

CITY OF PRYOR CREEK, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2015

**VIOLET F. KIRKENDALL CPA, PC
CERTIFIED PUBLIC ACCOUNTANT
CLAREMORE, OKLAHOMA**

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JUNE 30, 2015**

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Independent Auditor's Report

Board of Trustees
City of Pryor Creek, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pryor Creek, Oklahoma as of and for the year ended June 30, 2015, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pryor Creek, Oklahoma, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 3 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 my inquiries, the basic financial statements, and other knowledge we obtained during my 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 of Pryor Creek, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the City of Pryor Creek, Oklahoma 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pryor Creek, Oklahoma internal control over financial reporting and compliance.


Violet F. Kirkendall CPA, PC

November 10, 2015

**CITY OF PRYOR CREEK, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015**

The discussion and analysis of the City of Pryor Creek's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the accompanying basic financial statements.

This discussion is divided into two parts. The first pertains to the entire City of Pryor Creek overall with very little detail to the Municipal Utility Department, a department of the City of Pryor Creek. The second part pertains to the Municipal Utility Department, which was created by the Charter for the City of Pryor Creek and operates under the Utility Board of five members as explained in the notes to the financial statements.

PART I

WHO WE ARE

As of June 30, 2015 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

Mayor	Jimmy Tramel
Council Members	Houston Brittain Drew Stott Randy Chitwood Roger Willcutt Greg Rosamond Ryan Raines Cheryl Hedgpath Yolanda Thompson
Clerk	Eva Smith
Treasurer	Lois Thompson

FINANCIAL HIGHLIGHTS

- Current year and prior year figures are after adjustments made due to GASB 68 and GASB 71. Therefore, prior year figures have been changed in the Governmental Funds Statement of Net Position and Activities.
- The total assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2015 by \$88,494,590, an increase of \$830,974 from the prior year. Invested in capital assets increased \$1,719,344. Unrestricted increased \$444,083 and restricted decreased \$1,332,453.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Net position	<u>\$88,494,590</u>	<u>\$87,663,616</u>

- The City's Governmental Fund balance as reflected in the "Statement of Revenues, Expenditures, and Changes in Fund Balances" increased \$430,491. The General Fund increased \$51,421. The main increase was in the PPWA Sinking Fund of \$494,534. The main decrease was in the Capital Outlay Fund of \$212,170.
- Sales tax for governmental funds, excluding county sales tax, increased \$320,381, a 5.25% increase.
- Use tax increased from \$516,905 to \$627,972, a 21.5% increase due to increased construction in the Mid America Industrial Park.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the City's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, library, streets, etc.	Activities the City operates similar to private businesses such as utilities and the golf course
Required financial statements	-Statement of net position -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net position -Statement of revenues, expenses, and changes in net position -Statement of cash funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety activities, streets, cultural, library, parks and recreation activities and general government activities. The business-type activities of the City include utilities and a golf course.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the City is financially accountable and that has the same governing board as the City. This blended component unit is the Pryor Public Works Authority. The County Wide Fire Department Fund is also blended into the financial statements.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

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

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

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

The City maintains 20 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street and Drainage and the Recreation Center Construction Fund, which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The City adopts an annual appropriated budget for its General Fund and some of its special revenue funds and capital project funds. A budgetary comparison statement has been provided for the General Fund and the Street and Drainage Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide separate information for the utility and golf course operations. Combining schedules for the proprietary funds are presented in the supplementary information. The proprietary funds financial statements can be found at Statements 5, 6, and 7 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$88,494,590 at the close of the current fiscal year. \$2,867,244 of this amount is unrestricted, reflecting a healthy financial position. Additionally the City has \$5,244,567 reserved for various purposes, including \$2,391,523 for operating expenditures. All of this reflects a healthy financial position.

\$72,282,779 net position is invested in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

Included in current and other assets for Governmental Activities is \$7,764,906 of cash and investments. This is an increase of \$758,056 over the prior year.

At the end of the fiscal year ended June 30, 2015, The City reported positive balances in all three categories of net position. Governmental Activities has an unrestricted net position of \$2,145,459 before reflecting a net liability of \$2,874,660 due to GASB 68.

TABLE 1
NET POSITION
(In Thousands)
JUNE 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,694	\$ 8,232	\$ 13,534	\$ 14,656	\$ 22,228	\$ 22,888
Capital and other assets	<u>46,903</u>	<u>47,054</u>	<u>31,072</u>	<u>29,843</u>	<u>77,975</u>	<u>76,897</u>
Total assets	<u>55,597</u>	<u>55,286</u>	<u>44,606</u>	<u>44,499</u>	<u>100,203</u>	<u>99,785</u>
Long-term debt outstanding	7,965	9,269	1,068	1,098	9,033	10,367
Other liabilities	<u>1,454</u>	<u>604</u>	<u>1,222</u>	<u>1,151</u>	<u>2,676</u>	<u>1,755</u>
Total liabilities	<u>9,419</u>	<u>9,873</u>	<u>2,290</u>	<u>2,249</u>	<u>11,709</u>	<u>12,122</u>
Net position	<u>\$ 46,178</u>	<u>\$ 45,413</u>	<u>\$ 42,316</u>	<u>\$ 42,250</u>	<u>\$ 88,494</u>	<u>\$ 87,663</u>

UNAUDITED

TABLE 2
Changes in Net Position
(In Thousands)
June 30,

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2015	2014	2015	2014	Government	2014
Revenues						
Program revenues:						
Charges for services	\$ 465	\$ 429	\$13,611	\$13,692	\$14,076	\$14,121
Operating grants & contributions	128	178	--	10	128	188
Capital grants & contributions	352	19	--	--	352	19
General revenues						
Sales tax	6,517	6,181	1,607	1,526	8,124	7,707
Other taxes	1,031	937	--	--	1,031	937
Other general revenues	<u>158</u>	<u>73</u>	<u>29</u>	<u>16</u>	<u>187</u>	<u>89</u>
Total revenues	<u>8,651</u>	<u>7,817</u>	<u>15,247</u>	<u>15,244</u>	<u>23,898</u>	<u>23,061</u>
Program expenses						
General government	1,200	1,159	--	--	1,200	1,159
Public safety	3,875	3,904	--	--	3,875	3,904
Street	2,428	4,509	--	--	2,428	4,509
Culture, recreation & library	973	972	--	--	973	972
Utilities	--	--	13,220	12,994	13,220	12,994
Golf	--	--	428	387	428	387
Recreation Center	--	--	980	990	980	990
Interest	<u>173</u>	<u>179</u>	<u>6</u>	<u>2</u>	<u>179</u>	<u>181</u>
Total expenses	<u>8,649</u>	<u>10,723</u>	<u>14,634</u>	<u>14,373</u>	<u>23,283</u>	<u>25,096</u>
Excess (deficiency) before special items and transfers	2	(2,906)	613	871	615	(2,035)
Transfers	547	500	(547)	(500)	--	--
Prior year adjustments	--	(16)	--	12	--	(4)
Capital contribution	<u>216</u>	<u>208</u>	<u>--</u>	<u>--</u>	<u>216</u>	<u>208</u>
Increase (decrease) in net position	<u>\$ 765</u>	<u>\$(2,214)</u>	<u>\$ 66</u>	<u>\$ 383</u>	<u>\$ 831</u>	<u>\$(1,831)</u>

UNAUDITED

Governmental Activities. With the exception of three minor funds and the PPWA Bond Proceeds Fund (which will ultimately decline to zero) all governmental funds experienced an increase in fund balance for the year.

Business-type Activities. Business type activities are the Municipal Utility Department, Golf Course and the Recreation Center. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position reflect these funds individually in Statements 5 and 6 of the financial statements. All proprietary funds had an increase in net position.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

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

General Fund The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$2,193,359, constituting 100% of the fund balance, which was \$51,421 more than the prior year's General Fund balance. This fund is considered very healthy.

Street and Drainage Street and Drainage increased its fund balance by \$20,294 for the year. Although it has a healthy fund balance of \$1,746,159, it is management's opinion that additional future funding will be necessary to meet future infrastructure needs.

PPWA Sinking Fund This sinking fund for the 2011 Capital Improvement Bonds increased its fund balance by \$494,534 and will continue to increase its fund balance by about \$500,000 annually until sufficient funds are available to completely retire the bonds.

Municipal Utility Department See Part II of this discussion.

GENERAL FUND BUDGETARY

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

**TABLE 3
CITY OF PRYOR CREEK
SUMMARY ANALYSIS OF GENERAL FUND BUDGET
FISCAL YEAR ENDING JUNE 30, 2015**

<u>Category</u>	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenue				
Sales tax	\$2,978,573	\$2,978,573	\$3,495,557	\$ 516,984
All other taxes	682,176	682,176	830,400	148,224
All other revenues	<u>477,545</u>	<u>477,545</u>	<u>539,685</u>	<u>62,140</u>
Total revenues	<u>4,138,294</u>	<u>4,138,294</u>	<u>4,865,642</u>	<u>727,348</u>
Expenditures				
General government (1)	1,450,316	1,450,316	891,350	558,966
Public safety (2)	3,664,353	3,664,353	3,550,271	114,082
Maintenance garage	61,156	61,156	44,636	16,520
Cultural and recreation services (3)	609,436	609,436	604,245	5,191
Community service	116,202	116,202	89,844	26,358
Cemetery	<u>193,050</u>	<u>193,050</u>	<u>182,601</u>	<u>10,449</u>
Total expenditures	<u>6,094,513</u>	<u>6,094,513</u>	<u>5,362,947</u>	<u>731,566</u>
Total excess (deficiency) of revenues over expenditures	(1,956,219)	(1,956,219)	(497,305)	1,458,914
Other financing sources (uses) Transfers in	495,000	495,000	550,000	55,000
Beginning fund balance	<u>1,461,219</u>	<u>1,461,219</u>	<u>1,461,219</u>	<u>--</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,513,914</u>	<u>\$ 1,513,914</u>

(1) Includes General Government, City Clerk, City Treasurer, City Attorney and Planning and Zoning .

(2) Includes Municipal Court, Police, Fire, Dog Pound, and Civil Emergency Management

(3) Includes Parks and Pool and Library.

UNAUDITED

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended. An exception to this is that 100% of the funds budgeted by the Municipal Utility Department to be transferred to the City's General Fund in accordance with the City Charter is budgeted.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the City attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

The reason for the decrease in fund balance in the current year has generally been explained earlier in this discussion under the caption "General Fund".

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2015 amounted to \$77,799,355 (net of accumulated depreciation and exclusive of related debt) This investment, detailed in Note 3.D. to the financial statements, in a broad range of capital assets includes land, structures and improvements, equipment, and construction in progress.

I invite you to review Note 3.D Capital Assets to the Financial Statements, which is included herein and details the capital asset activity. Also, see Part II for further discussion concerning the Municipal Utility Department.

Long-term Debt

Long-term debt has already been discussed in this report.

Additional information on long-term debt is included in Note 3.G to the financial statements.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The City's major governmental revenue, sales tax, increased from the prior year and is expected to be more in the future. It is anticipated that use tax will also increase as construction rebounds.

The next years budget does not eliminate any services or employees. It is expected that the fund balance of the General Fund will not increase or decrease substantially in the next fiscal year, unless sales and use tax receipts substantially change.

The long-term economic forecast for the City is quite good. Sales tax is increasing and use tax is expected to increase. This, combined with a present healthy financial position and continued management of expenses, are reasons for an optimistic economic forecast.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please contact the City of Pryor Creek at (918) 825-0888.

PART II

WHO WE ARE

The Municipal Utility Department, City of Pryor Creek Oklahoma was created by the Pryor Creek City Charter in 1951. The current five-person board is listed below.

Chairman:	Mr. Garry J. Harris
Vice-Chairman:	Mr. Mark Roberts
Secretary:	Dr. Robert Lindsey
Member:	Ms. Lorri Mitchell
Member:	Dr. Arthur Sixkiller

The Utility Board has the care, custody, and management of the existing electric system, water system, gas distribution system, street lighting system, and sewage disposal system and may enlarge and extend them under the guidelines of the City Charter. The Board has under its control, the complete operation of these utilities and such other as the people of the City of Pryor Creek may acquire. All of these utilities shall be collectively known as the Municipal Utility Department.

The Utility Board shall employ all persons necessary in the operation of the utilities and fix their salaries, condition of servitude, and terms of office, and shall adopt such rules and regulations, as it may deem necessary for the proper conduct of business.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position (page 8) and Statement of Revenues, Expenses and Changes in Net Position (page 9) document the income and expenses (on a full accrual basis) of the Utility Board for the current fiscal year, and how they affect the Net Position of the Board. Net Position are ALL assets of the Board less ALL liabilities.

The Statement of Cash Flows (page 10) documents the sources and uses of cash, and shows whether cash increased or decreased during the current fiscal year. Notes to the financial statements (page 12) provide additional detail that further explain information found in the various statements.

FINANCIAL SUMMARY

The following presents the management overview and analysis of the Municipal Utility Board's financial condition and performance for the fiscal years ended June 30, 2014 and June 30, 2015, and proposed projects for fiscal year ending June 30, 2015.

For the years ended, Net Position changed as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Beginning Net Position	\$34,966,451	\$34,486,116
Increase in Net Position	<u>188,961</u>	<u>480,335</u>
Ending Net Position	<u>\$35,155,412</u>	<u>\$34,966,451</u>

Included in net position are amounts reserved for specific long term purposes. The following reserve accounts have been funded by excess revenues over several fiscal years.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Reserve for Extension, Capital Improvements	\$ 1,213,778	\$ 1,276,804
Reserve for Emergency and Natural Disasters	<u>1,200,000</u>	<u>1,200,000</u>
	\$ 2,413,778	\$ 2,476,804
Reserve for Capital Improvements from Sales Tax. This reserve is funded by \$0.005 sales tax and interest revenue. This account is used to fund the Wastewater Treatment Plant Depreciation Account; excess funds will be used for Utility Extensions	<u>5,089,435</u>	<u>6,262,060</u>
TOTAL	<u>\$ 7,503,213</u>	<u>\$ 8,738,864</u>

The primary source of revenues generated by the board are sales of utilities to its customers. Revenues are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating revenues	\$12,862,927	\$12,985,753
Sales tax revenue	1,071,172	1,017,275
Interest income	46,037	45,503
Grant/Donation	<u>--</u>	<u>9,700</u>
Total Revenues	<u>\$13,980,136</u>	<u>\$14,058,231</u>

Utilities are purchased and then resold to Municipal Utility Board Customers. The annual cost of purchased utilities is \$8,547,464 and \$8,352,892 for the fiscal years ending June 30, 2014 and June 30, 2015 respectively.

Expenses are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating expenses	\$13,219,599	\$12,994,060
Loss on asset disposal	<u>21,576</u>	<u>33,836</u>
Total Expenses	<u>\$13,241,175</u>	<u>\$13,027,896</u>

Percentages by expense category are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Purchased utilities	63%	66%
Payroll and related expenses	25%	23%
Operation, Maintenance and other	<u>12%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>

The resulting net income before contributions and transfer is \$1,034,335 and \$738,961 for the fiscal years ending June 30, 2014 and 2015 respectively. The Board transfers to the City of Pryor Creek General fund 5.5% of gross revenue with a cap of \$550,000, which was the amount transferred for the year ended June 30, 2015. For the year ended June 30, 2014, the amount was also \$550,000. The projected amount to be transferred for the fiscal year ending June 30, 2016 is \$550,000.

DEPARTMENT ACCOMPLISHMENTS

ADMINISTRATIVE DEPARTMENT

Fiscal Year Ending June 30, 2015

- Hired Assistant General Manager, Travis Stevens, to oversee the operations of utility systems (gas, water, electric and waste water) effective July 31, 2014 with immediate eligibility of 10 days annual leave and 15 days sick leave. Terminated August 20, 2014.
- Completed MESO 12 month supervisor training in Tahlequah, Oklahoma for Josi Morrison and Jennifer Adams.
- Purchased ID badge thermal transfer printer.
- Build web site for Municipal Utility Board for the City of Pryor

- Hired Assistant General Manager, Jared Crisp, to oversee the operations of utility systems (gas, water, electric and waste water) effective April 1, 2015 with immediate eligibility of 10 days annual leave and 15 days sick leave.

Proposed Projects for Fiscal Year Ending June 30, 2016

- Continue MESO customer service and communication in-house training
- Continue cross training administrative office staff with the warehouse staff
- Approved MESO 12 month supervisor training in Oklahoma City for Jared Crisp and Ryan Stout.
- Training for Assistant General Manager to acquire "B" operator license in water and waste water.
- Advanced incode software training for half of office staff
- Explore/cost analysis of meter reading devices and software
- Replace handheld meter reading devices and/or add AMR (automated meter reading) devices
- Explore/cost analysis of electronic scanning of Municipal Utility Board documents beginning 1951 and post to web site for public access
- Explore/cost analysis HP large format plotter printer/scanner for GIS mapping (GIS/network administrator)
- Explore/cost analysis map room computer and 50-inch flat screen TV/monitor
- Switch to Cintas as our uniform provider, who is part of the US Communities Government Purchasing Alliance and can provide the HRC-2 clothing that will be in compliance with 3/4 of our system and change the fire retardant and regular clothing policies including the removal of the \$200 annual clothing reimbursement policy to field staff. Increase annual clothing reimbursement to \$300 for administrative staff.
- Integrate GIS mapping system with SCADA systems, utility billing software and foreman's vehicles.
- Acquire pictometry data from Mayes County Assessor to enhance the GIS system.

GAS DEPARTMENT

Fiscal Year Ending June 30, 2015

- New construction and replacement projects in the Gas Department funded out of operating funds in the amount of \$105,443.68
- Completed design and replaced 3,000 feet of six inch gas line from Pryor Creek to Woodhaven Drive.
- Completed the replacement of steel risers with anodeless risers and added excess flow valves where needed in the system west of Highway 69 except for Green Country Mobile Home Park.
- Annual gas leak survey was completed by MUB crews rather than being contracted to an independent company.
- Replaced two inch steel gas line with new two inch poly line at 507 and 511 NE Fifth Street

Proposed Projects for Fiscal Year Ending June 30, 2016

- Replace two inch steel with two inch plastic gas line in 1700 block of Southridge Drive, Bedford Drive and Surrey Drive and also the Lanternwick Loop
- Replace four inch steel line in street of 500 Block of North Elliott to Belmont Court.
- Replace steel risers with anodeless risers and add excess flow valves where needed in the north central part of system
- Install new two inch poly gas line on SE 6th Street between South Vann and South Adair Street for two new duplexes.
- Replace four inch steel with four inch poly gas line from NE Fourth Street to NE Fifth Street between Coo-Y-Yah and Hogan Streets.
- Replace six inch steel 60 pound gas line with six inch poly 60 pound gas line on Adair Street from SE Fifth Street to SE Ninth Street
- Replace two inch steel pressure gas line with two inch poly pressure gas line on Adair Street from SE Fifth Street to SE Ninth Street.

WATER DEPARTMENT

Fiscal Year Ending June 30, 2015

- New Construction and replacement projects in the Water Department funded out of operating funds in the amount of \$101,786.66
- Extended 300 feet of 2 inch water line on South Maple Street to a new home.
- Replaced four inch remote read water meter for Rural Water District #1
- Replaced sixteen inch water line at Pryor Creek Crossing north of Highway 69A.
- Replace four inch line in the unit block and 200 block of North Hogan Street.
- Repainted inside Southeast 9th Street water tower.

Proposed Projects for Fiscal Year Ending June 30, 2016

- Replace six inch water line on South Oak Street
- Replace eight inch water line on North Whitaker from Northwest 1st Street to Northwest 5th Street
- Replace eight inch water line on Northwest 3rd Street from Taylor Street to Mayes Street
- Replace four inch water line with six inch water line in "The Meadows"
- Replace two inch line with six inch line in the 400 block of North Hogan Street
- Replace four inch water line with six inch water line on North Hogan Street from Highway 20 to NE 2nd Street
- Replace six inch ACP line in street of 500 block of North Elliott
- Replace filter plant #1 water meter with a SCADA compatible water meter.
- Install new two inch plastic water line on SE Sixth Street between South Vann and South Adair Street for two new duplexes.

WASTEWATER COLLECTION SYSTEM

Fiscal Year Ending June 30, 2015

- New construction and replacement projects in the Wastewater Collection Department funded out of operating funds in the amount of \$16,231.58
- Replaced rodding machine with a jet trailer
- Purchased new push camera jetcam to video sewer taps and service lines.

Proposed Projects for Fiscal Year Ending June 30, 2016

- Replace six inch sewer main 314 and 316 South Elliott Street
- Install new six inch sewer line on SE Sixth Street between South Vann and South Adair Street for two new duplexes.

WASTEWATER TREATMENT PLANT

Fiscal Year Ending June 30, 2015

- The Wastewater Treatment Plant major repairs and replacement of equipment are funded from the \$0.005 Sales Tax Reserve Capital Improvement Account.
- Replaced 18 inch force main with 20 inch force main from SE Ninth Street Lift Station to Plant.

Proposed Projects for Fiscal Year Ending June 30, 2016

- Replacement of the automatic security gate at the treatment plant
- Renovation of SE Ninth 9th Street lift station
- Install fiber optic for SCADA System and Internet service at Waste water treatment plant
- Install two additional grinders, one at the Headworks and one at the 9th Street Lift Station.
- Training for the Assistant Supervisor to acquire an "A" Operator License in Waste water.

ELECTRIC DEPARTMENT

Fiscal Year Ending June 30, 2015

- New construction and replacement projects in the Electric Department funded out of operating funds in the amount of \$155,985.48
- Replaced three (3) phase underground primary on south side of SE 17th Street and west side of Oklahoma Street to 1600 Southbrook.
- Built new transformer bank and hung a new single phase transformer at Southwood Plaza for Little Caesar's Pizza
- Completed reconductor upgrade of North feeder out of Substation #2
- Built new three (3) phase transformer and ran secondary for North Star Church on North Adair Street, ran new service and hung C.T.'s for Axis Healthcare on South Mill Street.

Proposed projects for Fiscal Year Ending 30 June 2016

- Build new primary feed on South Elliott Street from Southeast 29th Street to Southeast 49th Street
- New construction of Substation #3
- Reconductor upgrade of East feeder out of Substation #2 to B & H corner.
- Build new service of SE Sixth Street between South Vann and South Adair Street for two new duplexes.

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 5,617,616	\$ 2,085,040	\$ 7,702,656
Investments	62,250	--	62,250
Taxes receivable	1,040,557	86,071	1,126,628
Accounts receivable (net)	--	1,609,997	1,609,997
Accounts receivable from intra-government	2,719	2,133	4,852
Grants receivable	<u>5,892</u>	<u>--</u>	<u>5,892</u>
Total current assets	<u>6,729,034</u>	<u>3,783,241</u>	<u>10,512,275</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	1,792,737	8,439,248	10,231,985
Investments	--	104,000	104,000
Taxes receivable	172,141	172,142	344,283
Net pension asset	123,243	--	123,243
Capital assets (net)	46,727,189	31,072,166	77,799,355
Inventory	<u>--</u>	<u>1,035,178</u>	<u>1,035,178</u>
Total noncurrent assets	<u>48,815,310</u>	<u>40,822,734</u>	<u>89,638,044</u>
Total assets	<u>55,544,344</u>	<u>44,605,975</u>	<u>100,150,319</u>
Deferred outflows of resources related to pensions	<u>53,026</u>	<u>--</u>	<u>53,026</u>
LIABILITIES			
Current liabilities			
Accounts payable	153,111	932,445	1,085,556
Accrued expenses	95,622	95,564	191,186
Notes payable, current portion	415,000	54,709	469,709
Payable to intra-government	2,133	2,719	4,852
Refundable court deposits	7,543	--	7,543
Accrued compensated absences	123,375	191,246	314,621
Refund sales tax	<u>189,050</u>	<u>--</u>	<u>189,050</u>
Total current liabilities	<u>985,834</u>	<u>1,276,683</u>	<u>2,262,517</u>
Payable from restricted assets			
Accounts payable	--	--	--
Accrued expenses	<u>57,379</u>	<u>--</u>	<u>57,379</u>
Total	<u>57,379</u>	<u>--</u>	<u>57,379</u>
Noncurrent liabilities:			
Customer deposits payable	--	933,442	933,442
Notes and bonds payable, long-term portion	5,325,000	79,488	5,404,488
Net pension liability	<u>2,225,501</u>	<u>--</u>	<u>2,225,501</u>
Total noncurrent liabilities	<u>7,550,501</u>	<u>1,012,930</u>	<u>8,563,431</u>
Total liabilities	<u>8,593,714</u>	<u>2,289,613</u>	<u>10,883,327</u>
Deferred inflows of resources			
Deferred amounts related to pensions	<u>825,428</u>	<u>--</u>	<u>825,428</u>
NET POSITION			
Invested in capital assets, net of related debt	41,344,810	30,937,969	72,282,779
Restricted for:			
Capital projects and emergencies	1,545,836	7,503,213	9,049,049
Debt service	1,903,995	--	1,903,995
Other	2,112,788	278,735	2,391,523
Unrestricted	<u>(729,201)</u>	<u>3,596,445</u>	<u>2,867,244</u>
Total net position	<u>\$46,178,228</u>	<u>\$42,316,362</u>	<u>\$88,494,590</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Statement 2

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government					
Community Development	\$ 89,844	\$ --	\$ --	\$ --	\$ (89,844)
Planning and Zoning	13,454	--	--	--	(13,454)
Mayor and Council	239,782	--	--	--	(239,782)
City Clerk	227,192	--	--	--	(227,192)
City Treasurer	21,212	--	--	--	(21,212)
Maintenance Garage	43,289	--	--	--	(43,289)
General Government	<u>565,536</u>	<u>26,654</u>	<u>4,700</u>	<u>241,620</u>	<u>(292,562)</u>
Total general government	<u>1,200,309</u>	<u>26,654</u>	<u>4,700</u>	<u>241,620</u>	<u>(927,335)</u>
Public safety and judiciary					
City Attorney	58,869	--	--	--	(58,869)
Police	2,444,380	350,107	89,469	500	(2,004,304)
Fire	1,182,912	7,480	4,484	21,129	(1,149,819)
Civil Emergency Management	31,487	--	10,058	--	(21,429)
Municipal Court	<u>157,032</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(157,032)</u>
Total public safety and judiciary	<u>3,874,680</u>	<u>357,587</u>	<u>104,011</u>	<u>21,629</u>	<u>(3,391,453)</u>
Transportation					
Street	<u>2,427,517</u>	<u>--</u>	<u>--</u>	<u>38,907</u>	<u>(2,388,610)</u>
Cultural, parks and recreation					
Library	371,213	5,759	19,807	--	(345,647)
Cemetery	201,177	54,010	--	--	(147,167)
Recreation	343,322	21,087	--	50,000	(272,235)
Tourism	<u>57,308</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(57,308)</u>
Total cultural, parks and Recreation	<u>973,020</u>	<u>80,856</u>	<u>19,807</u>	<u>50,000</u>	<u>(822,357)</u>
Total governmental activities	<u>8,475,526</u>	<u>465,097</u>	<u>128,518</u>	<u>352,156</u>	<u>(7,529,755)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Business-type activities:					
Utilities	13,219,599	12,862,927	--	--	(356,672)
Golf	428,086	370,357	--	--	(57,729)
Recreation Center	980,497	378,144	--	--	(602,353)
Total business-type activities	<u>14,628,182</u>	<u>13,611,428</u>	--	--	<u>(1,016,754)</u>
Total	<u>\$ 23,103,708</u>	<u>\$ 14,076,525</u>	<u>\$ 128,518</u>	<u>\$ 352,156</u>	<u>\$(8,546,509)</u>

CHANGES IN NET POSITION

	Governmental Activities	Business-type Activities	Total
Net (expense) /revenue	<u>\$(7,529,755)</u>	<u>\$(1,016,754)</u>	<u>\$(8,546,509)</u>
General Revenues			
Taxes:			
Sales tax	6,517,095	1,606,758	8,123,853
Use tax	627,972	--	627,972
Alcohol beverage tax	72,669	--	72,669
E-911 tax	30,188	--	30,188
Hotel/motel tax	74,069	--	74,069
Gasoline tax	17,744	--	17,744
Motor vehicle tax	71,753	--	71,753
Franchise taxes	82,953	--	82,953
Cigarette tax	94,858	--	94,858
Utility Gr. Rev. tax	8,067	--	8,067
Investment income	27,088	50,262	77,350
Miscellaneous	80,882	--	80,882
Disposal of assets	--	(21,576)	(21,576)
Transfers	546,605	(546,605)	--
Interest expense	(173,246)	(6,052)	(179,298)
Capital assets contributed	215,999	--	215,999
Total general revenues and transfers	<u>8,294,696</u>	<u>1,082,787</u>	<u>9,377,483</u>
Change in net position	764,941	66,033	830,974
Net position - beginning	<u>45,413,287</u>	<u>42,250,329</u>	<u>87,663,616</u>
Net position - ending	<u>\$ 46,178,228</u>	<u>\$ 42,316,362</u>	<u>\$ 88,494,590</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Street & Drainage Fund</u>	<u>PPWA Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$1,648,066	\$1,548,477	\$1,789,237	\$2,424,573	\$7,410,353
Investments	59,250	--	--	3,000	62,250
Taxes receivable	698,779	238,860	172,141	102,918	1,212,698
Due from other funds	2,318	--	--	2,719	5,037
Grants receivable	<u>5,892</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,892</u>
Total assets	<u>\$2,414,305</u>	<u>\$1,787,337</u>	<u>\$1,961,378</u>	<u>\$2,533,210</u>	<u>\$8,696,230</u>
LIABILITIES					
Accounts payable	98,189	21,615	--	33,307	153,111
Accrued expenses	84,295	11,327	57,379	--	153,001
Due to other funds	2,133	--	--	2,318	4,451
Accrued compensated absences	28,786	8,236	--	--	37,022
Refundable court bonds	7,543	--	--	--	7,543
Refund sales tax	<u>--</u>	<u>--</u>	<u>--</u>	<u>189,050</u>	<u>189,050</u>
Total liabilities	<u>220,946</u>	<u>41,178</u>	<u>57,379</u>	<u>224,675</u>	<u>544,178</u>
FUND BALANCES					
Restricted	--	1,746,159	1,903,999	1,521,666	5,171,824
Committed	3,560	--	--	--	3,560
Assigned	--	--	--	744,856	744,856
Unassigned	<u>2,189,799</u>	<u>--</u>	<u>--</u>	<u>42,013</u>	<u>2,231,812</u>
Total fund balance	<u>2,193,359</u>	<u>1,746,159</u>	<u>1,903,999</u>	<u>2,308,535</u>	<u>8,152,052</u>
Total liabilities and fund balances	<u>\$2,414,305</u>	<u>\$1,787,337</u>	<u>\$1,961,378</u>	<u>\$2,533,210</u>	<u>\$8,696,230</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Total Governmental Funds
Fund balance of governmental funds	\$ 8,152,052
Amounts reported for governmental activities in the Statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$29,762,488	46,727,189
Portion of accrued compensated absences does not require current financial resources. Therefore, \$86,353 of total of \$123,375 of accrued compensated absences is not reported as a liability in government funds balance sheet	(86,353)
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds:	
Net pension assets	123,243
Pension related deferred outflows	53,026
Certain liabilities are not due and payable in the current period from current financial resources, and, therefore, are not reported in the funds	
Net pension liability	(2,225,501)
Pension related deferred inflows	(825,428)
Long-term debt	<u>(5,740,000)</u>
Net position of governmental activities	<u>\$ 46,178,228</u>

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal and long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Street & Drainage Fund</u>	<u>PPWA Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Sales tax	\$ 3,481,310	\$ 1,392,524	\$ 1,071,172	\$ 572,089	\$ 6,517,095
Other taxes	803,565	89,497	--	104,258	997,320
Fines and forfeits	327,504	--	--	--	327,504
Licenses and permits	26,654	--	--	--	26,654
Franchise taxes	51,032	--	--	31,921	82,953
Fees and services	67,609	--	--	43,330	110,939
Interest	6,236	6,652	4,608	9,592	27,088
Miscellaneous	24,303	13,599	--	42,980	80,882
Grants and contributions	<u>85,626</u>	<u>--</u>	<u>--</u>	<u>395,048</u>	<u>480,674</u>
Total revenues	<u>4,873,839</u>	<u>1,502,272</u>	<u>1,075,780</u>	<u>1,199,218</u>	<u>8,651,109</u>
EXPENDITURES					
Current					
General government:					
Community Development	89,844	--	--	--	89,844
Planning and Zoning	13,454	--	--	--	13,454
Mayor and Council	232,664	--	--	--	232,664
City Clerk	216,777	--	--	--	216,777
City Treasurer	21,212	--	--	--	21,212
Maintenance Garage	44,071	--	--	--	44,071
General Government	<u>351,584</u>	<u>--</u>	<u>3,000</u>	<u>62,190</u>	<u>416,774</u>
Total general government	<u>969,606</u>	<u>--</u>	<u>3,000</u>	<u>62,190</u>	<u>1,034,796</u>
Public safety and judiciary:					
City Attorney	58,869	--	--	--	58,869
Police	2,356,334	--	--	44,876	2,401,210
Fire	1,026,733	--	--	43,353	1,070,086
Civil Emergency Management	19,444	--	--	--	19,444
Municipal Court	<u>155,068</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>155,068</u>
Total public safety and judiciary	<u>3,616,448</u>	<u>--</u>	<u>--</u>	<u>88,229</u>	<u>3,704,677</u>
Transportation					
Street	<u>--</u>	<u>1,339,263</u>	<u>--</u>	<u>--</u>	<u>1,339,263</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Street & Drainage Fund</u>	<u>PPWA Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cultural, parks and recreation					
Library	332,933	--	--	14,801	347,734
Cemetery	182,542	--	--	489	183,031
Recreation	270,889	--	--	6,651	277,540
Tourism	--	--	--	57,308	57,308
	<u>786,364</u>	<u>--</u>	<u>--</u>	<u>79,249</u>	<u>865,613</u>
Total cultural, parks and recreation					
Debt service					
Principal	--	--	405,000	--	405,000
Interest and other charges	--	--	173,246	--	173,246
Capital outlay	--	54,829	--	1,189,799	1,244,628
	<u>5,372,418</u>	<u>1,394,092</u>	<u>581,246</u>	<u>1,419,467</u>	<u>8,767,223</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	(498,579)	108,180	494,534	(220,249)	(116,114)
Other financing sources (uses)					
Transfers in	550,000	--	--	87,886	637,886
Transfers out	--	(87,886)	--	(3,395)	(91,281)
	<u>550,000</u>	<u>(87,886)</u>	<u>--</u>	<u>84,491</u>	<u>546,605</u>
Total other financing sources (uses)					
Net change in fund balances	51,421	20,294	494,534	(135,758)	430,491
Fund balances - beginning	2,141,938	1,725,865	1,409,465	2,444,293	7,721,561
Fund balances - ending	<u>\$ 2,193,359</u>	<u>\$ 1,746,159</u>	<u>\$ 1,903,999</u>	<u>\$ 2,308,535</u>	<u>\$ 8,152,052</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Reconciliation of the change in fund balances - total government funds to the change in net position of governmental activities

Net change in fund balances - total governmental funds	<u>\$ 430,491</u>
<p>Amounts reported for governmental activities in the Statement of Activities are different because</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>	
Capital assets donated	215,999
Capital asset purchase capitalized	1,164,015
Depreciation expense	<u>(1,707,188)</u>
	<u>\$(327,174)</u>
<p>Governmental funds report long-term financing as revenues, while governmental activities report such financing as debt activities.</p>	
Payment of long-term debt	405,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Accrued compensated absences	<u>6,667</u>
Change in net position of governmental activities	<u>\$ 514,984</u>

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds			Total
	Recreation Center	Golf Course Fund	Municipal Utility Department	
ASSETS				
Current assets				
Cash	\$ 1,020,542	\$ 84,061	\$ 980,437	\$ 2,085,040
Taxes receivable	86,071	--	--	86,071
Accounts receivable	--	--	1,609,997	1,609,997
Due from other funds	--	--	<u>2,133</u>	<u>2,133</u>
Total current assets	<u>1,106,613</u>	<u>84,061</u>	<u>2,592,567</u>	<u>3,783,241</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	--	--	8,439,248	8,439,248
Investments	--	--	104,000	104,000
Taxes receivable	--	--	172,142	172,142
Inventory	--	--	1,035,178	1,035,178
Capital assets (net)	<u>5,381,047</u>	<u>782,088</u>	<u>24,909,031</u>	<u>31,072,166</u>
Total noncurrent assets	<u>5,381,047</u>	<u>782,088</u>	<u>34,659,599</u>	<u>40,822,734</u>
Total assets	<u>\$ 6,487,660</u>	<u>\$ 866,149</u>	<u>\$37,252,166</u>	<u>\$ 44,605,975</u>
LIABILITIES				
Current liabilities				
Accounts payable	25,696	15,637	891,112	932,445
Accrued expenses	5,644	3,314	86,606	95,564
Accrued compensated absences	4,545	3,826	182,875	191,246
Due other funds	--	--	2,719	2,719
Current portion of long-term debt	--	<u>54,709</u>	--	<u>54,709</u>
Total current liabilities	<u>35,885</u>	<u>77,486</u>	<u>1,163,312</u>	<u>1,276,683</u>
Non-current liabilities				
Customers' meter deposits (payable from restricted assets)	--	--	933,442	933,442
Notes payable, less current portion	--	<u>79,488</u>	--	<u>79,488</u>
Total non-current liabilities	--	<u>79,488</u>	<u>933,442</u>	<u>1,012,930</u>
Total liabilities	<u>35,885</u>	<u>156,974</u>	<u>2,096,754</u>	<u>2,289,613</u>
NET POSITION				
Investment in capital assets, net of related debt	5,381,047	647,891	24,909,031	30,937,969
Restricted:				
Sales tax reserved for capital improvements		--	5,089,435	5,089,435
Charter required legal obligations		--	278,735	278,735
Property, plant and equipment and emergency and disaster		--	2,413,778	2,413,778
Unrestricted:	<u>1,070,728</u>	<u>61,284</u>	<u>2,464,433</u>	<u>3,596,445</u>
Total net position	<u>\$ 6,451,775</u>	<u>\$ 709,175</u>	<u>\$35,155,412</u>	<u>\$ 42,316,362</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			Total
	Recreation Center	Golf Course Fund	Municipal Utility Department	
Operating revenues				
Utility charges	\$ --	\$ --	\$ 12,547,900	\$ 12,547,900
Utility taps	--	--	27,611	27,611
Penalties	--	--	134,187	134,187
Miscellaneous	--	440	153,229	153,669
Fee income	<u>378,144</u>	<u>369,917</u>	<u>--</u>	<u>748,061</u>
Total operating revenues	<u>378,144</u>	<u>370,357</u>	<u>12,862,927</u>	<u>13,611,428</u>
Operating expenses				
Purchased utilities	--	--	8,352,892	8,352,892
Personnel services	358,912	176,351	2,285,141	2,820,404
Personnel benefits	68,506	24,939	972,569	1,066,014
Materials and supplies	36,366	--	387,944	424,310
Other expenses	302,206	160,944	939,878	1,403,028
Bad debts expense	--	--	34,170	34,170
Depreciation expense	214,507	65,852	879,346	1,159,705
Less: expenses capitalized	<u>--</u>	<u>--</u>	<u>(632,341)</u>	<u>(632,341)</u>
Total operating expense	<u>980,497</u>	<u>428,086</u>	<u>13,219,599</u>	<u>14,628,182</u>
Net operating income (loss)	<u>(602,353)</u>	<u>(57,729)</u>	<u>(356,672)</u>	<u>(1,016,754)</u>
Nonoperating revenue (expense)				
Gain (loss) on asset disposal	--	--	(21,576)	(21,576)
Sales tax revenue	535,586	--	1,071,172	1,606,758
Investment income	3,885	340	46,037	50,262
Interest expense	<u>--</u>	<u>(6,052)</u>	<u>--</u>	<u>(6,052)</u>
Total nonoperating revenue (expenses)	<u>539,471</u>	<u>(5,712)</u>	<u>1,095,633</u>	<u>1,629,392</u>
Net income (loss) before contributions and transfers	<u>(62,882)</u>	<u>(63,441)</u>	738,961	612,638
Operating transfers in (out)	<u>3,395</u>	<u>--</u>	<u>(550,000)</u>	<u>(546,605)</u>
Change in net position	<u>(59,487)</u>	<u>(63,441)</u>	188,961	66,033
Net position - beginning of year	<u>6,511,262</u>	<u>772,616</u>	<u>34,966,451</u>	<u>42,250,329</u>
Net position - end of year	<u>\$ 6,451,775</u>	<u>\$ 709,175</u>	<u>\$ 35,155,412</u>	<u>\$ 42,316,362</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Recreation Center	Golf Course Fund	Municipal Utility Department	Total
Cash flows from operating activities				
Receipts from customers	\$ 378,144	\$ 370,357	\$ 12,773,744	\$ 13,522,245
Payments to suppliers	(351,131)	(167,814)	(10,618,399)	(11,137,344)
Payments to employees and benefits	(417,300)	(189,658)	(2,259,352)	(2,866,310)
Payments capitalized	--	--	632,341	632,341
Receipts over refunds of customer meter deposits	--	--	23,879	23,879
Net cash provided (used) by operating activities	<u>(390,287)</u>	<u>12,885</u>	<u>552,213</u>	<u>174,811</u>
Cash flows from noncapital financing activities				
Operating subsidies and transfers from (to) other funds	<u>3,395</u>	<u>--</u>	<u>(550,000)</u>	<u>(546,605)</u>
Net cash provided (used) by noncapital financing activities	<u>3,395</u>	<u>--</u>	<u>(550,000)</u>	<u>(546,605)</u>
Cash flows from capital and related financing activities				
Sales tax receipts	539,970	--	1,075,555	1,615,525
Purchases of capital assets	(33,458)	--	(2,379,201)	(2,412,659)
Repayment of long-term debt	--	(54,709)	--	(54,709)
Interest on long-term debt	--	<u>(6,900)</u>	--	<u>(6,900)</u>
Net cash provided (used) by capital and related financing activities	<u>506,512</u>	<u>(61,609)</u>	<u>(1,303,646)</u>	<u>(858,743)</u>
Cash flows from investing activities				
Proceeds from sales (purchases) of investments	--	--	250,192	250,192
Interest and dividends	<u>3,885</u>	<u>340</u>	<u>46,037</u>	<u>50,262</u>
Net cash provided (used) by investing activities	<u>3,885</u>	<u>340</u>	<u>296,229</u>	<u>300,454</u>
Net increase (decrease) in cash and cash equivalents	123,505	(48,384)	(1,005,204)	(930,083)
Cash balances - beginning of the year	<u>897,037</u>	<u>132,445</u>	<u>10,424,889</u>	<u>11,454,371</u>
Cash balances - end of the year	<u>\$ 1,020,542</u>	<u>\$ 84,061</u>	<u>\$ 9,419,685</u>	<u>\$ 10,524,288</u>
Cash, including time deposits	1,020,542	84,061	980,437	2,085,040
Restricted cash, including time deposits	--	--	<u>8,439,248</u>	<u>8,439,248</u>
Total cash and cash equivalents, end of year	<u>\$ 1,020,542</u>	<u>\$ 84,061</u>	<u>\$ 9,419,685</u>	<u>\$ 10,524,288</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds			<u>Total</u>
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	
Reconciliation of operating income (loss) to net cash provided (used by operating activities)				
Operating income (loss)	\$(602,353)	\$(57,729)	\$(356,672)	\$(1,016,754)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation expense	214,507	65,852	879,346	1,159,705
Bad debt expense	--	--	34,170	34,170
Change in assets and liabilities				
Receivables, net	--	--	(89,183)	(89,183)
Inventories	--	--	(9,709)	(9,709)
Accounts and other payables	(5,252)	681	44,593	40,022
Customer meter deposits payable	--	--	23,879	23,879
Accrued expenses	<u>2,811</u>	<u>4,081</u>	<u>25,789</u>	<u>32,681</u>
	<u>\$(390,287)</u>	<u>\$ 12,885</u>	<u>\$ 552,213</u>	<u>\$ 174,811</u>

Noncash investing, capital and financing activities:

For the fiscal year ending June 30, 2015, the Municipal Utility Board assets with a cost of \$179,539 and accumulated depreciation of \$157,963 were scrapped. A loss of \$21,576 resulted.

CITY OF PRYOR CREEK, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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CITY OF PRYOR CREEK, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pryor Creek was created in 1871 and operates under a strong Mayor/Council form of government. The City's major operations include public safety, (Police, fire and civil defense), recreation, parks and library, provision and maintenance of streets and drainage, utility service (electric, gas, water and sewer), and general administrative services. In addition, the City exercises sufficient control over other governmental agencies that are included as part of the City's reporting entity.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The City was required to implement the new financial reporting requirements of GASB Statement Nos. 33 and 34 for the year ended June 30, 2003. Effective for the year ended June 30, 2006, the City is reporting all infrastructure. See Notes 3.D and 3.J.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Pryor Creek
Blended Component Unit:	Pryor Public Works Authority
Blended Other Units	County Wide Fire Department Fund

In determining the financial reporting entity, The City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Blended Component Unit

Component Unit	Brief Description/Inclusion Criteria	Reporting
Pryor Public Works	The Authority is utilized for the purpose of entering into a long-term contract providing the Citizens of Pryor Creek with trash services. Its major source of income is franchise fees from such contract.	Special Revenues

Blended Other Units

A countywide sales tax was passed, effective January 1, 2003, for the purpose of providing revenues to the various fire departments of Mayes County. The sales tax receipts, which began in March, 2003 and are equally divided among the fire departments, is administered by the County which maintains a fund for each fire department, including that of the City of Pryor Creek. Purchases against the funds can only be initiated by each fire department, sometimes requiring its governing board approval.

Other Units by Reference

The Pryor Creek Economic Development Authority is included in this report. However, since the Authority has no assets, liabilities (only non-commitment debt to the City and the Authority), revenues or expenditures, it is included only by reference and explanation in the notes to the financial statements. The original amount of the debt was \$2,356,000.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. All capital project funds were created by Council action and derive their revenues as a result of Council action. Accordingly, the City Council can change or eliminate these funds by vote.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by other funds. This fund receives revenues from a 1/2 cent sales tax until the general obligation bonds are fully paid. Although not anticipated, the City may assess a property tax if such sales tax is insufficient.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Municipal Utility Department, Golf Course Fund and the Recreation Center constitute the enterprise funds.

Major and Non major Funds

The funds are further classified as major or non major as follows:

Fund	Brief Description
Major:	
General	See above for description
Special Revenue Fund Street & Drainage	Accounts for revenues and expenditures of maintaining, improving and extending streets and drainage
PPWA Sinking Fund	Accounts for sales tax revenues and debt service expenditures for 2014 bonds

Proprietary Fund: Municipal Utility Board	Accounts for activities of providing electric, water, wastewater, and gas services to the public. See below for pertinent information pertaining to this fund including the dedication of revenues.
Recreation Center Cash Fund	Charges for membership and services for use of the facilities and personnel in addition to receiving ¼ of 1 cent sales tax. The facility opened in March, 2009. This fund was reported as a special revenue fund in the prior year.
Golf Course Fund	Accounts for revenues and expenses of municipally run course.
Non major:	
Special Revenue Funds: E-911	Accounts for revenues and expenditures of E-911 service that is legally restricted for public safety use.
Countywide Fire Department	See above for description.
Cemetery Care	Accounts for 25 percent of cemetery revenue restricted by State law for cemetery capital improvements.
Cemetery Care Interest Fund	Interest on cemetery care fund designated for cemetery operations.
Seizures	Police seizures for use of police department.
Library	Accounts for grants and contributions specifically for the library.
Donations and Earmarked Monies	Accounts for donations and grants for specific projects or specific purposes.
Public Works Authority	See above for description.
Hotel and Motel Tax	Accounts for revenues of hotel/motel tax restricted by local ordinance for the promotion of conventions and tourism.

Fee-in-Lieu	Accounts for funds deposited with the City by third parties for drainage projects caused by real estate development.
Debt Service Fund	See above for description.
Capital Project Funds:	
Capital Outlay	Accounts for 1/8 of one cent sales tax dedicated for capital outlay. Cannot be changed without a vote of the people. Additionally, the Council voted to allocate the use tax from the Capital Outlay Fund to the General Fund for the entire year ending June 30, 2014 and beyond.
Capital Outlay Reserve	Although initially set up to fund the purchase of a fire truck in 2000, it has now essentially become a capital outlay fund for the fire department. Revenues consist of outside fire runs, fire subscriptions and grants for the fire department.
Real Property Acquisition	Created by the Council to accumulate funds for additions and improvements to land and buildings. The Council voted to allocate 1/10 of 1 cent sales tax to this fund from the General Fund for the entire year ending June 30, 2014 and beyond.
Library Building	Accounts for donations to add on to the existing library.
PPWA Bond Proceeds	Accounts for bonds proceeds to construct a new City Hall and for street improvements
CDBG Block Grant	Accounts for funds to construct sidewalks

The Municipal Utility Department was created by the Charter for the City of Pryor Creek, Oklahoma in January, 1951. The Department operates under the Utility Board consisting of five members. Vacancies in the membership of the Utility Board are filled by appointment by the remaining members of the Board subject to the approval of the City Council. The Department's operations consist of providing electrical, gas, water and sewage disposal service to the citizens of the City of Pryor Creek. All revenues received are dedicated by Charter as follows:

First, revenues are to be used for the payment of operating expenses, expenses incidental to the running of new services and the installation of new meters without major extension of lines, cost of minor extensions of lines and cost of replacements due to obsolescence.

Secondly, the Board is authorized to set aside, out of its revenues (reduced by encumbrances), a reserve for depreciation, replacement of obsolete or worn out property, machinery and equipment and to provide an emergency fund in cases of destruction or injury to utility properties. However, the funding for such reserve cannot exceed 20 percent of the net profits of the Utility Department for the year.

Third, after application of the foregoing, any surplus revenues shall be applied first to the current interest and accruals in the sinking fund of the City of Pryor Creek and thereafter transferred to the general fund of the City of Pryor Creek.

Legal counsel has ruled that if sufficient funding is otherwise available for the sinking fund, then such surplus revenues may go directly to the general fund.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. 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.
- b. The proprietary fund utilizes an "economic resources" measurement focus, except for sales tax revenues which are recognized on a "current financial resources" measurement by the Municipal Utility Department. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2003. Beginning with the year ended June 30, 2006, all infrastructure is reflected on the Statement of Net Position. Prior to then only additions to infrastructure for the years ended June 30, 2003, 2004 and 2005 were reflected on such statements. See Notes 3.D and 3.J pertaining to the capitalization of infrastructure in the current year.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and businesslike activities are presented using 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are also presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales and other taxes, franchise taxes, grants and investment earnings are recorded when earned. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid.

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.

Budget Basis of Accounting

Formal budgetary accounting is employed as a management control for the governmental funds of the City. Annual operating budgets are adopted each fiscal year for most funds. The basis of accounting for budgetary purposes for all funds is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered. The Enterprises Funds of the golf course and Municipal Utility Department also adopt budgets and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. However, the Municipal Utility Department, an Enterprise Fund, annually budgets an amount to remit to the City's general fund. The budgeted amount, not 90% of the amount remitted for the year then ended, is utilized in preparing the general fund's budget. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

1.D. ASSETS, LIABILITIES, AND EQUITY

Investments

Investments at June 30, 2015 consist of the following:

Municipal Utility Department

CD's with maturity dates greater than three months, but less than one year, with interest rates ranging from 1.30% to 4.00%	<u>\$ 104,000</u>
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General Fund

CD with maturity date of April 8, 2017 with interest rate of .9%	58,000
Money market fund	<u>1,250</u>
	<u>59,250</u>

Library Cash Fund

CD with a maturity date of December 21, 2015 at 2.96% interest	<u>3,000</u>
--	--------------

Grand Total	<u>\$ 166,250</u>
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Investments on the Statement of Net Position are reflected as:

Current assets	\$ 62,250
Restricted assets	<u>104,000</u>
	<u>\$ 166,250</u>

Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." See Note 3.I. for details of interfund transactions, including receivables and payables at year end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Municipal Utility Department is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has not been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers. The other proprietary fund, the golf course, has no receivables.

Inventories

The Municipal Utility Department is the only fund that has inventory in the financial statements. Such inventory is generally for repairs and improvements to the system and is classified as a noncurrent asset.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

As of June 30, 2006 and later years, the governmental funds' infrastructure assets have been capitalized. Up to then, infrastructure was capitalized on prospective basis for the years ending June 30, 2003, 2004 and 2005.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Governmental</u>	<u>Proprietary</u>
Buildings	25 - 50 years	20 - 40 years
Machinery and Equipment	3 - 20 years	5 - 10 years
Utility System	25 - 50 years	7 - 100 years
Infrastructure	13 - 160 years	

Because certain system additions for the Municipal Utility Department are actually replacements of old system assets, an estimate has been made to reduce the value of the system by the amount of the replaced assets. An estimate of 40% of current year utility system additions are removed, along with applicable accumulated depreciation, from appropriate utility system accounts (gas, electric, water, sewer). The oldest assets recorded are the first retired.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to charter and third party required reserves and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of bonds and leases payable, accrued compensated absences, and customer meter deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation and other compensated time off permit employees to accumulate earned but unused time off. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

The Municipal Utility Department requires meter deposits for utility services. Such deposits are retained until services are discontinued. At that time, the deposits are applied first to any outstanding balances owed by the customers and the excess, if any, is refunded. No interest is paid on the deposits.

- c. Assigned net position - All net position that do not meet any of the definitions and are for a specific purpose
- d. Unassigned - All net position that do not meet any of the definitions and can be used for any purposes. Represents the net position of the General Fund.
- e. Unrestricted net position - All other net position of business-type activities that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as assigned and unassigned, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

The City levies a 3.75 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated to the various funds by ordinance:

	<u>Through 8/31/2012</u>	<u>Effective 9/1/2013</u>
General Fund	1.725	1.625
Street and Drainage	.650	.650
Municipal Utility Department	.500	.500
Capital Outlay	.125	.225
Recreation Center Cash Fund	.250	.250
Sinking Fund - Bonded Indebtedness	<u>.500</u>	<u>.500</u>
	<u>3.750</u> cent	<u>3.750</u> cent

The .1 cent sales tax received by the Real Property Acquisition Fund was allocated to the General Fund effective for sales tax earned in December 2009 and received in February, 2010. This is the only portion of the sales tax that the ordinance allows to be allocated by the Council. This was done due to decreased sales tax in the General Fund due to the downturn in the economy. Effective September 1, 2013, such .1 cent sales tax was transferred to the Capital Outlay Fund.

The sales tax is recorded in the various funds with the exception of the sales tax for the Municipal Utility Department which is recorded in the General Fund and transferred to the Municipal Utility Department. The sales tax in the Municipal Utility Department is restricted as discussed in Note 3.J.

The 1/2 cent sales tax for the Sinking Fund for the purpose of paying off bonds of the Recreation Center was changed after the year end. The debt was paid off in November, 2013; however, a vote of the people extended the sales tax for the purpose of funding a new City Hall, street projects and improvements to the Recreation Center. The sales tax was extended for the shorter of 15 years or when the new bonds are retired.

Use Tax

The City levies a 3.75 use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. Effective for use tax earned in December 2009 and received in February, 2010, the use tax was allocated to the General Fund rather than the Capital Outlay Fund due to the downturn in the economy.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City of Pryor Creek's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By
Cemetery Care Fund	State Law
Municipal Utility Department	City Charter
Street and Drainage	State Law
Public Works Authority	Trust Indenture

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A. Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	See Notes 1.E. and 3.J.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
E-911 revenue	E-911 Emergency Services Purposes
Water, Sewer, Electrical, and Gas Revenue	Debt Service & Utility Operations
Cemetery Revenue (15%)	Cemetery Capital Improvements
Hotel/Motel Tax	Convention and Tourism
Golf Revenue	Golf Operations and Maintenance
Recreation Center Revenues	Recreation Center Operations and Maintenance

For the year ended June 30, 2015, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2015, the City complied with this provision.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2015, the City incurred no such indebtedness.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City of Pryor Creek complied with this statute in all material respects for the year ended June 30, 2015.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2015. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3 - Uninsured and uncollateralized; or 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 with no written or approved collateral agreement

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Total Deposits	<u>\$18,310,403</u>	<u>\$ 873,307</u>	<u>\$17,437,096</u>	<u>\$ --</u>	<u>\$18,100,831</u>
Reconciliation to Government-wide Statement of Net position:					
Unrestricted cash					\$ 7,702,656
Time deposits					62,250
Restricted cash, including time deposits					<u>10,335,925</u>
					<u>\$18,100,831</u>

Investments

Investments consisted of short term (three years or less) certificates of deposit and money market accounts with interest rates ranging from .01% to 4.00%.

3.B. RESTRICTED ASSETS

Restricted assets consist of cash, certificates of deposit, investments, and taxes receivable reserved as follows:

Municipal Utility Department

Customer meter deposits - reflected as a long-term liability on the balance sheet	\$ 933,442
Reserve for property, plant and equipment replacements and emergency and disaster relief - reflected as a reservation of retained earnings on the balance sheet	2,413,778
Sales tax allocated for capital improvements	5,089,435
Reserved for charter required legal obligations	<u>278,735</u>
	<u>\$ 8,715,390</u>

City of Pryor

Bond proceeds reserved for construction projects	3,500
Reserve fund for payment of principal and interest on bonds	<u>1,961,378</u>
	<u>1,964,878</u>
Grand total	<u>\$10,680,268</u>

Encumbrances are recognized as a reserve on the Municipal Utility Department, a proprietary type fund due to the City Charter's definition and allocation of such fund's computation and distribution of surplus revenues between the General Fund and the reserves of the Municipal Utility Department. See Note 3.J. for additional information.

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of grants receivable.

Accounts receivable of the Municipal Utility Department are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Department which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. The following is a summary of the bad debts for the current and prior four fiscal years:

June 30, 2015	\$34,170
June 30, 2014	\$71,141
June 30, 2013	\$74,017
June 30, 2012	\$45,414
June 30, 2011	\$40,984

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance at July 1, 2014	Additions	Transfers	Disposals	Balance at June 30, 2015
Governmental activities:					
Land	\$ 2,679,360	\$ 222,500	\$ --	\$ --	\$ 2,901,860
Buildings	6,963,827	11,340	--	--	6,975,167
Machinery and equipment	7,217,912	1,080,973	--	(12,315)	8,286,570
Infrastructure					
Improvements	51,215,879	65,201	--	--	51,281,080
Land, easements, etc.	<u>7,045,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,045,000</u>
Totals at historical cost	<u>75,121,978</u>	<u>1,380,014</u>	<u>--</u>	<u>(12,315)</u>	<u>76,489,677</u>

	Balance at July 1, 2014	Additions	Transfers	Disposals	Balance at June 30, 2015
Less accumulated depreciation					
Buildings	(2,015,870)	(157,841)	--	--	(2,173,711)
Machinery and equipment	(4,807,125)	(558,658)	--	12,315	(5,353,468)
Infrastructure	<u>(21,244,620)</u>	<u>(990,689)</u>	<u> --</u>	<u> --</u>	<u>(22,235,309)</u>
Total accumulated depreciation	<u>(28,067,615)</u>	<u>(1,707,188)</u>	<u> --</u>	<u> 12,315</u>	<u>(29,762,488)</u>
Governmental activities capital assets, net	<u>\$ 47,054,363</u>	<u>\$(327,174)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 46,727,189</u>
Business-type activities:					
Land and easements	350,426	--	--	--	350,426
Buildings	7,805,302	--	--	--	7,805,302
Machinery and equipment	3,477,196	262,009	--	(28,522)	3,710,683
Utility property	34,855,461	546,911	--	(154,046)	35,248,326
Work in progress	<u>292,931</u>	<u>1,860,279</u>	<u> --</u>	<u>(255,704)</u>	<u>1,897,506</u>
Total at historical cost	<u>46,781,316</u>	<u>2,669,199</u>	<u> --</u>	<u>(438,272)</u>	<u>49,012,243</u>
Less accumulated depreciation:					
Buildings	(1,849,803)	(200,177)	--	--	(2,049,980)
Machinery and equipment	(2,450,908)	(202,662)	--	25,491	(2,628,079)
Utility property	<u>(12,637,625)</u>	<u>(756,866)</u>	<u> --</u>	<u> 132,473</u>	<u>(13,262,018)</u>
Total accumulated depreciation	<u>(16,938,336)</u>	<u>(1,159,705)</u>	<u> --</u>	<u> 157,964</u>	<u>(17,940,077)</u>
Business-type capital assets, net	<u>\$ 29,842,980</u>	<u>\$ 1,509,494</u>	<u>\$ --</u>	<u>\$(280,308)</u>	<u>\$ 31,072,166</u>
* Depreciation expense was charged to governmental activities as follows:					
General government:					
City Clerk					\$ 7,935
Maintenance Garage					914
General government					112,389
Mayor's office					<u>4,789</u>
Total general government					<u>126,027</u>
Public safety and judiciary:					
Police					199,535
Fire					191,218
Civil emergency management					<u>12,043</u>
Total public safety and judiciary					<u>402,796</u>
Transportation:					
Streets					<u>1,088,254</u>
Total transportation					<u>1,088,254</u>
Cultural, parks and recreation:					
Library					16,698
Cemetery					15,532
Swimming pool and parks					<u>57,881</u>
Total cultural, parks and recreation					<u>90,111</u>
Total depreciation expense					<u>\$1,707,188</u>

3.E. INVENTORY

Inventory consists of utility materials and supplies that will be expensed when used for repairs and/or capitalized when used for improvements. The Department maintains such inventories for ordinary and emergency repairs and improvements and many of the items are in the nature of a back-up to parts of the utility system. Thus, many of the inventory items will not be used in the next fiscal year. Accordingly, inventory has not been classified as a current asset. Inventory is stated at cost on a first-in, first-out basis.

3.F. ACCOUNTS PAYABLE, REFUND OF SALES TAX

The \$189,050 refund of sales tax is due to the County remitting too much sales tax to the Pryor County Wide Fire Fund for the past one and a half years. Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll.

3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The following is a summary of the City's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2015:

Debt outstanding, July 1, 2014	\$ 6,145,000
Additions	--
Retirements	<u>(405,000)</u>
Debt outstanding, June 30, 2015	<u>\$ 5,740,000</u>

The provisions of such debt at June 30, 2015 are as follows:

	<u>Total Debt</u>	<u>Due Within One Year</u>
2011 capital improvement bonds in the original amount of \$7,000,000, payable in varying amounts of principal and interest until September 1, 2026. The net interest cost is 3.23635% secured and paid by a 1/2 cent sales tax, which expires when the bonds are retired.	\$5,740,000	\$ 415,000
Lease/purchase of exercise equipment for the Pryor		
Amount due in one year	<u>415,000</u>	
Long term portion	<u>\$5,325,000</u>	

The lease purchase debt is reported in the Recreation Center, but the debt is being paid out of the Capital Outlay Fund, a governmental fund. Accordingly, the lease purchase debt is presented as business-type debts on statements 1 and 5 of the financial statements.

The following is a summary of payments due until maturity:

	<u>Interest</u>	<u>Principal</u>
Year ending June 30, 2016	167,988	415,000
Year ending June 30, 2017	159,322	420,000
Year ending June 30, 2018	149,688	430,000
Year ending June 30, 2019	138,877	440,000
Year ending June 30, 2020	127,239	455,000
Year ending June 30, 2021	114,584	465,000
Year ending June 30, 2022	100,757	480,000
Year ending June 30, 2023	85,718	490,000
Year ending June 30, 2024	69,080	510,000
Year ending June 30, 2025	50,964	525,000
Year ending June 30, 2026	31,699	545,000
Year ending June 30, 2027	10,876	565,000

BUSINESS-TYPE ACTIVITIES

The following is a summary of the Golf Course long-term debt transactions for the year ended June 30, 2015:

Debt outstanding July 1, 2014	\$ 188,906
Additions	--
Retirements	<u>(54,709)</u>
Debt outstanding June 30, 2015	<u>\$ 134,197</u>

The provision of such debt at June 30, 2015 is as follows:

	<u>Total Debt</u>	<u>Due Within One Year</u>
Lease/purchase of golf carts in the original amount of \$149,604. Payable in annual payments of \$40,874,99 including 3.65% interest	114,190	36,707

	<u>Total Debt</u>	<u>Due Within One Year</u>
Lease/purchase of golf course equipment dated September 18, 2013 in the original amount of \$39,3032, payable in 2 annual installments of \$20,733, including 3.65% interest	<u>20,007</u>	<u>20,007</u>
Total	134,197	56,714
Amount due in one year	<u>(56,714)</u>	
Long-term portion	<u>\$ 77,483</u>	

The following is a summary of payments until maturity:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30, 2016	56,714	4,898
Year ending June 30, 2017	38,047	2,828
Year ending June 30, 2018	39,436	1,439

Long-term debt of the Municipal Utility Department consists of customer meter deposits.

Cash has been reserved in an amount equal to customer meter deposits, which are refundable only when services are terminated. The meter deposits are not interest bearing.

Non-Commitment Debt

The notes and bonds payable comprising the Pryor Creek Economic Development Authority's indebtedness are not indebtedness of the State of Oklahoma, nor of the City of Pryor Creek, nor are they personal obligations of the Pryor Creek Economic Development Authority, but are obligations of the Authority payable solely from the Trust Estate consisting of the Authority notes and related Financing Agreements and other security outlined in the Mortgage or Bond indentures.

This debt is considered non-commitment debt to the City and Authority since the debt payments are made solely from the notes receivable or financing agreement proceeds from industrial occupants. Payments are made directly by the industrial occupants to trustee banks who pay the bondholders. In the event of default by the industrial occupants, the City or Authority has no obligation, in substance, to make any payments on the debt since the notes receivable, financing agreements and mortgages on the property with the industrial occupant are the only security for the debt.

As a result of the non-commitment determination, the Authority's indebtedness and related receivables from industrial occupants are not recorded in the financial statements.

3.H ACCRUED COMPENSATED ABSENCES

City employees are entitled to certain compensated absences based on their length of employment. This liability is reflected in the balance sheet of the proprietary funds. Additionally, the full amount of the accrual is included in the Street and Drainage Special Revenue Fund, as that fund appears to have sufficient expendable available financial resources to liquidate the obligation.

The accrued compensated absences for the Governmental Funds totals \$123,375. Due to its limited expendable available financial resources, only \$37,022 of this amount has been included as a liability in the General Fund in the Fund financial statements. However, the \$123,375 is reflected as a liability on the government-wide statements.

3.I. DUE TO/FROM OTHER FUNDS - OPERATING AND CAPITAL TRANSFERS

As of June 30, 2015, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 2,318	2,133
Public Works Authority	2,719	--
Municipal Utility Department	2,133	2,719
E-911 Fund	<u> --</u>	<u>2,318</u>
	<u>\$ 7,170</u>	<u>\$ 7,170</u>

Operating transfers during the year consisted of the following:

	From		To	
	Fund	Amount	Fund	Amount
Distribution of current operating income	Municipal Utility Department	\$550,000	General Fund	\$550,000
Repairs and Maintenance	PWA Bond Proceeds	3,395	Recreation Center	3,395
Purchase of Capital Assets	Street & Drainage	87,886	CDBG Block Grant	87,886

3.J. EQUITY

Prior Period Adjustments - Beginning fund balances/net position were restated at June 30, 2014 as follows:

	Government-Wide Governmental <u>Activities</u>
Beginning fund balance/net position, as previously reported	\$ 48,537,904
Implementation of GASB Statements 68 and 71	<u>(3,124,617)</u>
Beginning fund balance/net position, restated	<u>\$ 45,413,287</u>

Reservations of retained earnings of the Municipal Utility Department are created either to (1) satisfy the legal covenants that require that a portion of retained earnings be segregated or (2) identify the portion of retained earnings that is not available for future operating expenditures. Specific reservations of retained earnings are summarized below.

Reserve for Charter Required Legal Obligations - It has been interpreted by legal counsel that the Department is to encumber cash for goods and services ordered but not received as of the end of the year for purposes of determining "surplus revenues" that can be added to reserves or remitted to the City of Pryor Creek. Accordingly, a reserve has been provided for such encumbrances.

Reserved for Capital Improvements from Sales Tax - This reserve is funded by a 1/2 cent sales tax and interest revenue. The Department is utilizing such revenues to fund depreciation for the waste water treatment plant as required in grant agreements. The excess can only be used for utility systems improvements and additions. The activity in this reserve account is summarized as follows:

Balance - July 1, 2014	<u>\$ 6,262,060</u>
Additions	
Reserve transfers in from sales tax	1,071,172
Interest income applicable to reserve balance	<u>40,745</u>
	<u>1,111,917</u>
Subtractions	
Equipment and system additions paid for from reserves	<u>(2,284,542)</u>
	<u>(2,284,542)</u>
Balance - June 30, 2015	<u>\$ 5,089,435</u>

Reserve for Property, Plant and Equipment and Emergency and Disaster Relief - This reserve is authorized in the Charter of the City of Pryor Creek and is in accordance with State Statutes. It provides a method of funding future replacements and additions to fixed assets and a reserve for disasters.

The activity in this reserve account is summarized as follows:

Balance - July 1, 2014	\$ 2,476,804
Subtractions	
Contribution of general operations to decrease unreserved cash to level of liabilities as of June 30, 2015	(<u>63,026</u>)
Balance June 30, 2015	<u>\$ 2,413,778</u>

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in four employee pension systems as follows:

Name of Plan /System	Type of Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer-Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Contribution Plan
Oklahoma Municipal Retirement Fund (OkMRF)	Agent Multiple Employer - Defined Contribution Plan

Oklahoma Police Pension and Retirement System

Plan description - The City of Pryor Creek, as the employer, participates in the Oklahoma Police Pension and Retirement Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and

amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at the Plan's administrative web site.

Benefits provided - OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited services, regardless of age. Participants become vested upon completing 10 years of credited service. As a contributing participant of the Plan, no vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective, July 1, 1998, once a disability benefit is granted to a participant, that participant is not longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$135,130. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$125,814 during the calendar year.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported an asset of \$123,243 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon the information, the City's proportion was 0.3660 percent.

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ --	\$ 55,369
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	433,179
Changes in proportion and differences between City contributions and proportionate share of contributions	--	--
City contributions subsequent to the measurement date	<u>135,130</u>	<u>--</u>
Total	<u>\$ 135,100</u>	<u>\$ 488,548</u>

\$135,130 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30

2016	\$119,734
2017	119,734
2018	119,734
2019	119,734
2020	<u>9,612</u>

\$488,548

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement:

Inflation	3%
Salary increases	4.5% to 17% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined Table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post-retirement) and non-disabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined Table with age set forward 4 years with fully generational improvement using scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class:</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real estate	5.50%
Private equity	5.96%
Commodities	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities and other strategies.

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage higher (8.5%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Current Discount Rate (7.5%)	1% Increase <u>(8.5%)</u>
Employer's net pension liability (asset)	\$ 733,276	\$ (123,243)	\$ (845,098)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPR, which can be located on the Plan Administrative web site.

Oklahoma Firefighter's Pension and Retirement System

Plan description - The City of Pryor Creek, as the employer, participates in the Firefighters Pension and Retirement, a cost-sharing multiple-employer defined benefit pension plan

administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at the Plan's administrative web site.

Benefits provided - FPRS provides retirement, disability and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$81,592. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$180,991 during the calendar year.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a net pension liability of \$2,225,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.2164%.

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,026	\$ --
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	336,880
Changes in proportion and differences between City contributions and proportionate share of contributions	--	--
City contributions subsequent to the measurement date	<u>81,592</u>	<u>--</u>
Total	<u>\$ 134,618</u>	<u>\$ 336,880</u>

\$81,592 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30

2016	\$(74,324)
2017	(74,324)
2018	(74,324)
2019	(74,324)
2020	9,879
Thereafter	<u>3,563</u>
	<u>\$(283,854)</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Employer's net pension liability (asset)	\$ 2,906,460	\$ 2,225,501	\$ 1,654,949

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS, which can be located on the Plan Administrative web site.

III Pryor Creek Public Employee Retirement System (PCPERS)

A. Plan Description

The City of Pryor Creek contributes to the Pryor Creek Public Employee Retirement System (PCPERS), which is a defined contribution pension plan administered by an insurance company. The PCPERS covers all employees of the City of Pryor Creek who are not covered by the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, or the employees of the Municipal Utility Department, which has a separate plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Coverage is extended to eligible employees who have completed 6 months of service and

attained the age of 20.5. Contributions made by an employee vest immediately and contributions made by the City vest 10% for each year of service beginning with the first year.

B. Contributions Required and Made

Employees contributions to the plan are voluntary. An employee can, however, make elective contributions to the plan so that his or her contributions can be 10% of gross earnings. The City's required contribution to the plan is 9% of employee's gross earnings during the current year.

During the fiscal year ending June 30, 2015, the City's required and actual contributions amounted to \$144,062, with a current year covered payroll of \$1,879,798.

C. Related Party Investments

The PCPERS held no securities of the City or other related parties during the year or as of the close of the fiscal year.

IV. *Municipal Utility Department of Pryor, Oklahoma Money Purchase Plan*

A. Plan Description

The Municipal Utility Board contributes to the Municipal Utility Department of Pryor, Oklahoma Money Purchase Plan, (MUDPOMPP) which is a defined contribution pension plan administered by an insurance company. The MUDPOMPP covers all employees of the Department.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Coverage is extended to eligible employees who have completed one year of service and attained the age of 21. Contributions are not made by an employee and contributions made by the Department are vested 20% in the plan after two years of service. After six years, employees are fully vested.

B. Contributions Required and Made

Employee contributions to the plan are not allowed. The Department's required contribution to the plan was 10% for the year.

During the fiscal year ending June 30, 2015, the Department's required and actual contributions amounted to \$181,374, with a current year covered payroll of \$1,813,705.

C. Related Party Investments

The MUDPOMPP held no securities of the City or other related parties during the year or as of the close of the fiscal year.

4.B. 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; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City. Additionally, the Municipal Utility Department has reserves for replacement of assets as described in Note 3.J. During the last three years no claim has been settled for amounts in excess of insurance coverage.

4.C. Subsequent Events

Subsequent events have been evaluated through the date of the Auditor's Report and there were no items that needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Police:

- Schedule of the City's Proportionate Share of the Net Pension Liability
(Asset)
- Schedule of City Contributions

Fire:

- Schedule of the City's Proportionate Share of the Net Pension Liability
(Asset)
- Schedule of City Contributions

Budgetary Comparison Schedules - General Fund and Street and Drainage Fund

**CITY OF PRYOR CREEK, OKLAHOMA
 REQUIRED SUPPLEMENTARY INFORMATION
 ON PENSION PLAN FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2015**

**Schedules of Required Supplementary Information
 Schedule of the City of Pryor Creek Proportionate Share of the Net Pension Liability
 (Asset) Oklahoma Police Pension and Retirement System
 Last 10 Fiscal Years ***

	June 30, <u>2014</u>
City's proportion of the net pension liability (asset)	0.3660%
City's proportionate share of the net pension liability (asset)	\$(123,243)
City's covered employee payroll	1,063,308
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(11.59%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%

* The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

**Schedule of City Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years**

	June 30 <u>2014</u>	June 30 <u>2015</u>
Statutorily required contribution	\$ 128,700	\$ 135,130
Contributions in relation to the statutorily required contribution	<u>128,700</u>	<u>135,130</u>
Contribution deficiency (excess)	<u> --</u>	<u> --</u>
City's covered employee payroll	<u>\$ 992,729</u>	<u>\$1,063,308</u>
Contributions as a percentage of covered employee payroll	12.96%	12.71%

Notes to Schedule:

Only the current and prior fiscal years are presented because 10 year data is not yet available.

**Schedules of Required Supplementary Information
 Schedule of the City of Pryor Creek's Proportionate Share of the Net Pension Liability
 Oklahoma Firefighters Pension and Retirement System
 Last 10 Fiscal Years ***

City's proportion of the net pension liability	0.2164%
City's proportionate share of the net pension liability	\$2,225,501
City's covered employee payroll	593,815
City's proportionate share of the net pension liability as a percentage of its covered employee liability	3.75%
Plan fiduciary net position as a percentage of the total pension liability	68.12%

* The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

**Schedule of City Contributions
Oklahoma Firefighters Pension and Retirement System
Last 10 Fiscal Years**

	June 30 <u>2014</u>	June 30 <u>2015</u>
Statutorily required contribution	\$ 76,845	\$ 81,592
Contributions in relation to the statutorily required contribution	<u>76,845</u>	<u>81,592</u>
Contribution deficiency (excess)	<u> --</u>	<u> --</u>
City's covered employee payroll	<u>\$ 581,264</u>	<u>\$ 593,815</u>
Contributions as a percentage of covered employee payroll	13.22%	13.74%

Notes to Schedule:

Only the current and prior fiscal years are presented because 10 year data is not yet available.

**CITY OF PRYOR CREEK, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	<u>\$ 1,461,219</u>	<u>\$ 1,461,219</u>	<u>\$ 1,461,219</u>	<u>\$ --</u>
Resources (inflows)				
Taxes				
Cable TV franchise	26,690	26,690	6,957	(19,733)
Telephone franchise	10,965	10,965	18,433	7,468
Sales tax	2,978,573	2,978,573	3,495,557	516,984
Utility gross receipts tax	6,954	6,954	8,067	1,113
Cigarette tax	81,496	81,496	95,166	13,670
Use tax	<u>492,243</u>	<u>492,243</u>	<u>628,642</u>	<u>136,399</u>
Total taxes	<u>3,596,921</u>	<u>3,596,921</u>	<u>4,252,822</u>	<u>655,901</u>
Intergovernmental				
Alcoholic beverage tax	63,828	63,828	73,135	9,307
Grants and donations	<u>105,098</u>	<u>105,098</u>	<u>87,380</u>	<u>(17,718)</u>
Total intergovernmental	<u>168,926</u>	<u>168,926</u>	<u>160,515</u>	<u>(8,411)</u>
Charges for services				
Burial plots, etc.	30,479	30,479	40,763	10,284
Library	5,876	5,876	5,759	(117)
Swimming pool	<u>17,410</u>	<u>17,410</u>	<u>21,088</u>	<u>3,678</u>
Total charges for services	<u>53,765</u>	<u>53,765</u>	<u>67,610</u>	<u>13,845</u>
Fines and forfeitures				
Police fines	<u>260,115</u>	<u>260,115</u>	<u>327,504</u>	<u>67,389</u>
Licenses and permits				
Various licenses	<u>28,571</u>	<u>28,571</u>	<u>26,654</u>	<u>(1,917)</u>
Investment income	<u>6,242</u>	<u>6,242</u>	<u>6,237</u>	<u>(5)</u>
Miscellaneous				
Rentals	16,549	16,549	12,135	(4,414)
Sale of property	--	--	6,701	6,701
Miscellaneous	<u>7,205</u>	<u>7,205</u>	<u>5,464</u>	<u>(1,741)</u>
Total miscellaneous	<u>23,754</u>	<u>23,754</u>	<u>24,300</u>	<u>546</u>

**CITY OF PRYOR CREEK, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other financing sources				
Operating transfers in	<u>495,000</u>	<u>495,000</u>	<u>550,000</u>	<u>55,000</u>
Amounts available for appropriation	<u>6,094,513</u>	<u>6,094,513</u>	<u>6,876,861</u>	<u>782,348</u>
Charges to appropriations (outflows)				
General government				
Personal services	228,824	228,074	226,837	1,237
Maintenance and operation	<u>867,222</u>	<u>867,972</u>	<u>357,086</u>	<u>510,886</u>
Total General Government	<u>1,096,046</u>	<u>1,096,046</u>	<u>583,923</u>	<u>512,123</u>
City Clerk				
Personal services	222,151	222,151	208,377	13,774
Maintenance and operation	<u>9,300</u>	<u>9,300</u>	<u>5,514</u>	<u>3,786</u>
Total City Clerk	<u>231,451</u>	<u>231,451</u>	<u>213,891</u>	<u>17,560</u>
City Treasurer				
Personal services	20,616	20,616	20,416	200
Maintenance and operation	<u>990</u>	<u>990</u>	<u>797</u>	<u>193</u>
Total City Treasurer	<u>21,606</u>	<u>21,606</u>	<u>21,213</u>	<u>393</u>
City Attorney				
Personal services	58,465	58,465	55,748	2,717
Maintenance and operation	<u>28,148</u>	<u>28,148</u>	<u>3,121</u>	<u>25,027</u>
Total City Attorney	<u>86,613</u>	<u>86,613</u>	<u>58,869</u>	<u>27,744</u>
Municipal Court				
Personal services	155,349	154,349	147,635	6,714
Maintenance and operation	<u>3,600</u>	<u>4,600</u>	<u>4,349</u>	<u>251</u>
Total Municipal Court	<u>158,949</u>	<u>158,949</u>	<u>151,984</u>	<u>6,965</u>

CITY OF PRYOR CREEK, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Police				
Personal services	2,098,100	2,098,100	2,063,643	34,457
Maintenance and operation	<u>172,025</u>	<u>172,025</u>	<u>161,327</u>	<u>10,698</u>
Total Police	<u>2,270,125</u>	<u>2,270,125</u>	<u>2,224,970</u>	<u>45,155</u>
Dog Pound				
Personal services	99,440	99,440	83,225	16,215
Maintenance and operations	<u>55,604</u>	<u>55,604</u>	<u>43,226</u>	<u>12,378</u>
Total Dog Pound	<u>155,044</u>	<u>155,044</u>	<u>126,451</u>	<u>28,593</u>
Fire				
Personal services	983,935	983,935	967,614	16,321
Maintenance and operation	<u>74,450</u>	<u>74,450</u>	<u>59,808</u>	<u>14,642</u>
Total Fire	<u>1,058,385</u>	<u>1,058,385</u>	<u>1,027,422</u>	<u>30,963</u>
Civil Emergency Management				
Personal services	17,500	17,500	15,328	2,172
Maintenance and operation	<u>4,350</u>	<u>4,350</u>	<u>4,116</u>	<u>234</u>
Total Civil Emergency Management	<u>21,850</u>	<u>21,850</u>	<u>19,444</u>	<u>2,406</u>
Planning and Zoning				
Personal services	--	--	--	--
Maintenance and operation	<u>14,600</u>	<u>14,600</u>	<u>13,454</u>	<u>1,146</u>
Total Planning and Zoning	<u>14,600</u>	<u>14,600</u>	<u>13,454</u>	<u>1,146</u>
Parks and Pool				
Personal services	186,318	186,318	186,183	135
Maintenance and operation	<u>87,000</u>	<u>87,000</u>	<u>84,682</u>	<u>2,318</u>
Total Parks and Pool	<u>273,318</u>	<u>273,318</u>	<u>270,865</u>	<u>2,453</u>
Maintenance Garage				
Personal services	52,706	52,706	40,294	12,412
Maintenance and operation	<u>8,450</u>	<u>8,450</u>	<u>4,342</u>	<u>4,108</u>
Total Maintenance Garage	<u>61,156</u>	<u>61,156</u>	<u>44,636</u>	<u>16,520</u>
Community Service				
Personal services	106,702	106,702	84,287	22,415
Maintenance and operation	<u>9,500</u>	<u>9,500</u>	<u>5,557</u>	<u>3,943</u>
Total Community Service	<u>116,202</u>	<u>116,202</u>	<u>89,844</u>	<u>26,358</u>

**CITY OF PRYOR CREEK, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Library				
Personal services	253,968	255,968	255,602	366
Maintenance and operation	<u>82,150</u>	<u>80,150</u>	<u>77,778</u>	<u>2,372</u>
Total Library	<u>336,118</u>	<u>336,118</u>	<u>333,380</u>	<u>2,738</u>
Cemetery				
Personal services	174,450	174,450	166,282	8,168
Maintenance and operation	<u>18,600</u>	<u>18,600</u>	<u>16,319</u>	<u>2,281</u>
Total Cemetery	<u>193,050</u>	<u>193,050</u>	<u>182,601</u>	<u>10,449</u>
Total Charges to Operations	<u>6,094,513</u>	<u>6,094,513</u>	<u>5,362,947</u>	<u>731,566</u>
Ending Budgetary Fund Balances	<u>\$ --</u>	<u>\$ --</u>	1,513,914	<u>\$1,513,914</u>
Adjustments to reconcile to balance sheet				
Various receivables			704,671	
Accrued compensated absences			(28,786)	
Reserve for encumbrances			<u>3,560</u>	
Fund Balance			<u>\$ 2,193,359</u>	

**CITY OF PRYOR CREEK, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE FUND
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$1,488,382	\$1,488,382	\$1,488,382	\$ --
Resources (Inflows)				
Gasoline tax	17,228	17,228	17,709	481
Commercial vehicle tax	73,090	73,090	71,914	(1,176)
Sales tax	1,323,810	1,323,810	1,398,223	74,413
Interest	6,883	6,883	6,651	(232)
Miscellaneous	<u>8,838</u>	<u>8,838</u>	<u>12,756</u>	<u>3,918</u>
Amounts available for appropriation	<u>2,918,231</u>	<u>2,918,231</u>	<u>2,995,635</u>	<u>77,404</u>
Charges to appropriations				
Personal services	713,244	713,244	671,332	41,912
Operation and maintenance	649,533	649,533	753,939	(104,406)
Capital outlay	<u>46,500</u>	<u>46,500</u>	<u>54,829</u>	<u>(8,329)</u>
Total charges to appropriations	<u>1,409,277</u>	<u>1,409,277</u>	<u>1,480,100</u>	<u>(70,823)</u>
Ending budgetary fund balance	<u>\$ 1,508,954</u>	<u>\$ 1,508,954</u>	1,515,535	<u>\$ 6,581</u>
Adjustments to reconcile to balance sheet				
Taxes receivable			238,860	
Accrued compensated absences			<u>(8,236)</u>	
Fund Balance			<u>\$ 1,746,159</u>	

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

CITY OF PRYOR CREEK, OKLAHOMA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

SPECIAL REVENUE FUNDS

	E-911 Cash Fund	County-Wide Fire Dept. Funds	Cemetery Care Interest Fund	Cemetery Care Fund	Seizures Fund	Library Cash Fund	Donations & Earmarked Monies Fund	Public Works Authority	Hotel & Motel Tax Fund	Fee In-Lieu Fund
ASSETS										
Cash	\$52,385	\$231,474	\$9,181	\$111,655	\$22,915	\$33,439	\$285,781	\$43,294	\$84,960	\$59,534
Investments	--	--	--	--	--	3,000	--	--	--	--
Taxes receivable	4,991	14,772	--	--	--	--	--	--	5,691	--
Due from other funds	--	--	--	--	--	--	--	2,719	--	--
Total assets	\$57,376	246,246	\$9,181	\$111,655	\$22,915	\$36,439	\$285,781	\$46,013	\$90,651	\$59,534
LIABILITIES										
Accounts payable	2,465	--	--	--	--	1,559	3,700	4,000	--	--
Accrued expenses	--	--	--	--	--	--	--	--	--	--
Refund sales tax	--	189,050	--	--	--	--	--	--	--	--
Due to other funds	2,318	--	--	--	--	--	--	--	--	--
Total liabilities	4,783	189,050	--	--	--	1,559	3,700	4,000	--	--
FUND BALANCES										
Restricted	52,593	57,196	--	111,655	--	34,880	282,081	--	90,651	--
Committed	--	--	--	--	--	--	--	--	--	--
Assigned	--	--	9,181	--	22,915	--	--	--	--	59,534
Unassigned	--	--	--	--	--	--	--	42,013	--	--
Total fund balances	52,593	57,196	9,181	111,655	22,915	34,880	282,081	42,013	90,651	59,534
Total liabilities and fund balances	\$57,376	246,246	\$9,181	\$111,655	\$22,915	\$36,439	\$285,781	\$46,013	\$90,651	\$59,534

Special Revenue Funds Total	CDBG Block Grant	CAPITAL PROJECTS					Capital Projects Funds Total	Total Non-major Governmental Funds
		Capital Outlay Fund	Capital Outlay Reserve Fund	Real Property Acquisition Fund	Library Building Fund	PPWA Bond Proceeds Fund		
\$934,618	\$72,488	\$743,835	\$86,900	\$566,326	\$16,906	\$3,500	\$1,489,955	\$2,424,573
3,000	--	--	--	--	--	--	--	3,000
25,454	--	77,464	--	--	--	--	77,464	102,918
2,719	--	--	--	--	--	--	--	2,719
<u>965,791</u>	<u>72,488</u>	<u>\$821,299</u>	<u>\$86,900</u>	<u>\$566,326</u>	<u>\$16,906</u>	<u>\$3,500</u>	<u>\$1,567,419</u>	<u>\$2,533,210</u>
11,724	--	21,583	--	--	--	--	21,583	33,307
--	--	--	--	--	--	--	--	--
189,050	--	--	--	--	--	--	--	189,050
2,318	--	--	--	--	--	--	--	2,318
<u>203,092</u>	<u>--</u>	<u>21,583</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>21,583</u>	<u>224,675</u>
629,056	72,488	799,716	--	--	16,906	3,500	892,610	1,521,666
--	--	--	--	--	--	--	--	--
91,630	--	--	86,900	566,326	--	--	653,226	744,856
42,013	--	--	--	--	--	--	--	42,013
<u>762,699</u>	<u>72,488</u>	<u>799,716</u>	<u>86,900</u>	<u>566,326</u>	<u>16,906</u>	<u>3,500</u>	<u>1,545,836</u>	<u>2,308,535</u>
<u>965,791</u>	<u>72,488</u>	<u>\$821,299</u>	<u>\$86,900</u>	<u>\$566,326</u>	<u>\$16,906</u>	<u>\$3,500</u>	<u>\$1,567,419</u>	<u>\$2,533,210</u>

CITY OF PRYOR CREEK, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS									
	E-911 Cash Fund	County- Wide Fire Dept. Funds	Cemetery Care Interest Fund	Cemetery Care Fund	Seizures Fund	Library Cash Fund	Donations/ Earmarked Monies Fund	Public Works Authority	Hotel & Motel Tax Fund	Fee-In Lieu Fund
REVENUES										
Sales tax	--	\$90,062	--	--	--	--	--	--	--	--
Other taxes	30,189	--	--	--	--	--	--	--	74,069	--
Grants/contributions	--	--	--	--	--	19,477	73,915	--	--	--
Interest	202	--	515	--	95	202	983	165	270	248
Franchise taxes	--	--	--	--	--	--	--	31,921	--	--
Fees and service	--	--	--	13,247	--	--	22,603	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	--
Total revenues	30,391	90,062	515	13,247	95	19,679	97,501	32,086	74,339	248
EXPENDITURES										
Current										
Library	--	--	--	--	--	13,567	1,234	--	--	--
Recreation	--	--	--	--	--	--	6,651	--	--	--
Police	36,333	--	--	--	--	--	8,543	--	--	--
Tourism	--	--	--	--	--	--	--	--	57,308	--
General Gov't	--	--	--	--	--	--	--	29,924	--	--
Fire	--	42,190	--	--	--	--	1,163	--	--	--
Cemetery	--	--	--	489	--	--	--	--	--	--
Capital outlay	--	154,119	--	12,880	--	--	16,622	--	--	--
Total expenditures	36,333	196,309	--	13,369	--	13,567	34,213	29,924	57,308	--
Excess (deficiency) of revenues over expenditures	(5,942)	(106,247)	515	(122)	95	6,112	63,288	2,162	17,031	248
OTHER FINANCING SOURCES/USES										
Transfers in	--	--	--	--	--	--	--	--	--	--
Transfers out	--	--	--	--	--	--	--	--	--	--
Total other financing sources and uses	--	--	--	--	--	--	--	--	--	--
Net change in Fund balance	(5,942)	(106,247)	515	(122)	95	6,112	63,288	2,162	17,031	248
Fund balance, Beginning	58,535	163,443	8,666	111,777	22,820	28,768	218,793	39,851	73,620	59,286
Fund balance, Ending	<u>\$52,593</u>	<u>\$57,196</u>	<u>\$9,181</u>	<u>\$111,655</u>	<u>\$22,915</u>	<u>\$34,880</u>	<u>\$282,081</u>	<u>\$42,013</u>	<u>\$90,651</u>	<u>\$59,534</u>

CAPITAL PROJECTS

Special Revenue Funds Total	CDBG Building Grant	Capital Outlay Fund	Capital Outlay Reserve Fund	Real Property Acquisition Fund	Library Building Fund	PPWA Bond Proceeds Fund	Capital Projects Funds Total	Total Non-major Governmental Funds
\$90,062 ;	--	\$482,027 ;	-- ;	-- ;	-- ;	--	\$482,027	\$572,089
104,258	--	--	--	--	--	--	--	104,258
93,392	38,907	46,129	--	216,620	--	--	301,656	395,048
2,680	--	3,833	344	2,665	70	--	6,912	9,592
31,921	--	--	--	--	--	--	--	31,921
35,850	--	--	7,480	--	--	--	7,480	43,330
--	--	9,369	33,611	--	--	--	42,980	42,980
<u>358,163</u>	<u>38,907</u>	<u>541,358</u>	<u>41,435</u>	<u>219,285</u>	<u>70</u>	<u>--</u>	<u>841,055</u>	<u>1,199,218</u>
14,801	--	--	--	--	--	--	--	14,801
6,651	--	--	--	--	--	--	--	6,651
44,876	--	--	--	--	--	--	--	44,876
57,308	--	--	--	--	--	--	--	57,308
29,924	799	--	--	31,467	--	--	32,266	62,190
43,353	--	--	--	--	--	--	--	43,353
489	--	--	--	--	--	--	--	489
<u>183,621</u>	<u>53,506</u>	<u>753,528</u>	<u>74,000</u>	<u>125,144</u>	<u>--</u>	<u>--</u>	<u>1,006,178</u>	<u>1,189,799</u>
<u>381,023</u>	<u>54,305</u>	<u>753,528</u>	<u>74,000</u>	<u>156,611</u>	<u>--</u>	<u>--</u>	<u>1,038,444</u>	<u>1,419,467</u>
<u>(22,860)</u>	<u>(15,398)</u>	<u>(212,170)</u>	<u>(32,565)</u>	<u>62,674</u>	<u>70</u>	<u>--</u>	<u>(197,389)</u>	<u>(220,249)</u>
--	87,886	--	--	--	--	--	87,886	87,886
--	--	--	--	--	--	(3,395)	(3,395)	(3,395)
--	87,886	--	--	--	--	(3,395)	84,491	84,491
(22,860)	72,488	(212,170)	(32,565)	62,674	70	(3,395)	(112,898)	(135,758)
785,559	--	1,011,886	119,465	503,652	16,836	6,895	1,658,734	2,444,293
<u>\$762,699</u>	<u>\$72,488</u>	<u>\$799,716</u>	<u>\$86,900</u>	<u>\$566,326</u>	<u>\$16,906</u>	<u>\$3,500</u>	<u>\$1,545,836</u>	<u>\$2,308,535</u>

Violet F. Kirkendall CPA, PC
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Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
City of Pryor Creek, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Pryor Creek, Oklahoma, as of and for the year ended June 30, 2015, which collectively comprise the City of Pryor Creek, Oklahoma's basic financial statements and have issued our report thereon dated November 10, 2015. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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. We do not consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

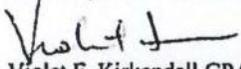
As part of obtaining reasonable assurance about whether the City of Pryor Creek, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

City of Pryor Creek, Oklahoma Creek, State of Oklahoma's Response to Findings

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

Purpose of this Report

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



Violet F. Kirkendall CPA, PC
November 10, 2015

City of Pryor Creek, Oklahoma
Schedule of Findings and Results
For the Year Ended June 30, 2015

Prior Year Audit Findings

2014-1 Monitoring Fixed Assets Records

Criteria or specific Fixed assets should be monitored periodically to ensure proper reporting.

Condition: Inventory monitoring controls over fixed assets are not scheduled or performed.

Context: Inquiries of management revealed certain inventory procedures were performed by departmental heads responsible for the custody of certain fixed assets in response to a deficiency reported in the previous year. Further inquiry however, revealed no fixed asset inventory monitoring procedures are performed by those responsible for reporting these amounts. Key control activities to monitor custody of reported fixed assets are not present.

Effect: Without monitoring controls, fixed assets could be misstated or stolen.

Cause: Period fixed asset inventory monitoring procedures are not schedule or enforced by the department responsible for reporting these amounts.

Recommendation: Continue the implementation of procedures for monitoring fixed asset inventories should be implemented on a rotational basis, such that amounts reported are monitored with respect to their inherent risk of materially misstating the financial statements.

Management Response: The City continue taking the appropriate steps to implement policies and procedures to govern the fixed asset activities.

2014-2 Municipal Charter Requirements

Criteria or specific Primary governments are responsible for the management and oversight of each of the entities departmental units as either determined by the entities original founding Charter, or as determined by, and enacted as, local ordinance by those charged with governance. Those charged with governance must act within the prescribed guidelines and powers as designated to them within the entities Charter. Overtime, such founding doctrine or "Charter", must be evaluated by those charged with governance for the changes in the entities operating environment.

Condition: The City has a unique operating relationship with its utility department, whereas, the utility department is designed specific powers by the City's charter. The City's charter was created in 1951, and has not been changed or altered with respect to the entities operating environment.

Context: The operating relationship by and between the City's utility department and the City's primary government does not allow for efficient methods of operation, whereas the City's Charter governing their relationship, is outdated and has not been evaluated for its relevance to the City's current operating environment. The City's operating environment has changed over time and the terms prescribed by the City's Charter can be easily misinterpreted, misunderstood, and results in too many unanswered questions and debate.

Effect: The City's primary government and utility department do not operate in conjunction with each other, rather operate according to terms that often do not have merit or definitive ruling. The City and utility department have a history of conflict and negotiation that has resulted in certain operating actions and methods that are either not prescribed in the Charter governing their relationship or are based on interpretation by individuals other than those affected by the inefficiency, those individuals being the citizens of the City.

Cause: The Charter governing the relationship between the City's primary government and the utility department is outdated and needs to be evaluated based on the City's current operating environment. The City's primary government and utility department should be separate and identifiable both in power and in form, and any operating relationship between them be definitive.

Recommendation: Those charged with governing the City's primary government should determine what steps should be taken to have the City's Charter evaluated and updated as is deemed necessary to fulfill the City's purposes.

Management Response: The City will continue to retain the services of legal counsel to research and make any necessary adjustments to the City's Charter, if needed.

2014-3 Document Significant Accounting Process

Criteria or specific Municipal entities are subject to reporting requirements pertaining to the entities internal control over financial reporting and on compliance and other matters as required by Governmental Auditing Standards (the Yellowbook). 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.

Condition: Management has not developed and communicated a formally policy and procedures manual that identifies and documents the significant accounting processes.

Context: It was noted during the current year audit that "off-line" invoicing was being performed by departments without being recognized in the accounting system and without proper checks and balances. It was also noted during the audit there were significant lag times in the processing and recording of transactions.

Effect: Without effective internal controls and the continuous timely monitoring and evaluations of such internal controls, City resources cannot be effectively reported. Without effective internal controls, City resources will be misstated and financial reporting errors have been and will be material.

Cause: Management has not developed and communicated a formal policy and procedures manual that identifies and documents the significant accounting processes.

Recommendation: Management and those charged with governance must take the necessary steps to implement, monitor, and evaluate a formal policy and procedures manual that identifies and documents the significant accounting processes. Accounting processes, in particular, are procedures to initiate, authorize, record, process, and report transactions. Documenting a process involves identifying and gaining an understanding of the events or transactions that trigger performance of the process, the automated or manual procedures, the source documents used or generated, the procedures for approval and review and correction of any errors detected, and the financial entries or reports summarizing the results of the process.

Management Response: The City will continue the process of developing the policies and procedures manual to document the accounting process.

Current Year Audit Findings

2015-1 Monitoring Fixed Assets Records

Criteria or specific Fixed assets should be monitored periodically to ensure proper reporting.

Condition: Inventory monitoring controls over fixed assets are not scheduled or performed.

Context: Inquiries of management revealed certain inventory procedures were performed by departmental heads responsible for the custody of certain fixed assets in response to a deficiency reported in the previous year. Further inquiry however, revealed no fixed asset inventory monitoring procedures are performed by those responsible for reporting these amounts. Key control activities to monitor custody of reported fixed assets are not present.

Effect: Without monitoring controls, fixed assets could be misstated or stolen.

Cause: Period fixed asset inventory monitoring procedures are not schedule or enforced by the department responsible for reporting these amounts.

Recommendation: Continue the implementation of procedures for monitoring fixed asset inventories should be implemented on a rotational basis, such that amounts reported are monitored with respect to their inherent risk of materially misstating the financial statements.

Management Response: The City continue taking the appropriate steps to implement policies and procedures to govern the fixed asset activities.

2015-3 Document Significant Accounting Process

Criteria or specific Municipal entities are subject to reporting requirements pertaining to the entities internal control over financial reporting and on compliance and other matters as required by Governmental Auditing Standards (the Yellowbook). 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.

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Effect: Without effective internal controls and the continuous timely monitoring and evaluations of such internal controls, City resources cannot be effectively reported. Without effective internal controls, City resources will be misstated and financial reporting errors have been and will be material.

Cause: Management has not developed and communicated a formal policy and procedures manual that identifies and documents the significant accounting processes.

Recommendation: Management and those charged with governance must take the necessary steps to implement, monitor, and evaluate a formal policy and procedures manual that identifies and documents the significant accounting processes. Accounting processes, in particular, are procedures to initiate, authorize, record, process, and report transactions. Documenting a process involves identifying and gaining an understanding of the events or transactions that trigger performance of the process, the automated or manual procedures, the source documents used or generated, the procedures for approval and review and correction of any errors detected, and the financial entries or reports summarizing the results of the process.

Management Response: The City will continue the process of developing the policies and procedures manual to document the accounting process.

Subsequent Events

As of November 10, 2015, the date of the auditor's report – there were no events that took place that required disclosure or to be recorded in the financial statements.

Commitments and Contingencies

As of November 10, 2015, the date of the auditor's report – there were two pending lawsuits involving the City of Pryor Creek as follows:

DeAnn Millarr vs City of Pryor

The case involves claims of alleged sexual assault by a male employee of the Municipal Utility Board against a female individual, customer of the utility department. The case is set for jury docket in Mayes County in December 2015.

Patricia Holmes vs Mavis Yates, the City of Pryor Creek and the Board of County Commissioners of Mayes County

The case involves a motor vehicle accident in which Ms. Holmes and Ms. Yates collided at an intersection. The City of Pryor Creek was named in the suit as a Defendant on allegation that the stop sign at the intersection was overgrown and not visible and that Yates ran the stop sign because she could not see it. The stop sign in question is not in the city limits. The road upon which the accident occurred is the dividing line between the city limits and county jurisdiction. It is unlikely that any liability will be imposed against the City.