in a temporary situation until OADC can hire a permanent full-time economic development director. OADC has an interim director in place at this time. Immediate response to business and industrial prospects is vitally important. Economic Development does not recognize municipal or tribal boundaries and positively impacts the entire city. As a community, we must be well prepared when the national and state economies recover substantially.

The City has aptly responded to the requirements for short-term and medium-term infrastructure improvement, many of which were mandated by USEPA and others that were required for business development. Recently, the City was fortunate in that both construction costs and interest rates were at historically low levels when the loans were finalized and bids were awarded. The Raw Water Line is complete and the Water Treatment Plant Project is approximately 98% complete. However, there are still huge amounts of necessary improvements in the Water Distribution System and somewhat lesser amounts in the Sewer Collection System. The uncertainty of future USEPA requirements is always a tenuous situation.

In summary, the City of Okmulgee has weathered a major recession well, but given the existing situation of municipal funding in the State of Oklahoma and the state of the national economy and national political climate, difficult times are still ahead.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Okmulgee City Manager or Okmulgee City Clerk at City of Okmulgee, P. O. Box 250, Okmulgee, Oklahoma 74447-0250 or by phone at (918) 758-1100.

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

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

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

				<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Okmulgee Parking Authority</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,293,329	\$ 9,103,808	\$ 11,397,137	\$ -
Investments	4,989,088	1,548,500	6,537,588	-
Deposits with insurance pool	3,429	-	3,429	-
Accounts receivable, net of allowance	-	1,302,049	1,302,049	-
Due from other governments	788,127	10,773	798,900	-
Other taxes receivable	25,700	-	25,700	-
Court fines receivable, net of allowance	497,407	-	497,407	-
Other receivables	10,016	4,416	14,432	-
Internal balances	364,702	(364,702)	-	-
Inventories	-	70,343	70,343	-
Capital assets:				
Land	79,721	3,518,811	3,598,532	-
Other capital assets, net of depreciation	8,187,192	64,744,807	72,931,999	130,516
Total assets	<u>17,238,711</u>	<u>79,938,805</u>	<u>97,177,516</u>	<u>130,516</u>
<b>DEFERRED OUTFLOWS</b>				
Deferred amount on refunding	-	3,340,220	3,340,220	-
<b>LIABILITIES</b>				
Accounts payable	67,964	304,313	372,277	-
Accrued payroll liabilities	99,172	43,726	142,898	-
Retainage payable	-	492,336	492,336	-
Accrued interest payable	-	326,665	326,665	-
Claim liability	65,954	-	65,954	-
Long-term liabilities				
Due within one year	49,068	3,923,353	3,972,421	-
Due in more than one year	441,608	53,519,723	53,961,331	-
Total liabilities	<u>723,766</u>	<u>58,610,116</u>	<u>59,333,882</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,266,913	19,400,998	27,667,911	130,516
Restricted for:				
Risk management	3,429	-	3,429	-
Capital projects and debt service	231,513	926,309	1,157,822	-
Unrestricted	8,013,090	4,341,602	12,354,692	-
Total net position	<u>\$ 16,514,945</u>	<u>\$ 24,668,909</u>	<u>\$ 41,183,854</u>	<u>\$ 130,516</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Statement of Activities –Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Okmulgee Parking Authority
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 2,122,076	\$ 92,833	\$ -	\$ 7,500	\$ (2,021,743)	\$ -	\$ (2,021,743)	\$ -
Public Safety	4,202,916	497,772	467,375	5,589	(3,232,180)	-	(3,232,180)	-
Streets	775,847	289,610	120,107	-	(366,130)	-	(366,130)	-
Culture and Recreation	519,300	22,112	13,729	-	(483,459)	-	(483,459)	-
Community Development	252,087	-	-	-	(252,087)	-	(252,087)	-
Total governmental activities	<u>7,872,226</u>	<u>902,327</u>	<u>601,211</u>	<u>13,089</u>	<u>(6,355,599)</u>	<u>-</u>	<u>(6,355,599)</u>	<u>-</u>
Business-Type Activities:								
Water	3,469,543	4,937,387	-	-	-	1,467,844	1,467,844	-
Sewer	3,418,465	1,999,604	-	-	-	(1,418,861)	(1,418,861)	-
Sanitation	1,567,468	1,361,986	-	-	-	(205,482)	(205,482)	-
Economic Development	58,115	-	-	-	-	(58,115)	(58,115)	-
Airport	653,460	343,736	-	148,989	-	(160,735)	(160,735)	-
Interest charges - governmental activities	225,955	-	-	-	-	(225,955)	(225,955)	-
Total business-type activities	<u>9,393,006</u>	<u>8,642,713</u>	<u>-</u>	<u>148,989</u>	<u>-</u>	<u>(601,304)</u>	<u>(601,304)</u>	<u>-</u>
Total primary government	<u>\$ 17,265,232</u>	<u>\$ 9,545,040</u>	<u>\$ 601,211</u>	<u>\$ 162,078</u>	<u>(6,355,599)</u>	<u>(601,304)</u>	<u>(6,956,903)</u>	<u>-</u>
Component Unit:								
Parking	\$ 19,342	\$ -	\$ -	\$ -	-	-	-	(19,342)
Total component unit	<u>\$ 19,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,342)</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					6,173,590	-	6,173,590	-
Franchise taxes and public service taxes					390,777	-	390,777	-
Hotel/motel taxes					85,160	-	85,160	-
Intergovernmental revenue not restricted to specific programs					139,235	-	139,235	-
Unrestricted investment earnings					24,849	6,945	31,794	-
Miscellaneous					191,018	135,316	326,334	-
Transfers					(735,319)	735,319	-	-
Total general revenues and transfers					<u>6,269,310</u>	<u>877,580</u>	<u>7,146,890</u>	<u>-</u>
Change in net position					(86,289)	276,276	189,987	(19,342)
Net position - beginning					16,601,234	24,392,633	40,993,867	149,858
Net position - ending					<u>\$ 16,514,945</u>	<u>\$ 24,668,909</u>	<u>\$ 41,183,854</u>	<u>\$ 130,516</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF OKMULGEE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Governmental Funds Balance Sheet - June 30, 2014**

	<u>General Fund</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,245,914	\$ 47,415	\$ 2,293,329
Investments	4,989,088	-	4,989,088
Deposits with insurance pool	3,429	-	3,429
Due from other governments	602,252	185,875	788,127
Due from other funds	391,834	-	391,834
Taxes receivable	25,700	-	25,700
Court fines receivable, net of allowance	497,407	-	497,407
Other receivables	10,016	-	10,016
Total assets	<u>\$ 8,765,640</u>	<u>\$ 233,290</u>	<u>\$ 8,998,930</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 67,964	\$ -	\$ 67,964
Accrued payroll payable	99,172	-	99,172
Claims liability	65,954	-	65,954
Due to other funds	27,132	-	27,132
Total liabilities	<u>260,222</u>	<u>-</u>	<u>260,222</u>
<b>DEFERRED INFLOWS</b>			
Deferred revenue	<u>461,932</u>	<u>-</u>	<u>461,932</u>
<b>FUND BALANCES</b>			
Restricted for:			
Deposits with insurance pool	3,429	-	3,429
Capital projects and debt service	-	231,513	231,513
Committed for community improvements	3,259,236	-	3,259,236
Assigned for capital projects and debt service	-	1,777	1,777
Unassigned	4,780,821	-	4,780,821
Total fund balances	<u>8,043,486</u>	<u>233,290</u>	<u>8,276,776</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,765,640</u>	<u>\$ 233,290</u>	<u>\$ 8,998,930</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 5,160,670	\$ 1,488,857	\$ 6,649,527
Intergovernmental	657,461	-	657,461
Licenses and permits	57,609	-	57,609
Charges for services	73,620	-	73,620
Fines and forfeitures	413,153	-	413,153
Investment earnings	24,801	48	24,849
Miscellaneous	319,557	-	319,557
Total revenues	<u>6,706,871</u>	<u>1,488,905</u>	<u>8,195,776</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,010,567	-	2,010,567
Public safety	3,932,003	-	3,932,003
Culture and recreation	418,755	-	418,755
Community development	266,462	-	266,462
Capital Outlay	331,593	-	331,593
Total expenditures	<u>6,959,380</u>	<u>-</u>	<u>6,959,380</u>
Excess (deficiency) of revenues over expenditures	<u>(252,509)</u>	<u>1,488,905</u>	<u>1,236,396</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,000,000	-	1,000,000
Transfers out	<u>(578,064)</u>	<u>(1,486,401)</u>	<u>(2,064,465)</u>
Total other financing sources and uses	<u>421,936</u>	<u>(1,486,401)</u>	<u>(1,064,465)</u>
Net change in fund balances	169,427	2,504	171,931
Fund balances - beginning	7,874,059	230,786	8,104,845
Fund balances - ending	<u>\$ 8,043,486</u>	<u>\$ 233,290</u>	<u>\$ 8,276,776</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA**  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Position Reconciliation:**

Total fund balance, governmental funds	\$	8,276,776
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.		8,266,913
Certain other long-term assets are not available to pay current period liabilities and therefore are reported as deferred revenue in this fund financial statement.		
Court fines receivable		461,932
Certain long-term liabilities 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.		
Accrued compensated absences		(490,676)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>16,514,945</u>

**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds:	\$	171,931
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		362,726
Depreciation expense		(736,428)
Book value of assets disposed		(4,197)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue - fines		68,335
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		51,344
Change in net position of governmental activities	<u>\$</u>	<u>(86,289)</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF OKMULGEE, OKLAHOMA**  
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**Proprietary Funds Statement of Net Position - June 30, 2014**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>OMA</u>	<u>OEDA</u>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,084,510	\$ 26,634	\$ 3,111,144
Investments	1,548,500	-	1,548,500
Restricted:			
Cash and cash equivalents	5,992,664	-	5,992,664
Due from other funds	56,951	5,505	62,456
Accounts receivable, net of allowance	1,302,049	-	1,302,049
Due from other governments	10,773	-	10,773
Other receivables	4,416	-	4,416
Inventories	70,343	-	70,343
Total current assets	<u>12,070,206</u>	<u>32,139</u>	<u>12,102,345</u>
Non-current assets:			
Capital Assets:			
Land	3,510,811	8,000	3,518,811
Other capital assets, net of accumulated depreciation	64,741,965	2,842	64,744,807
Total non-current assets	<u>68,252,776</u>	<u>10,842</u>	<u>68,263,618</u>
Total assets	<u>80,322,982</u>	<u>42,981</u>	<u>80,365,963</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred amount on refunding	<u>3,340,220</u>	<u>-</u>	<u>3,340,220</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	304,313	-	304,313
Accrued payroll liabilities	43,726	-	43,726
Accrued interest payable	326,665	-	326,665
Due to other funds	391,834	35,324	427,158
Retainage payable	492,336	-	492,336
Current portion of:			
Deposits subject to refund	59,467	-	59,467
Compensated absences	19,091	-	19,091
Landfill closure liability	150,686	-	150,686
Notes payable	1,714,109	-	1,714,109
Bonds payable	1,980,000	-	1,980,000
Total current liabilities	<u>5,482,227</u>	<u>35,324</u>	<u>5,517,551</u>
Non-current liabilities:			
Deposits subject to refund	263,744	-	263,744
Compensated absences	171,824	-	171,824
Landfill closure liability	1,356,177	-	1,356,177
Notes payable	24,372,319	-	24,372,319
Bonds payable	27,355,659	-	27,355,659
Total non-current liabilities	<u>53,519,723</u>	<u>-</u>	<u>53,519,723</u>
Total liabilities	<u>59,001,950</u>	<u>35,324</u>	<u>59,037,274</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,385,926	15,072	19,400,998
Restricted for debt service	926,309	-	926,309
Unrestricted (deficit)	4,349,017	(7,415)	4,341,602
Total net position	<u>\$ 24,661,252</u>	<u>\$ 7,657</u>	<u>\$ 24,668,909</u>

See accompanying notes to the basic financial statements.

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

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2014**

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>OMA</u>	<u>OEDA</u>	
<b>REVENUES</b>			
Water	\$ 4,801,748	\$ -	\$ 4,801,748
Water taps	5,925	-	5,925
Sewer	1,944,573	-	1,944,573
Sewer taps	2,500	-	2,500
Sanitation	1,326,161	-	1,326,161
Stormwater	289,610	-	289,610
Penalties	153,396	-	153,396
Airport	343,736	-	343,736
Other	64,674	-	64,674
Total operating revenues	<u>8,932,323</u>	<u>-</u>	<u>8,932,323</u>
<b>OPERATING EXPENSES</b>			
Public works operations	129,676	-	129,676
Utility billing	231,081	-	231,081
Public works director	170,995	-	170,995
Water treatment plant	795,132	-	795,132
Water and sewer line maintenance	599,584	-	599,584
Wastewater treatment plant	756,245	-	756,245
Sanitation	1,082,921	-	1,082,921
Landfill	25,449	-	25,449
Streets	501,842	-	501,842
Airport	360,091	-	360,091
Economic development	-	58,000	58,000
Depreciation	2,747,287	115	2,747,402
Total operating expenses	<u>7,400,303</u>	<u>58,115</u>	<u>7,458,418</u>
Operating income (loss)	<u>1,532,020</u>	<u>(58,115)</u>	<u>1,473,905</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	6,945	-	6,945
Reimbursements	61,329	-	61,329
Miscellaneous revenue	95,917	-	95,917
Gain on sale of capital assets	-	1,505	1,505
Interest expense	(2,322,930)	-	(2,322,930)
Bond issue costs	(113,500)	-	(113,500)
Total non-operating revenue (expenses)	<u>(2,272,239)</u>	<u>1,505</u>	<u>(2,270,734)</u>
Income (loss) before contributions and transfers	(740,219)	(56,610)	(796,829)
Capital contributions	127,059	-	127,059
Transfers in	2,004,465	60,000	2,064,465
Transfers out	(1,118,419)	-	(1,118,419)
Change in net position	272,886	3,390	276,276
Total net position - beginning	24,388,366	4,267	24,392,633
Total net position - ending	<u>\$ 24,661,252</u>	<u>\$ 7,657</u>	<u>\$ 24,668,909</u>

See accompanying notes to the basic financial statements.

**CITY OF OKMULGEE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014**

	<u>Enterprise Funds</u>		
	<u>OMA</u>	<u>OEDA</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 9,093,249	\$ -	\$ 9,093,249
Payments to employees	(2,204,555)	-	(2,204,555)
Payments to suppliers	(1,799,404)	(58,000)	(1,857,404)
Receipts of customer meter deposits	116,305	-	116,305
Refunds of customer meter deposits	(91,181)	-	(91,181)
Interfund receipts/payments	380,418	(5,505)	374,913
<b>Net cash provided by (used in) operating activities</b>	<u>5,494,832</u>	<u>(63,505)</u>	<u>5,431,327</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	2,004,465	60,000	2,064,465
Transfers to other funds	(1,118,419)	-	(1,118,419)
<b>Net cash provided by noncapital financing activities</b>	<u>886,046</u>	<u>60,000</u>	<u>946,046</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(1,897,095)	-	(1,897,095)
Proceeds from sale of capital assets	-	5,505	5,505
Proceeds from debt	4,471,919	-	4,471,919
Capital grant received	127,059	-	127,059
Principal paid on debt	(3,590,465)	-	(3,590,465)
Issue costs paid	(113,500)	-	(113,500)
Interest and fiscal agent fees paid on debt	(1,994,756)	-	(1,994,756)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(2,996,838)</u>	<u>5,505</u>	<u>(2,991,333)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of investments	1,041,495	-	1,041,495
Interest and dividends	7,072	-	7,072
<b>Net cash provided by investing activities</b>	<u>1,048,567</u>	<u>-</u>	<u>1,048,567</u>
<b>Net increase in cash and cash equivalents</b>	4,432,607	2,000	4,434,607
<b>Balances - beginning of year</b>	<u>4,644,567</u>	<u>24,634</u>	<u>4,669,201</u>
<b>Balances - end of year</b>	<u>\$ 9,077,174</u>	<u>\$ 26,634</u>	<u>\$ 9,103,808</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 3,084,510	\$ 26,634	\$ 3,111,144
Restricted cash and cash equivalents - current	5,992,664	-	5,992,664
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 9,077,174</u>	<u>\$ 26,634</u>	<u>\$ 9,103,808</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 1,532,020	\$ (58,115)	\$ 1,473,905
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	2,747,287	115	2,747,402
Miscellaneous revenue	157,246	-	157,246
Change in assets and liabilities:			
Due from other funds	(11,416)	(5,505)	(16,921)
Due to other funds	391,834	-	391,834
Due to other governments	43,957	-	43,957
Accounts receivable	(39,820)	-	(39,820)
Other receivables	(457)	-	(457)
Accounts payable	157,002	-	157,002
Retainage payable	49,968	-	49,968
Inventory	(23,473)	-	(23,473)
Deposits, subject to refund	25,124	-	25,124
Accrued payroll payable	5,550	-	5,550
Landfill closure liability	465,369	-	465,369
Accrued compensated absences	(5,359)	-	(5,359)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 5,494,832</u>	<u>\$ (63,505)</u>	<u>\$ 5,431,327</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable.

**The City of Okmulgee** – that operates the public safety, streets, culture and recreation, community development and administrative activities.

The City of Okmulgee is an incorporated municipality with a population of approximately 13,000 located in northeastern Oklahoma. The City is a Council-Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager, removable by Council action

**Component Units:**

*Blended:*

The component units blended into the presentation of the primary government include:

**The Okmulgee Economic Development Authority** – that operates the economic development activities of the City.

**The Okmulgee Municipal Authority** – that operates the water, sewer, sanitation, and airport services of the City.

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

*Discretely-Presented:*

The component unit that is discretely presented in the City's report in a separate column is presented below.

**The Okmulgee Parking Authority** – that operates the parking activities of the City.

Each of these 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 of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

## **2. Basis of Presentation and Accounting**

### *Government-Wide Financial Statements:*

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

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

- Public Safety and Judiciary – Fire, Police, Legal and Municipal Court – fines and forfeitures, false alarm fees, and restricted operating and capital grants
- Streets and Transportation – Streets – Commercial vehicle and gasoline excise tax shared by the State and restricted capital grants, charges for services include stormwater fees
- Culture and Recreation – Library, lake fees, operating grants
- Community Development – None
- General Government – City Administration, General Government, Finance, Central Repair, Property Maintenance – license and permits, weed abatements

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

### *Governmental Funds:*

The City's governmental funds include:

#### Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Dedicated Sales Tax Fund (capital project fund) – accounts for a one-cent sales tax restricted by voter approval for capital improvements or debt service on capital debt

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All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

The General Fund and Dedicated Sales Tax Fund are considered major funds and are therefore displayed in separate columns. There are no other governmental funds of the City.

*Proprietary Funds:*

The City's proprietary funds include:

- OEDA – that accounts for the activities of the Okmulgee Economic Development Authority public trust in providing economic development services to the public
- OMA – that accounts for the activities of the Okmulgee Municipal Authority public trust in providing water, sewer, sanitation and airport services to the public.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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.

*Discretely Presented Component Unit:*

The Okmulgee Parking Authority, reported as a discretely presented component unit, follows the same accounting principles as the proprietary funds noted above.

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**3. Cash, Cash Equivalents, and Investments**

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

Marketable investments are reported at their fair value, based on quoted market prices.

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

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Cash on hand			\$ 3,100
Demand deposits			7,017,522
Time deposit			<u>6,537,588</u>
			<u>13,558,210</u>
<b>Investments:</b>			
Money Market Funds	N/A	AAAm	<u>4,376,515</u>
			<u>4,376,515</u>
<b>Total deposits and investments</b>			<u>\$ 17,934,725</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 11,397,137
Investments			<u>6,537,588</u>
			<u>\$ 17,934,725</u>

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

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

*Investment Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy; therefore, the City sets no specific limit on investment maturities. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

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

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

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

*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.

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

*Restricted Cash and Investments* - The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of cash and investments held by the trustee bank on behalf of the public trust (Authority) related to their required revenue bond accounts. The restricted assets as of June 30, 2014 were as follows:

	Current
	Cash and cash equivalents
Utility Deposits	\$ 323,211
Trustee Accounts:	
Series 2008 Note Account	39,622
Series 2009 Revenue Account	1,239,048
Series 2012 Project Account	33,511
Series 2012 Revenue Account	13,849
Series 2013 Project Account	39,656
Series 2013 Revenue Account	3,010,829
Landfill Account	1,158,376
Series 2010C OWRB Account	51,615
Series 2010D OWRB Account	74,528
Series 2010E OWRB Account	8,419
Total	\$ 5,992,664

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**4. Receivables**

*Primary Government Accounts Receivables:*

Accounts receivable of the business-type activities consists of customer utilities receivable. Accounts receivable of the governmental activities consists of franchise tax, police fines and hotel/motel tax receivables. Receivables detail at June 30, 2014, is as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<i>Governmental Activities:</i>			
Franchise taxes	\$ 17,434	\$ -	\$ 17,434
Hotel/motel tax	8,266	-	8,266
Court fines	3,316,052	(2,818,645)	497,407
Other	10,016	-	10,016
Total Governmental Activities	\$ 3,351,768	\$ (2,818,645)	\$ 533,123
 <i>Business-Type Activities:</i>			
Utilities	\$ 1,838,740	\$ (536,691)	\$ 1,302,049
Other	4,416	-	4,416
Total Business-Type Activities	\$ 1,843,156	\$ (536,691)	\$ 1,306,465

**5. Capital Assets and Depreciation**

*Capital Assets:*

Capital assets consist of land, buildings, improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. A capitalization threshold of \$1,500 is used to report capital assets. The City's inventory of capital assets is incomplete with regards to assets purchased prior to 2005. As a result, the amount of capital assets reported in the financial statements does not represent the historical cost of all capital assets of the reporting entity.

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

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 72,221	\$ 7,500	\$ -	\$ 79,721
Total capital assets not being depreciated	<u>72,221</u>	<u>7,500</u>	<u>-</u>	<u>79,721</u>
Other capital assets:				
Buildings	3,676,332	-	-	3,676,332
Improvements	2,367,409	9,878	-	2,377,287
Infrastructure	3,071,584	165,380	96,670	3,140,294
Machinery, furniture and equipment	4,286,896	179,968	-	4,466,864
Total other capital assets at historical cost	<u>13,402,221</u>	<u>355,226</u>	<u>96,670</u>	<u>13,660,777</u>
Less accumulated depreciation for:				
Buildings	1,216,928	147,486	-	1,364,414
Improvements	306,029	94,769	-	400,798
Infrastructure	908,976	378,199	92,474	1,194,701
Machinery, furniture and equipment	2,397,698	115,974	-	2,513,672
Total accumulated depreciation	<u>4,829,631</u>	<u>736,428</u>	<u>92,474</u>	<u>5,473,585</u>
Other capital assets, net	8,572,590	(381,202)	4,196	8,187,192
Governmental activities capital assets, net	<u>\$ 8,644,811</u>	<u>\$ (373,702)</u>	<u>\$ 4,196</u>	<u>\$ 8,266,913</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,522,811	\$ -	\$ 4,000	\$ 3,518,811
Total capital assets not being depreciated	<u>3,522,811</u>	<u>-</u>	<u>4,000</u>	<u>3,518,811</u>
Other capital assets:				
Buildings	2,282,710	13,774	-	2,296,484
Machinery, furniture and equipment	5,904,598	224,901	28,387	6,101,112
Utility property improvements	84,840,195	1,658,420	-	86,498,615
Total other capital assets at historical cost	<u>93,027,503</u>	<u>1,897,095</u>	<u>28,387</u>	<u>94,896,211</u>
Less accumulated depreciation for:				
Buildings	875,743	69,310	-	945,053
Machinery, furniture and equipment	4,649,102	213,164	28,387	4,833,879
Utility property improvements	21,907,544	2,464,928	-	24,372,472
Total accumulated depreciation	<u>27,432,389</u>	<u>2,747,402</u>	<u>28,387</u>	<u>30,151,404</u>
Other capital assets, net	65,595,114	(850,307)	-	64,744,807
Business-type activities capital assets, net	<u>\$ 69,117,925</u>	<u>\$ (850,307)</u>	<u>\$ 4,000</u>	<u>\$ 68,263,618</u>
<b>Component Unit:</b>				
Okmulgee Parking Authority:				
Other capital assets:				
Buildings	\$ 55,348	\$ -	\$ -	\$ 55,348
Infrastructure	359,173	-	-	359,173
Total other capital assets at historical cost	<u>414,521</u>	<u>-</u>	<u>-</u>	<u>414,521</u>
Less accumulated depreciation for:				
Buildings	19,371	1,384	-	20,755
Infrastructure	245,292	17,958	-	263,250
Total accumulated depreciation	<u>264,663</u>	<u>19,342</u>	<u>-</u>	<u>284,005</u>
Other capital assets, net	149,858	(19,342)	-	130,516
Okmulgee Parking Authority capital assets, net	<u>\$ 149,858</u>	<u>\$ (19,342)</u>	<u>\$ -</u>	<u>\$ 130,516</u>

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*Depreciation:*

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 25 years
- Improvements other than buildings 20 years
- Machinery, furniture and equipment 3-20 years
- Utility property and improvements 6-60 years
- Infrastructure 5-30 years

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 126,854	Water	\$ 1,063,912
Public safety	235,235	Sewer	1,301,632
Streets	274,005	Sanitation	88,374
Culture and recreation	97,752	Airport	293,369
Community development	2,582	Economic development	115
	<u>\$ 736,428</u>		<u>\$ 2,747,402</u>

**6. Long-Term Debt and Debt Service Requirements**

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

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
Accrued compensated absences	\$ 542,020	\$ 205,168	\$ (256,512)	\$ 490,676	\$ 49,068
Total Governmental Activities	<u>\$ 542,020</u>	<u>\$ 205,168</u>	<u>\$ (256,512)</u>	<u>\$ 490,676</u>	<u>\$ 49,068</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 26,784,975	\$ 4,471,919	\$ (1,655,466)	\$ 29,601,428	\$ 1,714,109
Revenue bonds payable	27,885,000	-	(1,935,000)	25,950,000	1,980,000
Deposits subject to refund	298,087	116,305	(91,181)	323,211	59,467
Landfill closure liability	1,041,494	465,369	-	1,506,863	150,686
Accrued compensated absences	196,274	69,043	(74,402)	190,915	19,091
Total Business-Type Activities	<u>56,205,830</u>	<u>5,122,636</u>	<u>(3,756,049)</u>	<u>57,572,417</u>	<u>3,923,353</u>
Total Long-Term Debt	<u>\$ 56,747,850</u>	<u>\$ 5,327,804</u>	<u>\$ (4,012,561)</u>	<u>\$ 58,063,093</u>	<u>\$ 3,972,421</u>

**Reconciliation to Statement of Net Position:**

<b>Governmental Activities:</b>	
Due within one year	\$ 49,068
Due in more than one year	441,608
Total Governmental Activities Long-term liabilities	<u>\$ 490,676</u>
<b>Business-Type Activities:</b>	
Due within one year	\$ 3,923,353
Due in more than one year	53,519,723
Statement of Net Position Business-Type Activities Long-term liabilities	57,443,076
Add back unamortized discount and premium	129,341
Total Business-Type Activities Long-term liabilities	<u>\$ 57,572,417</u>

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*Governmental activities long-term debt:*

**Accrued Compensated Absences:**

	Current portion	\$	49,068
	Noncurrent portion		441,608
	Total Accrued Compensated Absences	\$	<u>490,676</u>

*Business-type activities long-term debt:*

**Notes Payable:**

Note Payable to Oklahoma Department of Commerce dated September 29, 2006, original amount of \$80,000 with an annual interest rate of 0.0% due in monthly installments of \$667, final installment due February 2017.		\$	21,333
2008 Sales Tax and Revenue Note payable to BancFirst dated December 23, 2008, original amount of \$5,000,000, secured by pledged sales tax, with an annual interest rate of 4.95% due in semi-annual installments of principal and interest beginning June 2009, final installment due December 2023.			3,565,000
2012 Sales Tax and Revenue Note payable to BancFirst dated April 10, 2012, original amount of \$1,615,000, secured by pledged sales tax, with an annual interest rate of 2.47% due in semi-annual installments of principal and interest beginning June 2012, final installment due June 2023.			1,335,000
2013 Sales Tax and Revenue Note payable to BancFirst dated December 27, 2013, original amount of \$4,000,000, secured by pledged sales tax, with an annual interest rate of 3.48% due in semi-annual installments of principal and interest beginning June 2014, final installment due December 2023.			3,860,000
2010E Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$650,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.86%, final maturity March 15, 2031.			449,339
2010A Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$5,100,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.54%, final maturity September 15, 2032.			4,331,126
2010C Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$2,960,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.28%, final maturity September 15, 2031.			2,721,472
2010D Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$4,895,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.32%, final maturity March 15, 2032.			3,998,400
2010B Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$10,795,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.32%, final maturity March 15, 2032.			<u>9,319,758</u>
	Total Notes Payable	\$	<u>29,601,428</u>
	Current portion	\$	1,714,109
	Noncurrent portion		<u>27,887,319</u>
	Total Notes Payable	\$	<u>29,601,428</u>

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**Revenue Bonds Payable:**

2009A Series Utility System and Sales Tax Revenue Bonds original issue amount of \$30,000,000, dated December 1, 2009, issued by Okmulgee Municipal Authority, secured by certain utility revenue and pledged sales tax, due in annual principal installments, interest rates from 1.75% to 5.0%, final maturity December 1, 2024.

	\$ 25,950,000
Total Revenue Bonds Payable	\$ 25,950,000
Less: Unamortized Discount on Refunding	(300,826)
Add: Unamortized Premium on Refunding	171,485
Net Revenue Bonds Payable	\$ 25,820,659
Current portion	\$ 1,980,000
Noncurrent portion	23,970,000
Total Revenue Bonds Payable	\$ 25,950,000

**Accrued Compensated Absences:**

	\$ 19,091
Current portion	\$ 19,091
Noncurrent portion	171,824
Total Accrued Compensated Absences	\$ 190,915

**Deposits Subject to Refund:**

	\$ 59,467
Current portion	\$ 59,467
Noncurrent portion	263,744
Total Deposits Subject to Refund	\$ 323,211

*Long-term debt service requirements to maturity:*

<u>Year Ending June 30,</u>	Business Type Activities			
	Capital Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2015	\$ 1,714,109	\$ 1,026,799	\$ 1,980,000	\$ 977,835
2016	1,777,055	967,931	2,030,000	922,635
2017	1,836,186	904,196	2,090,000	858,223
2018	1,892,205	839,320	2,160,000	786,460
2019	1,959,571	772,289	2,235,000	708,430
2020-2024	10,253,975	2,768,594	12,595,000	2,044,300
2025-2029	6,726,815	1,331,141	2,860,000	62,200
2030-2033	4,223,627	260,318	-	-
Totals	\$ 30,383,543	\$ 8,870,588	\$ 25,950,000	\$ 6,360,083
Less: Amount to be drawn	(782,115)			
	\$ 29,601,428			

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*Landfill Closure Liability:*

State and federal laws and regulations require the City to place a final cover on its construction and demolition landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for eight years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense of the Public Works Authority in each fiscal year. The current period expense amount is based upon the amount of landfill capacity used as of each fiscal year end.

The \$1,506,863 reported as accrued landfill closure cost liability at June 30, 2014, represents the cumulative amount of such costs reported to date based on the use of 100% of the estimated capacity of the landfill. The City previously had an agreement with Elliott Construction Company, Inc. to run the landfill. Elliott Construction is in bankruptcy, so the City is now in contract with Stone Horse Construction to run the landfill. The City has built a new cell at the landfill in the current year as the landfill was previously at capacity.

The Department of Environmental Quality has issued a Consent Order on the landfill and has required the City to set aside money in a trust to cover financial assurance. The City has set aside \$1,158,376, including interest, in trust, which together with Elliott Construction's trust balance of \$348,549, of which DEQ is the beneficiary, makes up the total \$1,506,863 landfill closure and post closure liability.

Current portion	\$	150,686
Noncurrent portion		1,356,177
Total Landfill Closure Liability	\$	<u>1,506,863</u>

**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged two cents (or 1/2) of future sales tax revenues and net utility revenues to repay the \$30,000,000 Series 2009A Utility System and Sales Tax Revenue Bonds, the \$1,615,000 Series 2012 Sales Tax and Revenue Note, the \$4,000,000 Series 2013 Utility System and Sales Tax Revenue Note, the \$650,000 of the OWRB 2010E Series CWSRF promissory note, the \$5,100,000 2010A Series CWSRF, the \$2,960,000 2010C Series DWSRF, the \$4,895,000 2010D Series DWSRF, and the \$10,795,000 2010B Series DWSRF Note Payables. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds and notes are payable through 2024, 2023, 2023, 2031, 2032, 2031, 2032 and 2032, respectively. The total principal and interest payable for the remainder of the life of these bonds and notes are \$67,033,174. Pledged sales taxes received in the current year were \$2,977,714 and net utility revenues were \$4,450,165. Debt service payments of \$5,088,936 for the current fiscal year were 68.5% of pledged sales taxes and net utility revenues of \$7,427,879.

*Sales Tax Pledge* - The City has pledged one cent (or 25%) of future sales tax revenues to repay the \$5,000,000 2008 Sales Tax and Revenue Note. Proceeds from the note provided for the purchase or construction of capital assets. The note is payable from pledged sales tax revenues. The notes are payable through 2024. The total principal and interest payable for the remainder of the life of this note is \$4,509,708. Pledged sales taxes received in the current year were \$1,488,857. Debt service payments of \$478,484 for the current fiscal year were 32.1% of pledged sales taxes.

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*Debt Service Coverage Requirement:*

The revenue bond trust indentures require that Net Revenues Available for Debt Service must meet certain coverage requirements. The actual coverage was met as follows:

	<u>OKMULGEE MUNICIPAL AUTHORITY</u>	
	<u>2009A&amp;B Revenue Bonds, 2012 Revenue Note &amp; 2013 Utility and Sales Tax Note</u>	<u>OWRB Debt</u>
Gross Revenue Available for Debt Service:		
Charges for services (1)	\$8,234,303	\$8,234,303
Investment income	6,945	6,945
Sales tax pledged	2,977,714	2,977,714
 Total Gross Revenues Available	 <u>11,218,962</u>	 <u>11,218,962</u>
Operating Expenses: (1)		
Operations - water, sewer and sanitation	3,791,083	3,791,083
Total Operating Expenses	<u>3,791,083</u>	<u>3,791,083</u>
 Net Revenues Available for Debt Service	 <u>\$7,427,879</u>	 <u>\$7,427,879</u>
Debt Service Requirements:		
Annual debt service on all OMA parity debt	\$5,088,936	-
Maximum annual debt service on all OMA parity debt	<u>-</u>	<u>\$5,242,613</u>
 Computed Coverage	 <u>146%</u>	 <u>142%</u>
 Coverage Requirement	 <u>100%</u>	 <u>125%</u>

(1) The above gross revenue and operating expenses include water, sewer and sanitation operations of the Municipal Authority, excluding depreciation and amortization.

Note: The 2009A&B Revenue Bonds and 2012 Revenue Note also requires a coverage of 125% of annual principal and interest solely on these bonds. Since 146% was achieved on all parity debt, it is apparent that this requirement was met also.

**7. Net Position and Fund Balances**

*Net Position:*

Net position as reported in the government-wide and proprietary fund financial statements are displayed in three components:

a. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation, 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, net of unexpended debt proceeds.

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.

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	Contractual Agreements
Governmental Activities:	
Capital Projects and Debt Service:	
Dedicated Sales Tax Fund	\$ 231,513
Deposits with insurance pool:	
General Fund	3,429
Total Governmental Activities	234,942
TOTAL RESTRICTED NET POSITION	\$ 234,942

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 position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*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 – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund. It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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**8. Sales Tax Revenue**

Sales tax revenue represents a four cent tax on each dollar of taxable sales. One cent (or 25%) is voter-restricted to secure debt payments on capital debt and is recorded in the Dedicated Sales Tax Fund. The other three cents (or 75%) are recorded in the General Fund. Two cents are pledged to cover debt service coverage requirements on the 2009A Revenue Bond, the 2008, 2012 and 2013 Series Sales Tax and Utility System Revenue Notes, as well as the 2010 Oklahoma Water Resources Board Notes.

**9. 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 and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

*Transfers:*

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
OMA	General Fund	\$ 1,000,000	Operating
General Fund	OMA	518,064	Sales tax transfer
General Fund	OEDA	60,000	Operating
Dedicated Sales Tax Fund	OMA	1,486,401	Transfer for debt service
Total		<u>\$ 3,064,465</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,000,000	\$ (2,064,465)	\$ (1,064,465)
Proprietary Funds	2,064,465	(1,118,419)	946,046
	<u>\$ 3,064,465</u>	<u>\$ (3,182,884)</u>	<u>\$ (118,419)</u>

**Reconciliation to Statement of Activities:**

Governmental Funds Transfers	\$ (1,064,465)
Capital assets transferred from business-type activities to governmental activities	118,419
Street activity moved from business-type activities to governmental activities	210,727
Total government-wide level	<u>\$ (735,319)</u>

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*Balances:*

Interfund receivable 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>
General Fund	OMA	\$ 21,627	Operating subsidy to be reimbursed
OMA	General Fund	391,834	Operating subsidy to be reimbursed
General Fund	OEDA	5,505	Sale of capital asset deposited in another fund
OEDA	OMA	35,324	Operating subsidy to be reimbursed
Total		<u>\$ 454,290</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 391,834	\$ (27,132)	\$ 364,702
Proprietary Funds	62,456	(427,158)	(364,702)
Total	<u>\$ 454,290</u>	<u>\$ (454,290)</u>	<u>\$ -</u>

**10. Risk Management**

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

- General Liability and Physical Property – Covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Employee's Group Medical – Self-insured up to \$70,000 per employee. Additional coverage for claims exceeding \$70,000 per employee.

The City's general liability, physical property and workers compensation risks are 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. The portion of the reserves to which the City has access is reported as Deposits with Insurance Pool.

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.

*Claims Liability Analysis:*

The claims liabilities related to the risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Such accrued losses include an estimated liability for incurred but not reported claims based on past historical experience.

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For the risk management health activity reported in the General fund, changes in the estimated claims liability for the City from July 1, 2011, to June 30, 2014, are as follows:

Claims Liability, June 30, 2011	41,337
Claims incurred and changes in estimates	1,199,410
Claims paid	<u>(1,173,347)</u>
Claims Liability, June 30, 2012	\$67,400
Claims incurred and changes in estimates	1,193,825
Claims paid	<u>(1,194,001)</u>
Claims Liability, June 30, 2013	\$67,224
Claims incurred and changes in estimates	1,333,589
Claims paid	<u>(1,334,859)</u>
Claims Liability, June 30, 2014	<u><u>\$ 65,954</u></u>

## 11. Contingencies

The City is a 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. 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.

## 12. Pension Plan Participation

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

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

### *Firefighters' Plan:*

Pursuant to the requirements of Title 11, section 49-102, the City of Okmulgee participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan. The City is required by state law to contribute 14% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the fire pension system of \$290,649.

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A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd., Suite 263, Oklahoma City, OK, 73105-3707.

*Police Plan:*

Pursuant to the requirements of Title 11, section 50-102, the City of Okmulgee participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments for the police pension system of \$89,657.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Oklahoma City, OK, 73116-7335.

*Employee Plans:*

**Defined Benefit Plan:**

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through the Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer-defined benefit plan. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JP Morgan Chase Bank acts as securities custodian. The employee's contribution rate is 0%. The City's contribution rate is 11.46% and is actuarially adjusted each fiscal year. The plan is funded by contributions from participants and employers as necessary.

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

Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	11.46% of covered payroll, adjusted actuarially each fiscal year
- Employee Rate	None
c. Period Required to Vest	10 years of credited service

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d. Eligibility for Distribution	- Normal retirement at age 65 with 10 years of service - Early retirement at age 55 with 10 years of service - Disability retirement upon disability with 10 years of service - Death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service.
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.
- Disability Retirement	Same as normal retirement.
- Death Benefit	50% of employee's accrued benefit, payable to a non-spouse for 5 years certain or a spouse for lifetime or remarriage.
- Prior to 10 Years of Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2014, the City's annual pension cost of \$315,468 was equal to the City's required and actual contributions.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	For Plan Year July 1, 2013
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase.
f. Mortality	UP 94 mortality
g. Asset Valuation Method	Actuarial method

Funded Status and Funding Progress

As of January 1, 2014, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

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Actuarial accrued liability (AAL)	\$	12,962,727
Actuarial value of plan assets		13,014,084
Unfunded actuarial accrued liability - UAAL (Surplus)		(51,357)
Funded ratio (actuarial value of plan assets/AAL)		100.4%
Annual covered payroll (active plan members)	\$	2,672,153
UAAL as a percentage of covered payroll		-1.9%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

*Summary of Contributions – All Defined Benefit Plans:*

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2012	108,675	100%	2012	106,807	100%
2013	127,556	100%	2013	107,427	100%
2014	131,757	100%	2014	102,043	100%
OMRF					
Fiscal Year	Required Contribution	Percentage Contributed			
2012	350,121	100%			
2013	361,486	100%			
2014	315,468	100%			

*OMRF Defined Contribution Plan:*

The City has also provided a defined contribution plan and trust known as the City of Okmulgee Plan and Trust (the "Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by JP Morgan Chase Bank. The defined contribution plan is available to all full-time employees who are not already participating in another plan. According to City Ordinance, the employee must contribute to the Plan 5% of their gross wages. The City, as employer, contributes, per ordinance, a variable amount based on budget. This fiscal year the employer contributed 0% of pay to this plan. If an employee terminates before becoming fully vested, the employer's contributions that are forfeited are allocated to the remaining employees. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2014, the City contributed \$0 to the plan, while the employee contributions totaled \$137,086.

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The City also participates in a City Manager Plan. This plan was amended on June 1, 2014 to require the City to contribute 10% and the city manager contributes 7% of gross wages to the plan. For the year ended June 30, 2014, the City contributed \$450 to the plan, while the city manager contributions totaled \$2,093.

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

*Summary of Contributions – Defined Contribution Plan:*

For the year ended June 30, 2014, the following amounts related to the defined contribution plan:

	2014	2013	2012
Employee contributions made	\$ 139,179	\$ 147,691	\$ 144,046
Employer (City) contributions made	\$ 450	\$ -	\$ -

### **13. Use of Estimates**

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

### **14. New Accounting Pronouncements**

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement 68. GASB No. 71 addresses an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Statement is effective for fiscal years ended June 30, 2015 and should be implemented simultaneously with GASB No. 68.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2014**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 2,641,812	\$ 2,641,812	\$ 7,874,059	\$ 5,232,247
<b>Resources (Inflows):</b>				
<b>TAXES:</b>				
Sales tax	6,120,000	6,120,000	5,955,428	(164,572)
Use tax	160,000	160,000	218,162	58,162
Franchise tax	400,000	400,000	390,777	(9,223)
Hotel/Motel tax	100,000	100,000	85,160	(14,840)
Total Taxes	<u>6,780,000</u>	<u>6,780,000</u>	<u>6,649,527</u>	<u>(130,473)</u>
<b>INTERGOVERNMENTAL:</b>				
Alcoholic beverage tax	70,000	70,000	69,204	(796)
Gas excise tax	23,000	23,000	22,580	(420)
Commercial vehicle tax	90,000	90,000	96,022	6,022
Cigarette/tobacco tax	75,000	75,000	70,031	(4,969)
Grants	120,000	593,959	19,318	(574,641)
Total Intergovernmental	<u>378,000</u>	<u>851,959</u>	<u>277,155</u>	<u>(574,804)</u>
<b>LICENSES AND PERMITS:</b>	42,000	42,000	57,609	15,609
<b>FINES AND FORFEITURES:</b>	439,000	439,000	413,153	(25,847)
<b>CHARGES FOR SERVICES:</b>				
Lake fees	6,000	6,000	6,135	135
Weed abatements	35,000	35,000	30,899	(4,101)
False alarm fee	1,500	1,500	660	(840)
Nutrition center rent	1,400	1,400	1,800	400
Insufficient check charge fees	2,000	2,000	2,525	525
Police department service fees	6,000	6,000	6,769	769
Fire subscriptions	10,000	10,000	8,100	(1,900)
Shelter fees	6,500	6,500	755	(5,745)
Library fees	12,000	12,000	15,977	3,977
Dispatch fees	15,000	15,000	-	(15,000)
Total Charges for Services	<u>95,400</u>	<u>95,400</u>	<u>73,620</u>	<u>(21,780)</u>
<b>INVESTMENT INCOME:</b>	24,000	24,000	24,801	801
<b>MISCELLANEOUS:</b>				
Seized property	1,000	27,948	87,069	59,121
Stop loss refunds	50,000	50,000	18,120	(31,880)
Miscellaneous	134,200	134,200	214,368	80,168
Total Miscellaneous	<u>185,200</u>	<u>212,148</u>	<u>319,557</u>	<u>107,409</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,000,000	1,000,000	1,000,000	-
<b>Total Resources (Inflows)</b>	<u>8,943,600</u>	<u>9,444,507</u>	<u>8,815,422</u>	<u>(629,085)</u>
<b>Amounts available for appropriation</b>	<u>11,585,412</u>	<u>12,086,319</u>	<u>16,689,481</u>	<u>4,603,162</u>
<b>Charges to Appropriations (Outflows):</b>				
<i>General Government:</i>				
City Administration	310,277	360,277	337,010	23,267
General Government	651,672	1,031,789	438,482	593,307
Finance	266,404	266,404	247,685	18,719
Central Repair	251,093	251,093	146,767	104,326
Property Maintenance	995,468	995,468	513,841	481,627
Technology Services	243,936	243,936	233,281	10,655
<i>Public Safety and Judiciary:</i>				
Police	2,236,259	2,236,259	1,863,417	372,842
E-911 Operations	232,404	232,404	213,385	19,019
Fire	1,921,404	1,983,514	1,717,543	265,971
Legal and Municipal Court	191,691	191,691	180,032	11,659
<i>Culture and Recreation:</i>				
Library	631,112	631,112	419,465	211,647
Historic Preservation	1,000	1,000	-	1,000
<i>Community:</i>				
Community Development	391,744	391,744	268,166	123,578
Transfers to Other Funds	2,090,414	2,116,414	2,066,921	49,493
<b>Total Charges to Appropriations</b>	<u>10,414,878</u>	<u>10,933,105</u>	<u>8,645,995</u>	<u>2,287,110</u>
Fund balances - ending	<u>\$ 1,170,534</u>	<u>\$ 1,153,214</u>	<u>\$ 8,043,486</u>	<u>\$ 6,890,272</u>

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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported using the modified accrual basis of accounting, with the exception of on-behalf payments.
  
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within departments require the approval of the City Manager. All other transfers require the approval of the City Council. All supplemental appropriations require the approval of the City Council and are to be filed with the Office of the State Auditor and Inspector.
  
3. The General Fund budgetary comparison differs from the modified cash basis Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

	Revenues, Expenditures and Changes in Fund Balance	On-Behalf Payments Made by State	Reclass of Dedicated Sales Tax	Per Budgetary Comparison Schedule
General Fund:				
Total Revenues	\$ 6,706,871	\$ (380,306)	\$ 1,488,857	\$ 7,815,422
Transfers In	1,000,000	-	-	1,000,000
Total Revenues and Other Financing Sources	7,706,871	(380,306)	1,488,857	8,815,422
Total Expenditures	6,959,380	(380,306)	-	6,579,074
Transfers Out	578,064	-	1,488,857	2,066,921
Total Expenditures and Other Financing Uses	7,537,444	(380,306)	1,488,857	8,645,995
Net Change in Fund Balance	\$ 169,427	\$ -	\$ -	\$ 169,427

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**Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan**

OMRF Agent Multiple Employer Defined Pension Plan - Schedule of Funding Progress

*Required Supplementary Information - Schedule of Funding Progress*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) -- Entry Age</u>	<u>Unfunded (Overfunded) AAL</u>	<u>Funded Ratio</u>	<u>(1) Covered Payroll</u>	<u>AAL as a Percentage of Covered Payroll</u>
1/1/05	\$9,140,382	\$7,341,710	(\$1,798,672)	124.5%	\$2,445,792	(73.5%)
1/1/06	\$9,564,777	\$7,845,394	(\$1,719,383)	121.9%	\$2,565,014	(67.0%)
1/1/07	\$10,039,073	\$8,092,489	(\$1,946,584)	124.1%	\$2,483,721	(78.4%)
1/1/08	\$10,585,238	\$9,051,248	(\$1,533,990)	116.9%	\$2,754,885	(55.7%)
1/1/09	\$9,896,535	\$9,520,683	(\$375,852)	103.9%	\$2,934,379	(12.8%)
1/1/10	\$10,238,653	\$10,270,233	\$31,580	99.7%	\$2,919,879	1.1%
1/1/11	\$10,838,862	\$11,106,449	\$267,587	97.6%	\$2,916,953	9.2%
1/1/12	\$11,366,448	\$11,696,452	\$330,004	97.2%	\$2,790,472	11.8%
1/1/13	\$12,099,498	\$12,283,405	\$183,907	98.5%	\$2,814,249	6.5%
1/1/14	\$13,014,084	\$12,962,727	(\$51,357)	100.4%	\$2,672,153	(1.9%)

(1) Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.

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**OTHER SUPPLEMENTARY INFORMATION**

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**Schedule of Expenditures of Federal and State Awards – For year ended June 30, 2014**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Aeronautics Commission:				
Airport Grant	20.106	3-40-0074-019-2013	\$ 120,013	\$ 116,286
Airport Grant	20.106	3-40-0074-020-2014	73,874	10,773
			193,887	127,059
<u>U.S. DEPARTMENT OF HOMELAND SECURITIES:</u>				
Passed through the Oklahoma Office of Homeland Security:				
Homeland Security Grant Program	97.044	260.305	5,589	5,589
			\$ 199,476	\$ 132,648
<b>TOTAL FEDERAL AWARDS</b>				
<b>STATE AWARDS:</b>				
Oklahoma Department of Libraries:				
State Aid	N/A	N/A	\$ 13,729	\$ 13,729
Oklahoma Tobacco Settlement Endowment Trust:				
Healthy Communities Incentive Grant	N/A	TSET757	13,000	6,201
			\$ 26,729	\$ 19,930
<b>TOTAL STATE AWARDS</b>				

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

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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 Honorable Mayor and the Members of the City Council of the  
City of Okmulgee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Okmulgee, Oklahoma (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Aledge & Associates, P.C.*

February 27, 2015