



THE CITY OF OKMULGEE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Okmulgee, Oklahoma (the "City"), 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.

Basis for Qualified Opinion

Because of the inadequacy of accounting records for prior years with both the City and the discretely presented component unit, we were unable to form an opinion regarding the amounts at which property and equipment and accumulated depreciation are reported in the accompanying financial statements at June 30, 2015, or the amount of depreciation expense for the year then ended. The amount by which this departure would affect the property and equipment, accumulated depreciation, and depreciation expense has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major proprietary fund of the City, as of June 30, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund of the City, as of June 30, 2015, and the respective changes in financial position, and, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in fiscal 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

February 9, 2016

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Okmulgee's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2015, the City's total net position increased \$1,452,987 or 3.9% from the prior year.
- During the year, the City's expenses for governmental activities were \$7,443,274 and were funded by program revenues of \$1,725,112 and further funded with taxes and other general revenues that totaled \$7,137,045, excluding net transfers and special item.
- In the City's business-type activities, such as utilities, total program expenses exceeded revenues by \$43,433.
- At June 30, 2015, the General Fund reported an unassigned fund balance of \$5,170,769, which is an increase of 8.2% from the prior year unassigned fund balance.
- For budgetary reporting purposes, the General Fund reported revenues less than estimates by \$308,582 or 3.2%, while expenditures were over the final appropriations by \$1,108,067 or 10.0%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the City’s Most Significant Funds

Fund Financial Statements

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

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

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

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2015**

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position increased from a restated \$37,309,616 to \$38,762,603 between fiscal years 2014 and 2015. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$495,026 while business-type activities increased \$957,961. The restatement was due to the implementation of GASB Pension Statements No. 68 and 71.

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Current assets	\$ 8,999	\$ 8,972	0%	\$ 9,222	\$ 11,675	-21%	\$ 18,221	\$ 20,647	-12%
Capital assets, net	8,377	8,267	1%	67,878	68,264	-1%	76,255	76,531	0%
Other non-current assets	744	-	100%	847	-	100%	1,591	-	100%
Total assets	18,120	17,239	5%	77,947	79,939	-2%	96,067	97,178	-1%
Deferred outflows	478	-	100%	3,194	3,340	-4%	3,672	3,340	10%
Current liabilities	250	282	-11%	4,990	5,090	-2%	5,240	5,372	-2%
Non-current liabilities	4,237	442	859%	49,622	53,520	-7%	53,859	53,962	0%
Total liabilities	4,487	724	520%	54,612	58,610	-7%	59,099	59,334	0%
Deferred inflows	1,356	-	100%	522	-	100%	1,878	-	100%
Net position									
Net investment in capital assets	8,378	8,267	1%	22,365	19,401	15%	30,743	27,668	11%
Restricted	249	235	6%	1,453	926	57%	1,702	1,161	47%
Unrestricted	4,128	8,013	-48%	2,189	4,342	-50%	6,317	12,355	-49%
Total net position	\$ 12,755	\$ 16,515	-23%	\$ 26,007	\$ 24,669	5%	\$ 38,762	\$ 41,184	-6%

* prior year amounts not restated for MD&A purposes

The largest portion of the City's net position reflects its net investment in capital assets. This year, the net investment in capital assets amounts to approximately \$30.7 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

The governmental activities' beginning net position was restated from \$16,514,945 to \$12,260,292. This was due to the implementation of GASB Pension Statements No. 68 and 71. See page 41 in the footnotes. Governmental other non-current assets, deferred inflows of resources, non-current liabilities, and deferred inflows or resources all increased due to the implementation of GASB Pension Statements 68 and 71.

Net position of the City's business-type activities remained fairly steady at \$26 million. However, \$23,818,118 of that net position either is restricted as to the purposes it can be used for or is invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position was \$2,189,167 at the end of this year. Current assets decreased approximately \$2,453,000 or 21% due to a decrease in unrestricted cash. Other non-current assets, deferred inflows of resources, and deferred inflows or resources all either increased or decreased slightly due to the implementation of GASB Pension Statements 68 and 71.

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2015**

Changes in Net Position

For the year ended June 30, 2015, net position of the primary government changed as follows:

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

	Governmental		% Inc. (Dec.)	Business-Type		% Inc. (Dec.)	Total		% Inc. (Dec.)
	Activities			Activities			Total		
	*			*			*		
	2015	2014		2015	2014		2015	2014	
Revenues									
Charges for service	\$ 821	\$ 902	-9%	\$ 8,702	\$ 8,643	1%	\$ 9,523	\$ 9,545	0%
Operating grants and contributions	542	601	-10%	-	-	-	542	601	-10%
Capital grants and contributions	362	13	2685%	83	149	-44%	445	162	175%
Taxes	6,721	6,650	1%	-	-	-	6,721	6,650	1%
Intergovernmental revenue	142	139	2%	-	-	-	142	139	2%
Investment income	7	25	-72%	5	7	-29%	12	32	-63%
Miscellaneous	267	191	40%	103	135	-24%	370	326	13%
Gain (loss) on sale of capital asset	(31)	-	-	-	-	-	(31)	-	-
Total revenues	8,831	8,521	4%	8,893	8,934	0%	17,724	17,455	2%
Expenses									
General government	1,853	2,122	-13%	-	-	-	1,853	2,122	-13%
Public safety	3,983	4,203	-5%	-	-	-	3,983	4,203	-5%
Streets	784	776	1%	-	-	-	784	776	1%
Culture, parks and recreation	489	519	-6%	-	-	-	489	519	-6%
Community development	334	252	33%	-	-	-	334	252	33%
Water	-	-	-	3,475	3,470	0%	3,475	3,470	0%
Wastewater	-	-	-	3,385	3,419	-1%	3,385	3,419	-1%
Sanitation	-	-	-	1,079	1,567	-31%	1,079	1,567	-31%
Economic development	-	-	-	71	58	22%	71	58	22%
Airport	-	-	-	604	653	-8%	604	653	-8%
Interest charge - governmental activities	-	-	-	214	226	-5%	214	226	-5%
Total expenses	7,443	7,872	-5%	8,828	9,393	-6%	16,271	17,265	-6%
Excess (deficiency) before transfers	1,388	649	114%	65	(459)	-114%	1,453	190	665%
Transfers	(893)	(735)	-21%	893	735	21%	-	-	-
Change in net position	495	(86)	-676%	958	276	247%	1,453	190	665%
Beginning net position, restated for 2015	12,260	16,601	-26%	25,049	24,393	3%	37,309	40,994	-9%
Ending net position	\$ 12,755	\$ 16,515	-23%	\$ 26,007	\$ 24,669	5%	\$ 38,762	\$ 41,184	-6%

* prior year amounts not restated for MD&A purposes

In the City's governmental activities, the capital grants and contributions increased approximately \$349,000 or 2,685% due to a grant received in the current year, but not in the prior year. The business-type activities had an increase in net position over the prior year of \$957,961 mainly due to decreased sanitation expenses. Business-type capital grants and contributions decreased approximately \$66,000 or 44% due to a decrease in airport grant revenue. The results indicate the City's financial condition, as a whole, remained relatively consistent with the prior year.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$8,313,616 or a 0.4% increase from the prior year. The enterprise funds reported total net position of \$26,007,285 or a 3.8% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2015, the General Fund's total fund balance decreased by \$2,862,815 or 35.6%. This decrease was due mainly to a transfer in the amount of \$3,264,203 to a newly established fund entitled The Okmulgee Community Trust.
- The Dedicated Sales Tax Fund's total fund balance increased by \$7,827 or 3.4%.
- The Okmulgee Community Trust is a title 60 public trust established May 20, 2014. It became an active governmental fund with a transfer of committed funds in the amount of \$3,264,203 from the General Fund during this fiscal year.

Governmental Activities

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

For the year ended June 30, 2015, the City's governmental activities were funded as follows:

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

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	*			*		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	\$ 1,853	\$ 2,122	-13%	\$ (1,380)	\$ (2,022)	-32%
Public safety	3,983	4,203	-5%	(3,174)	(3,232)	-2%
Streets	784	776	1%	(377)	(366)	3%
Culture, parks and recreation	489	519	-6%	(453)	(483)	-6%
Community development	334	252	33%	(334)	(252)	33%
Total	<u>\$ 7,443</u>	<u>\$ 7,872</u>	-5%	<u>\$ (5,718)</u>	<u>\$ (6,355)</u>	-10%

* prior year amounts not restated for MD&A purposes

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2015**

For the year ended June 30, 2015, total expenses for governmental activities amounted to \$7,443,274. Of these total expenses, those directly benefiting from the programs funded \$903,930 from grants and other contributions and \$821,182 from charges for services, while taxpayers and other general revenues funded the remaining \$5,718,162.

Business-type Activities

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

- Total business-type activities reported net expenses of \$43,433 for the year ended June 30, 2015.
- All individual activities reported net expenses for the year ended June 30, 2015, with the exception of sanitation, which reported net revenues of \$482,203.

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

	<u>Total Expense</u>		<u>% Inc. Dec.</u>	<u>Net Revenue</u>		<u>% Inc. Dec.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	*			*		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Water	\$ 3,475	\$ 3,470	0%	\$ 1,430	\$ 1,468	-3%
Sewer	3,385	3,419	-1%	(1,427)	(1,419)	1%
Sanitation	1,079	1,567	-31%	482	(205)	-335%
Economic development	71	58	22%	(71)	(58)	22%
Airport	604	653	-8%	(243)	(161)	51%
Interest charges - governmental activities	214	226	-5%	(214)	(226)	-5%
Total	<u>\$ 8,828</u>	<u>\$ 9,393</u>	-6%	<u>\$ (43)</u>	<u>\$ (601)</u>	-93%

* prior year amounts not restated for MD&A purposes

Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues under final estimates by \$308,582 or a 3.2% negative variance. General Fund actual expenditures were over final appropriations by \$1,108,067 or a 10% negative variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had \$76,256,485 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a decrease of approximately \$274,000 or .4% over last year.

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2015**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 87	\$ 80	\$ 3,519	\$ 3,519	\$ 3,606	\$ 3,599
Buildings	2,459	2,313	1,300	1,351	3,759	3,664
Imp. other than buildings	1,893	1,976	-	-	1,893	1,976
Infrastructure	2,429	2,227	61,760	62,126	64,189	64,353
Machinery, furniture and equipment	1,510	1,672	1,300	1,267	2,810	2,939
Totals	\$ 8,378	\$ 8,268	\$ 67,879	\$ 68,263	\$ 76,257	\$ 76,531

This year's more significant capital asset additions included:

- Waterline replacement project
- Traffic lights
- Lake Okmulgee spillway repair
- Freightliner sanitation truck

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

Long- Term Debt

At year-end, the City had \$54,302,135 in long-term debt outstanding which represents a \$3,760,958 or 6.5% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Accrued absences	\$ 525	\$ 491	\$ 196	\$ 191	\$ 721	\$ 682	6%
Meter deposit liability	-	-	335	323	335	323	4%
Notes payable	-	-	27,737	29,601	27,737	29,601	-6%
Revenue bonds	-	-	23,970	25,950	23,970	25,950	-8%
Landfill closure liability	-	-	1,539	1,507	1,539	1,507	2%
Totals	\$ 525	\$ 491	\$ 53,777	\$ 57,572	\$ 54,302	\$ 58,063	-6%

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

After a successful ballot question to the citizens of Okmulgee, the \$3.2 million from the sale of the Council House is unrestricted. The City of Okmulgee Community Trust has authorized the purchase of the former Okmulgee Times building for a new Police Station and the appropriate renovations. The estimated cost of both are \$800,000. The remaining funds are being managed by the Trust Company of Oklahoma until such times as the Council approves expenditures.

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

The Municipal Authority raised commercial solid waste collection fees for commercial dumpsters from \$35 per month to \$40 per month in February, 2011 and increased residential fees from \$10 per month to \$11 per month in July, 2012 and added a bulky waste collection service at that time. While this amount appears to cover operational costs at the present time, these charges are significantly lower than comparable cities. The new cell at the landfill was near completion on June 2014. The closeout of the old cell will be addressed in 2016. The new cell went on line in July 2014 and Stone Horse LLC continues to operate the landfill with the City not paying for usage. The Council approved a 5% water rate increase across the board for this year and an additional 5% for the next two (2) years to accommodate for the improvements to both systems.

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

Tulsa International Airport Trust entered into a once year agreement with the City to operate and manage the Okmulgee Regional Airport. It is the desire of both parties to develop both private and commercial leases at the site over the next few years.

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

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

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

The City has aptly responded to the requirements for short-term and medium-term infrastructure improvement, many of which were mandated by USEPA and others that were required for business development. Efforts are underway to complete improvements at the water plant. The project is presently halted due to the calling of the bond in early 2014 and pending lawsuit by the contractor. The City is in negotiations with the bond company and the contractor to resolve pending issues and complete the project.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Statement of Net Position– June 30, 2015

				<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Okmulgee Parking Authority</u>
ASSETS				
Cash and cash equivalents	\$ 4,801,941	\$ 7,391,898	\$ 12,193,839	\$ -
Investments	1,729,940	1,548,500	3,278,440	-
Deposits with insurance pool	9,902	-	9,902	-
Accounts receivable, net of allowance	-	1,288,673	1,288,673	-
Due from other governments	828,335	20,725	849,060	-
Other taxes receivable	46,178	-	46,178	-
Court fines receivable, net of allowance	519,668	-	519,668	-
Other receivables	4,104	4,728	8,832	-
Internal balances	1,058,833	(1,058,833)	-	-
Inventories	-	26,512	26,512	-
Net pension asset	743,885	846,535	1,590,420	-
Capital assets:				
Land	86,812	3,518,811	3,605,623	-
Other capital assets, net of depreciation	8,290,882	64,359,980	72,650,862	111,174
Total assets	<u>18,120,480</u>	<u>77,947,529</u>	<u>96,068,009</u>	<u>111,174</u>
DEFERRED OUTFLOWS				
Deferred amount on refunding	-	3,019,559	3,019,559	-
Deferred amounts of pensions	478,038	174,154	652,192	-
Total deferred outflows	<u>478,038</u>	<u>3,193,713</u>	<u>3,671,751</u>	<u>-</u>
LIABILITIES				
Accounts payable	33,317	108,978	142,295	-
Accrued payroll liabilities	104,045	49,209	153,254	-
Retainage payable	-	506,252	506,252	-
Accrued interest payable	-	288,013	288,013	-
Due to bondholders	250	-	250	-
Claim liability	59,906	-	59,906	-
Long-term liabilities				
Due within one year	52,535	4,037,628	4,090,163	-
Due in more than one year	472,815	49,622,233	50,095,048	-
Net pension liability	3,763,940	-	3,763,940	-
Total liabilities	<u>4,486,808</u>	<u>54,612,313</u>	<u>59,099,121</u>	<u>-</u>
DEFERRED INFLOWS				
Deferred amounts of pensions	1,356,392	521,644	1,878,036	-
NET POSITION				
Net investment in capital assets	8,377,694	22,365,145	30,742,839	111,174
Restricted for:				
Risk management	9,902	-	9,902	-
Capital projects and debt service	239,292	1,452,973	1,692,265	-
Unrestricted	4,128,430	2,189,167	6,317,597	-
Total net position	<u>\$ 12,755,318</u>	<u>\$ 26,007,285</u>	<u>\$ 38,762,603</u>	<u>\$ 111,174</u>

See accompanying notes to these financial statements.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Statement of Activities –Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Unit Okmulgee Parking Authority
Primary government								
Governmental Activities								
General Government	\$ 1,853,540	\$ 120,750	\$ -	\$ 352,500	\$ (1,380,290)	\$ -	\$ (1,380,290)	\$ -
Public Safety	3,982,989	387,395	412,478	9,093	(3,174,023)	-	(3,174,023)	-
Streets	784,093	290,338	116,823	-	(376,932)	-	(376,932)	-
Culture and Recreation	488,800	22,699	13,036	-	(453,065)	-	(453,065)	-
Community Development	333,852	-	-	-	(333,852)	-	(333,852)	-
Total governmental activities	<u>7,443,274</u>	<u>821,182</u>	<u>542,337</u>	<u>361,593</u>	<u>(5,718,162)</u>	<u>-</u>	<u>(5,718,162)</u>	<u>-</u>
Business-Type Activities:								
Water	3,475,131	4,904,754	-	-	-	1,429,623	1,429,623	-
Sewer	3,384,403	1,957,563	-	-	-	(1,426,840)	(1,426,840)	-
Sanitation	1,078,748	1,560,951	-	-	-	482,203	482,203	-
Economic Development	71,117	-	-	-	-	(71,117)	(71,117)	-
Airport	604,113	278,263	-	82,679	-	(243,171)	(243,171)	-
Interest charges - governmental activities	214,131	-	-	-	-	(214,131)	(214,131)	-
Total business-type activities	<u>8,827,643</u>	<u>8,701,531</u>	<u>-</u>	<u>82,679</u>	<u>-</u>	<u>(43,433)</u>	<u>(43,433)</u>	<u>-</u>
Total primary government	<u>\$ 16,270,917</u>	<u>\$ 9,522,713</u>	<u>\$ 542,337</u>	<u>\$ 444,272</u>	<u>(5,718,162)</u>	<u>(43,433)</u>	<u>(5,761,595)</u>	<u>-</u>
Component Unit:								
Parking	\$ 19,342	\$ -	\$ -	\$ -	-	-	-	(19,342)
Total component unit	<u>\$ 19,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,342)</u>
General revenues:								
Taxes:								
Sales and use taxes					6,223,801	-	6,223,801	-
Franchise taxes and public service taxes					406,438	-	406,438	-
Hotel/motel taxes					90,708	-	90,708	-
Intergovernmental revenue not restricted to specific programs					141,890	-	141,890	-
Unrestricted investment earnings					7,380	5,222	12,602	-
Miscellaneous					266,828	103,431	370,259	-
Transfers					(892,741)	892,741	-	-
Special item - gain / (loss) on sale of capital assets					(31,116)	-	(31,116)	-
Total general revenues and transfers					<u>6,213,188</u>	<u>1,001,394</u>	<u>7,214,582</u>	<u>-</u>
Change in net position					495,026	957,961	1,452,987	(19,342)
Net position - beginning, restated					<u>12,260,292</u>	<u>25,049,324</u>	<u>37,309,616</u>	<u>130,516</u>
Net position - ending					<u>\$ 12,755,318</u>	<u>\$ 26,007,285</u>	<u>\$ 38,762,603</u>	<u>\$ 111,174</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Governmental Funds Balance Sheet - June 30, 2015

	<u>General Fund</u>	<u>Okmulgee Community Trust</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,862,650	\$ 2,891,828	\$ 47,463	\$ 4,801,941
Investments	1,729,940	-	-	1,729,940
Deposits with insurance pool	9,902	-	-	9,902
Due from other governments	634,681	-	193,654	828,335
Due from other funds	1,158,651	-	-	1,158,651
Taxes receivable	46,178	-	-	46,178
Court fines receivable, net of allowance	519,668	-	-	519,668
Other receivables	4,104	-	-	4,104
Total assets	<u>\$ 5,965,774</u>	<u>2,891,828</u>	<u>\$ 241,117</u>	<u>\$ 9,098,719</u>
LIABILITIES				
Accounts payable	\$ 33,317	\$ -	\$ -	\$ 33,317
Accrued payroll payable	104,045	-	-	104,045
Claims liability	59,906	-	-	59,906
Due to other funds	99,818	-	-	99,818
Due to bondholders	250	-	-	250
Total liabilities	<u>297,336</u>	<u>-</u>	<u>-</u>	<u>297,336</u>
DEFERRED INFLOWS				
Deferred revenue	<u>487,767</u>	<u>-</u>	<u>-</u>	<u>487,767</u>
FUND BALANCES				
Restricted for:				
Deposits with insurance pool	9,902	-	-	9,902
Capital projects and debt service	-	-	239,292	239,292
Committed for community improvements	-	2,891,828	-	2,891,828
Assigned for capital projects and debt service	-	-	1,825	1,825
Unassigned	5,170,769	-	-	5,170,769
Total fund balances	<u>5,180,671</u>	<u>2,891,828</u>	<u>241,117</u>	<u>8,313,616</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,965,774</u>	<u>\$ 2,891,828</u>	<u>\$ 241,117</u>	<u>\$ 9,098,719</u>

See accompanying notes to these financial statements.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Okmulgee Community Trust</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,207,075	\$ -	\$ 1,513,872	\$ 6,720,947
Intergovernmental	1,079,829	-	-	1,079,829
Licenses and permits	60,778	-	-	60,778
Charges for services	100,789	-	-	100,789
Fines and forfeitures	343,442	-	-	343,442
Investment earnings	19,640	(12,308)	48	7,380
Miscellaneous	277,395	-	-	277,395
Total revenues	<u>7,088,948</u>	<u>(12,308)</u>	<u>1,513,920</u>	<u>8,590,560</u>
EXPENDITURES				
Current:				
General government	1,759,277	8,500	-	1,767,777
Public safety	4,049,489	-	-	4,049,489
Culture and recreation	398,254	-	-	398,254
Community development	339,383	-	-	339,383
Capital Outlay	784,919	351,567	-	1,136,486
Total expenditures	<u>7,331,322</u>	<u>360,067</u>	<u>-</u>	<u>7,691,389</u>
Excess (deficiency) of revenues over expenditures	<u>(242,374)</u>	<u>(372,375)</u>	<u>1,513,920</u>	<u>899,171</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,200,000	3,264,203	-	4,464,203
Transfers out	<u>(3,820,441)</u>	<u>-</u>	<u>(1,506,093)</u>	<u>(5,326,534)</u>
Total other financing sources and uses	<u>(2,620,441)</u>	<u>3,264,203</u>	<u>(1,506,093)</u>	<u>(862,331)</u>
Net change in fund balances	(2,862,815)	2,891,828	7,827	36,840
Fund balances - beginning	8,043,486	-	233,290	8,276,776
Fund balances - ending	<u>\$ 5,180,671</u>	<u>\$ 2,891,828</u>	<u>\$ 241,117</u>	<u>\$ 8,313,616</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	8,313,616
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		8,377,694
Certain other long-term assets are not available to pay current period liabilities and therefore are reported as deferred revenue in this fund financial statement, or not reported at all in this fund financial statement.		
Court fines receivable		487,767
Net pension asset		743,885
Deferred outflows of resources are not outflows that relate to the current period and therefore are not reported in the funds:		
Pension related deferred outflows		478,038
Certain long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Net pension liability		(3,763,940)
Pension related deferred inflows		(1,356,392)
Accrued compensated absences		(525,350)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>12,755,318</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	36,840
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		835,567
Depreciation expense		(686,171)
Book value of assets disposed		(38,615)
In Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.		356,244
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue - fines		25,835
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(34,674)
Change in net position of governmental activities	<u>\$</u>	<u>495,026</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Proprietary Funds Statement of Net Position - June 30, 2015

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>OMA</u>	<u>OEDA</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,635,771	\$ 33,632	\$ 2,669,403
Investments	1,548,500	-	1,548,500
Restricted:			
Cash and cash equivalents	4,722,495	-	4,722,495
Due from other funds	129,637	5,505	135,142
Accounts receivable, net of allowance	1,288,673	-	1,288,673
Due from other governments	20,725	-	20,725
Other receivables	4,728	-	4,728
Inventories	26,512	-	26,512
Total current assets	<u>10,377,041</u>	<u>39,137</u>	<u>10,416,178</u>
Non-current assets:			
Capital Assets:			
Land	3,510,811	8,000	3,518,811
Other capital assets, net of accumulated depreciation	64,357,253	2,727	64,359,980
Net pension asset	846,535	-	846,535
Total non-current assets	<u>68,714,599</u>	<u>10,727</u>	<u>68,725,326</u>
Total assets	<u>79,091,640</u>	<u>49,864</u>	<u>79,141,504</u>
DEFERRED OUTFLOWS			
Deferred amounts related to pensions	174,154	-	174,154
Deferred amount on refunding	3,019,559	-	3,019,559
Total deferred outflows	<u>3,193,713</u>	<u>-</u>	<u>3,193,713</u>
LIABILITIES			
Current liabilities:			
Accounts payable	108,978	-	108,978
Accrued payroll liabilities	49,209	-	49,209
Accrued interest payable	288,013	-	288,013
Due to other funds	1,158,651	35,324	1,193,975
Retainage payable	506,252	-	506,252
Current portion of:			
Deposits subject to refund	57,149	-	57,149
Compensated absences	19,555	-	19,555
Landfill closure liability	153,869	-	153,869
Notes payable	1,777,055	-	1,777,055
Bonds payable	2,030,000	-	2,030,000
Total current liabilities	<u>6,148,731</u>	<u>35,324</u>	<u>6,184,055</u>
Non-current liabilities:			
Deposits subject to refund	278,393	-	278,393
Compensated absences	175,999	-	175,999
Landfill closure liability	1,384,823	-	1,384,823
Notes payable	25,959,942	-	25,959,942
Bonds payable	21,823,076	-	21,823,076
Total non-current liabilities	<u>49,622,233</u>	<u>-</u>	<u>49,622,233</u>
Total liabilities	<u>55,770,964</u>	<u>35,324</u>	<u>55,806,288</u>
DEFERRED INFLOWS			
Deferred amounts related to pensions	521,644	-	521,644
NET POSITION			
Net investment in capital assets	22,354,418	10,727	22,365,145
Restricted for debt service	1,452,973	-	1,452,973
Unrestricted	2,185,354	3,813	2,189,167
Total net position	<u>\$ 25,992,745</u>	<u>\$ 14,540</u>	<u>\$ 26,007,285</u>

See accompanying notes to the basic financial statements.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2015

	Enterprise Funds		Total
	OMA	OEDA	
REVENUES			
Water	\$ 4,813,727	\$ -	\$ 4,813,727
Water taps	10,300	-	10,300
Sewer	1,902,802	-	1,902,802
Sewer taps	3,375	-	3,375
Sanitation	1,526,190	-	1,526,190
Stormwater	290,338	-	290,338
Penalties	151,135	-	151,135
Airport	278,263	-	278,263
Other	8,554	-	8,554
Total operating revenues	<u>8,984,684</u>	<u>-</u>	<u>8,984,684</u>
OPERATING EXPENSES			
Public works operations	126,094	-	126,094
Utility billing	224,863	-	224,863
Public works director	180,933	-	180,933
Water treatment plant	797,097	-	797,097
Water and sewer line maintenance	658,170	-	658,170
Wastewater treatment plant	770,686	-	770,686
Sanitation	556,011	-	556,011
Landfill	26,670	-	26,670
Streets	510,209	-	510,209
Airport	308,894	-	308,894
Economic development	-	71,002	71,002
Depreciation	2,832,118	115	2,832,233
Total operating expenses	<u>6,991,745</u>	<u>71,117</u>	<u>7,062,862</u>
Operating income (loss)	<u>1,992,939</u>	<u>(71,117)</u>	<u>1,921,822</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	5,222	-	5,222
Miscellaneous revenue	103,431	-	103,431
Operating grants and contributions	29,531	-	29,531
Gain on sale of capital assets	7,185	-	7,185
Interest expense	(2,274,990)	-	(2,274,990)
Total non-operating revenue (expenses)	<u>(2,129,621)</u>	<u>-</u>	<u>(2,129,621)</u>
Income (loss) before contributions and transfers	(136,682)	(71,117)	(207,799)
Capital contributions	432,679	-	432,679
Transfers in	1,984,331	78,000	2,062,331
Transfers out	(1,329,250)	-	(1,329,250)
Change in net position	951,078	6,883	957,961
Total net position - beginning, restated	25,041,667	7,657	25,049,324
Total net position - ending	<u>\$ 25,992,745</u>	<u>\$ 14,540</u>	<u>\$ 26,007,285</u>

See accompanying notes to the basic financial statements.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2015 2015

	<u>Enterprise Funds</u>		
	<u>OMA</u>	<u>OEDA</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 9,127,943	\$ -	\$ 9,127,943
Payments to employees	(2,470,533)	-	(2,470,533)
Payments to suppliers	(1,903,361)	(71,002)	(1,974,363)
Receipts of customer meter deposits	102,550	-	102,550
Refunds of customer meter deposits	(90,219)	-	(90,219)
Interfund receipts/payments	694,131	-	694,131
Net cash provided by (used in) operating activities	<u>5,460,511</u>	<u>(71,002)</u>	<u>5,389,509</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,984,331	78,000	2,062,331
Transfers to other funds	(1,329,250)	-	(1,329,250)
Net cash provided by noncapital financing activities	<u>655,081</u>	<u>78,000</u>	<u>733,081</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(2,014,725)	-	(2,014,725)
Proceeds from debt	25,827	-	25,827
Principal paid on debt	(3,870,259)	-	(3,870,259)
Interest and fiscal agent fees paid on debt	(1,980,565)	-	(1,980,565)
Net cash provided by (used in) capital and related financing activities	<u>(7,839,722)</u>	<u>-</u>	<u>(7,839,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	5,222	-	5,222
Net cash provided by investing activities	<u>5,222</u>	<u>-</u>	<u>5,222</u>
Net increase (decrease) in cash and cash equivalents	(1,718,908)	6,998	(1,711,910)
Balances - beginning of year	<u>9,077,174</u>	<u>26,634</u>	<u>9,103,808</u>
Balances - end of year	<u>\$ 7,358,266</u>	<u>\$ 33,632</u>	<u>\$ 7,391,898</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 2,635,771	\$ 33,632	\$ 2,669,403
Restricted cash and cash equivalents - current	4,722,495	-	4,722,495
Total cash and cash equivalents, end of year	<u>\$ 7,358,266</u>	<u>\$ 33,632</u>	<u>\$ 7,391,898</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,992,939	\$ (71,117)	\$ 1,921,822
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	2,832,118	115	2,832,233
Miscellaneous revenue	110,616	-	110,616
Operating grants	29,531	-	29,531
Change in assets and liabilities:			
Due from other funds	(72,686)	-	(72,686)
Due to other funds	766,817	-	766,817
Due to other governments	(9,952)	-	(9,952)
Accounts receivable	13,376	-	13,376
Other receivables	(312)	-	(312)
Pension asset	(118,630)	-	(118,630)
Accounts payable	(195,335)	-	(195,335)
Retainage payable	13,916	-	13,916
Inventory	43,831	-	43,831
Deposits, subject to refund	12,331	-	12,331
Accrued payroll payable	5,483	-	5,483
Landfill closure liability	31,829	-	31,829
Accrued compensated absences	4,639	-	4,639
Net cash provided by (used in) operating activities	<u>\$ 5,460,511</u>	<u>\$ (71,002)</u>	<u>\$ 5,389,509</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

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

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

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

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

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

Component Units:

Blended:

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

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

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

The Okmulgee Community Trust Authority – that accounts for the funds from the sale of the Creek Council House and Square and/or any other subsequently donated funds for the benefit of the City of Okmulgee for any park purposes.

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

Discretely-Presented:

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

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

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

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Okmulgee Community Trust Fund (blended component unit) – accounts for the funds from the sale of the Creek Council House and Square and/or any other subsequently donated funds for the benefit of the City of Okmulgee for any park purposes
- Dedicated Sales Tax Fund (capital project fund) – accounts for a one-cent sales tax restricted by voter approval for capital improvements or debt service on capital debt

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

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

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

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

Proprietary Funds:

The City's proprietary funds include:

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

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

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

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Discretely Presented Component Unit:

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

Pensions:

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (FPRS), Oklahoma Police Pension & Retirement System (OPPRS), and Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OPPRS's fiduciary net position have been determined on the same basis as they are reported by FPRS, OPPRS, and OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. Cash, Cash Equivalents, and Investments

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

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

At June 30, 2015, the reporting entity held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Cash on hand			\$ 3,100
Demand deposits			10,838,827
Time deposit			3,278,440
			<u>14,120,367</u>
Investments:			
Money Market Funds	N/A	AAAm	1,351,912
			<u>1,351,912</u>
Total deposits and investments			<u>\$ 15,472,279</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 12,193,839
Investments			3,278,440
			<u>\$ 15,472,279</u>

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

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The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2015, the City was not exposed to custodial credit risk as defined above.

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

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

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

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2015, the City had no concentration of credit risk as defined above.

Restricted Cash and Investments - The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of cash and investments held by the trustee bank on behalf of the OMA public trust (Authority) related to their required revenue bond accounts. The restricted assets as of June 30, 2015 were as follows:

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	Current
	Cash and cash equivalents
Utility Deposits	\$ 335,542
Trustee Accounts:	
Series 2008 Note Account	40,123
Series 2009 Revenue Account	1,264,135
Series 2012 Project Account	33,515
Series 2012 Revenue Account	14,139
Landfill Account	2,900,465
Series 2010C OWRB Account	51,620
Series 2010D OWRB Account	74,536
Series 2010E OWRB Account	8,420
Total	\$ 4,722,495

4. Receivables and Related Deferred Inflows

In the government-wide statements, receivables consist of all revenues earned at period-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, police fines, and hotel/motel tax. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, grants, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at period-end and not yet received. Utility accounts receivable (such as water, wastewater, and sanitation revenues) comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customer utilities receivable. Accounts receivable of the governmental activities consists of sales tax, franchise tax, police fines and hotel/motel tax receivables. Receivables detail at June 30, 2015, is as follows:

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	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Due from other governments	\$ 828,335	\$ -	\$ 828,335
Franchise taxes	37,184	-	37,184
Hotel/motel tax	8,994	-	8,994
Court fines	3,464,459	(2,944,791)	519,668
Other	4,104	-	4,104
Total Governmental Activities	<u>\$ 4,343,076</u>	<u>\$ (2,944,791)</u>	<u>\$ 1,398,285</u>
Business-Type Activities:			
Utilities	\$ 1,846,331	\$ (557,658)	\$ 1,288,673
Due from other governments	20,725	-	20,725
Other	4,728	-	4,728
Total Business-Type Activities	<u>\$ 1,871,784</u>	<u>\$ (557,658)</u>	<u>\$ 1,314,126</u>

5. Capital Assets and Depreciation

Capital Assets:

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

For the year ended June 30, 2015, reported capital assets balances changed as follows:

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	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 79,721	\$ 7,091	\$ -	\$ 86,812
Total capital assets not being depreciated	<u>79,721</u>	<u>7,091</u>	<u>-</u>	<u>86,812</u>
Other capital assets:				
Buildings	3,676,332	358,500	60,972	3,973,860
Improvements	2,377,287	12,288	-	2,389,575
Infrastructure	3,251,552	328,561	-	3,580,113
Machinery, furniture and equipment	4,355,607	129,128	-	4,484,735
Total other capital assets at historical cost	<u>13,660,778</u>	<u>828,477</u>	<u>60,972</u>	<u>14,428,283</u>
Less accumulated depreciation for:				
Buildings	1,364,415	150,473	-	1,514,888
Improvements	400,798	95,459	-	496,257
Infrastructure	1,024,952	126,368	-	1,151,320
Machinery, furniture and equipment	2,683,423	313,870	22,357	2,974,936
Total accumulated depreciation	<u>5,473,588</u>	<u>686,170</u>	<u>22,357</u>	<u>6,137,401</u>
Other capital assets, net	<u>8,187,190</u>	<u>142,307</u>	<u>38,615</u>	<u>8,290,882</u>
Governmental activities capital assets, net	<u>\$ 8,266,911</u>	<u>\$ 149,398</u>	<u>\$ 38,615</u>	<u>\$ 8,377,694</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,518,811	\$ -	\$ -	\$ 3,518,811
Total capital assets not being depreciated	<u>3,518,811</u>	<u>-</u>	<u>-</u>	<u>3,518,811</u>
Other capital assets:				
Buildings	2,296,484	18,843	-	2,315,327
Machinery, furniture and equipment	6,101,112	248,965	59,986	6,290,091
Utility property improvements	86,498,615	2,179,598	-	88,678,213
Total other capital assets at historical cost	<u>94,896,211</u>	<u>2,447,406</u>	<u>59,986</u>	<u>97,283,631</u>
Less accumulated depreciation for:				
Buildings	945,053	70,445	-	1,015,498
Machinery, furniture and equipment	4,833,879	216,558	59,986	4,990,451
Utility property improvements	24,372,472	2,545,230	-	26,917,702
Total accumulated depreciation	<u>30,151,404</u>	<u>2,832,233</u>	<u>59,986</u>	<u>32,923,651</u>
Other capital assets, net	<u>64,744,807</u>	<u>(384,827)</u>	<u>-</u>	<u>64,359,980</u>
Business-type activities capital assets, net	<u>\$ 68,263,618</u>	<u>\$ (384,827)</u>	<u>\$ -</u>	<u>\$ 67,878,791</u>
Component Unit:				
Okmulgee Parking Authority:				
Other capital assets:				
Buildings	\$ 55,348	\$ -	\$ -	\$ 55,348
Infrastructure	359,173	-	-	359,173
Total other capital assets at historical cost	<u>414,521</u>	<u>-</u>	<u>-</u>	<u>414,521</u>
Less accumulated depreciation for:				
Buildings	20,755	1,384	-	22,139
Infrastructure	263,250	17,958	-	281,208
Total accumulated depreciation	<u>284,005</u>	<u>19,342</u>	<u>-</u>	<u>303,347</u>
Other capital assets, net	<u>130,516</u>	<u>(19,342)</u>	<u>-</u>	<u>111,174</u>
Okmulgee Parking Authority capital assets, net	<u>\$ 130,516</u>	<u>\$ (19,342)</u>	<u>\$ -</u>	<u>\$ 111,174</u>

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Depreciation:

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

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

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 120,612	Water	\$1,066,720
Public safety	195,631	Sewer	1,296,391
Streets	273,884	Sanitation	173,788
Culture and recreation	95,501	Airport	295,219
Community development	542	Economic development	115
	<u>\$ 686,170</u>		<u>\$2,832,233</u>

6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2015, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
Accrued compensated absences	\$ 490,676	\$ 256,042	\$ (221,368)	\$ 525,350	\$ 52,535
Total Governmental Activities	<u>\$ 490,676</u>	<u>\$ 256,042</u>	<u>\$ (221,368)</u>	<u>\$ 525,350</u>	<u>\$ 52,535</u>
Business-Type Activities:					
Notes Payable	\$ 29,601,429	\$ 25,827	\$ (1,890,259)	\$ 27,736,997	\$ 1,777,055
Revenue bonds payable	25,950,000	-	(1,980,000)	23,970,000	2,030,000
Deposits subject to refund	323,211	102,550	(90,219)	335,542	57,149
Landfill closure liability	1,506,863	31,829	-	1,538,692	153,869
Accrued compensated absences	190,915	82,432	(77,793)	195,554	19,555
Total Business-Type Activities	<u>57,572,418</u>	<u>242,638</u>	<u>(4,038,271)</u>	<u>53,776,785</u>	<u>4,037,628</u>
Total Long-Term Debt	<u>\$ 58,063,094</u>	<u>\$ 498,680</u>	<u>\$ (4,259,639)</u>	<u>\$ 54,302,135</u>	<u>\$ 4,090,163</u>

Reconciliation to Statement of Net Position:

Governmental Activities:	
Due within one year	\$ 52,535
Due in more than one year	472,815
Net pension liability	3,763,940
Total Governmental Activities Long-term liabilities	<u>\$ 4,289,290</u>
Business-Type Activities:	
Due within one year	\$ 4,037,628
Due in more than one year	49,622,233
Statement of Net Position Business-Type Activities Long-term liabilities	53,659,861
Add back unamortized discount and premium	116,924
Total Business-Type Activities Long-term liabilities	<u>\$ 53,776,785</u>

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Governmental activities long-term debt:

Accrued Compensated Absences:

	Current portion	\$ 52,535
	Noncurrent portion	472,815
	Total Accrued Compensated Absences	<u>\$ 525,350</u>

Business-type activities long-term debt:

Notes Payable:

Note Payable to Oklahoma Department of Commerce dated September 29, 2006, original amount of \$80,000 with an annual interest rate of 0.0% due in monthly installments of \$667, final installment due February 2017.		\$ 13,333
2008 Sales Tax and Revenue Note payable to BancFirst dated December 23, 2008, original amount of \$5,000,000, secured by pledged sales tax, with an annual interest rate of 4.95% due in semi-annual installments of principal and interest beginning June 2009, final installment due December 2023.		3,260,000
2012 Sales Tax and Revenue Note payable to BancFirst dated April 10, 2012, original amount of \$1,615,000, secured by pledged sales tax, with an annual interest rate of 2.47% due in semi-annual installments of principal and interest beginning June 2012, final installment due June 2023.		1,200,000
2013 Sales Tax and Revenue Note payable to BancFirst dated December 27, 2013, original amount of \$4,000,000, secured by pledged sales tax, with an annual interest rate of 3.48% due in semi-annual installments of principal and interest beginning June 2014, final installment due December 2023.		3,515,000
2010E Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$650,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.86%, final maturity March 15, 2031.		428,547
2010A Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$5,100,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.54%, final maturity September 15, 2032.		4,101,953
2010C Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$2,960,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.28%, final maturity September 15, 2031.		2,604,590
2010D Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$4,895,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.32%, final maturity March 15, 2032.		3,833,565
2010B Series DWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$10,795,000, secured by utility revenues, payable in semi-annual installments, interest rate at 3.32%, final maturity March 15, 2032.		<u>8,780,009</u>
	Total Notes Payable	<u>\$ 27,736,997</u>
	Current portion	\$ 1,777,055
	Noncurrent portion	25,959,942
	Total Notes Payable	<u>\$ 27,736,997</u>

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Revenue Bonds Payable:

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

	\$	23,970,000
		<u>23,970,000</u>
Total Revenue Bonds Payable	\$	23,970,000
Less: Unamortized Discount on Refunding		(271,946)
Add: Unamortized Premium on Refunding		155,022
Net Revenue Bonds Payable	\$	<u>23,853,076</u>
Current portion	\$	2,030,000
Noncurrent portion		21,940,000
Total Revenue Bonds Payable	\$	<u>23,970,000</u>

Accrued Compensated Absences:

Current portion	\$	19,555
Noncurrent portion		175,999
Total Accrued Compensated Absences	\$	<u>195,554</u>

Deposits Subject to Refund:

Current portion	\$	57,149
Noncurrent portion		278,393
Total Deposits Subject to Refund	\$	<u>335,542</u>

Long-term debt service requirements to maturity:

<u>Year Ending June 30,</u>	Business Type Activities			
	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2016	\$ 1,777,055	\$ 967,931	\$ 2,030,000	\$ 922,635
2017	1,836,186	904,196	2,090,000	858,223
2018	1,892,205	839,320	2,160,000	786,460
2019	1,959,571	772,289	2,235,000	708,430
2020	2,026,797	704,037	2,315,000	621,900
2021-2025	9,489,081	2,414,264	13,140,000	1,484,600
2026-2030	6,942,577	1,115,378	-	-
2031-2033	2,569,813	126,375	-	-
Totals	\$ 28,493,285	\$ 7,843,790	\$ 23,970,000	\$ 5,382,248
Less: Amount to be drawn	(756,288)			
	\$ 27,736,997			

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Landfill Closure Liability:

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

The \$1,538,692 reported as accrued landfill closure cost liability at June 30, 2015 2015, represents the cumulative amount of such costs reported to date based on the use of 100% of the estimated capacity of the landfill. The City previously had an agreement with Elliott Construction Company, Inc. to run the landfill. Elliott Construction is in bankruptcy, so the City is now in contract with Stone Horse Construction to run the landfill. The City has built a new cell at the landfill in the current year as the landfill was previously at capacity.

The Department of Environmental Quality has issued a Consent Order on the landfill and has required the City to set aside money in a trust to cover financial assurance. The City has set aside \$1,687,738, including interest, in trust, which together with Elliott Construction's trust balance of \$348,549, of which DEQ is the beneficiary, makes up more than the total \$1,538,692 landfill closure and post closure liability.

Current portion	\$	153,869
Noncurrent portion		1,384,823
Total Landfill Closure Liability	<u>\$</u>	<u>1,538,692</u>

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged two cents (or 1/2) of future sales tax revenues and net utility revenues to repay the \$30,000,000 Series 2009A Utility System and Sales Tax Revenue Bonds, the \$1,615,000 Series 2012 Sales Tax and Revenue Note, the \$4,000,000 Series 2013 Utility System and Sales Tax Revenue Note, the \$650,000 of the OWRB 2010E Series CWSRF promissory note, the \$5,100,000 2010A Series CWSRF, the \$2,960,000 2010C Series DWSRF, the \$4,895,000 2010D Series DWSRF, and the \$10,795,000 2010B Series DWSRF Note Payables. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds and notes are payable through 2024, 2023, 2023, 2031, 2032, 2031, 2032 and 2032, respectively. The total principal and interest payable for the remainder of the life of these bonds and notes are \$61,644,037. Pledged sales taxes received in the current year were \$3,027,744 and net utility revenues were \$5,080,781. Debt service payments of \$5,363,817 for the current fiscal year were 66.2% of pledged sales taxes and net utility revenues of \$8,108,525.

Sales Tax Pledge - The City has pledged one cent (or 25%) of future sales tax revenues to repay the \$5,000,000 2008 Sales Tax and Revenue Note. Proceeds from the note provided for the purchase or construction of capital assets. The note is payable from pledged sales tax revenues. The notes are payable through 2024. The total principal and interest payable for the remainder of the life of this note is \$4,031,953. Pledged sales taxes received in the current year were \$1,513,872. Debt service payments of \$479,005 for the current fiscal year were 31.6% of pledged sales taxes.

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Debt Service Coverage Requirement:

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

	OKMULGEE MUNICIPAL AUTHORITY	
	2009A&B Revenue Bonds, 2012 Revenue Note & 2013 Utility and Sales Tax Note	OWRB Debt
Gross Revenue Available for Debt Service:		
Charges for services (1)	\$8,416,083	\$8,416,083
Investment income	5,222	5,222
Sales tax pledged	3,027,744	3,027,744
 Total Gross Revenues Available	 11,449,049	 11,449,049
 Operating Expenses: (1)		
Operations - water, sewer and sanitation	3,340,524	3,340,524
Total Operating Expenses	3,340,524	3,340,524
 Net Revenues Available for Debt Service	 \$8,108,525	 \$8,108,525
 Debt Service Requirements:		
Annual debt service on all OMA parity debt	\$5,371,818	-
Maximum annual debt service on all OMA parity debt	-	\$5,659,580
 Computed Coverage	 151%	 143%
 Coverage Requirement	 100%	 125%

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

Note: The 2009A&B Revenue Bonds and 2012 Revenue Note also requires a coverage of 125% of annual principal and interest solely on these bonds. Since 151% was achieved on all parity debt, it is apparent that this requirement was met also.

7. Net Position and Fund Balances

Net Position:

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

a. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, net of unexpended debt proceeds.

b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

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	Contractual Agreements
Governmental Activities:	
Capital Projects and Debt Service:	
Dedicated Sales Tax Fund	\$ 239,292
Deposits with insurance pool:	
General Fund	9,902
Total Governmental Activities	249,194
 TOTAL GOVERNMENTAL ACTIVITIES RESTRICTED NET POSITION	 \$ 249,194

c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Balances:

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund. It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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Prior Period Adjustments:

Beginning net position was restated as June 30, 2015:

	OMA	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$24,661,252	\$ 16,514,945	\$ 24,668,909
Implementation of GASB Pension Statements 68 & 71	380,415	(4,254,653)	380,415
Beginning net position, restated	\$25,041,667	\$ 12,260,292	\$ 25,049,324

8. Sales Tax Revenue

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

9. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2015 were as follows:

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<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
OMA	General Fund	\$ 1,200,000	Operating
General Fund	Okmulgee Community Trust	3,264,203	Transfer restricted monies to new fund
General Fund	OMA	478,238	Sales tax transfer
General Fund	OEDA	78,000	Operating
Dedicated Sales Tax Fund	OMA	1,506,093	Transfer for debt service
Total		<u>\$ 6,526,534</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 4,464,203	\$ (5,326,534)	\$ (862,331)
Proprietary Funds	2,062,331	(1,329,250)	733,081
	<u>\$ 6,526,534</u>	<u>\$ (6,655,784)</u>	<u>\$ (129,250)</u>

Reconciliation to Statement of Activities:

Governmental Funds Transfers	\$	(862,331)
Capital assets transferred from governmental activities to business-type activities		(350,000)
Capital assets transferred from business-type activities to governmental activities		129,250
Street activity moved from business-type activities to governmental activities		190,340
Total government-wide level	<u>\$</u>	<u>(892,741)</u>

Balances:

Interfund receivable and payables at June 30, 2015 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	OMA	\$ 94,313	Operating subsidy to be reimbursed
OMA	General Fund	1,158,651	Operating subsidy to be reimbursed
General Fund	OEDA	5,505	Sale of capital asset deposited in another fund
OEDA	OMA	35,324	Operating subsidy to be reimbursed
Total		<u>\$ 1,293,793</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,158,651	\$ (99,818)	\$ 1,058,833
Proprietary Funds	135,142	(1,193,975)	(1,058,833)
Total	<u>\$ 1,293,793</u>	<u>\$ (1,293,793)</u>	<u>\$ -</u>

10. Risk Management

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

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

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The City's general liability, physical property and workers compensation risks are transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. The portion of the reserves to which the City has access is reported as Deposits with Insurance Pool.

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

Claims Liability Analysis:

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

For the risk management health activity reported in the General fund, changes in the estimated claims liability for the City from July 1, 2012, to June 30, 2015, are as follows:

Claims Liability, June 30, 2012	\$ 67,400
Claims incurred and changes in estimates	1,193,825
Claims paid	<u>(1,194,001)</u>
Claims Liability, June 30, 2013	\$ 67,224
Claims incurred and changes in estimates	1,333,589
Claims paid	<u>(1,334,859)</u>
Claims Liability, June 30, 2014	\$ 65,954
Claims incurred and changes in estimates	1,460,551
Claims paid	<u>(1,466,599)</u>
Claims Liability, June 30, 2015	<u><u>\$ 59,906</u></u>

11. Contingencies

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

12. Pension Plan Participation

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

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

Firefighters' Plan:

Plan description- The City of Okmulgee, as the employer, participates in the Firefighters Pension & Retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & 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 www.ok.gov/fprs.

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 complete 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 complete 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-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-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.

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Contributions- The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent 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 \$140,257. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$338,404 (modified-accrual); these on-behalf payments did not meet the criteria of a special funding situation. For full-accrual reporting the amount of on-behalf payments made were \$291,150.

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 liability of \$3,763,940 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 liability 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 0.3660%.

For the year ended June 30, 2015, the City recognized pension expense of \$338,052. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,681	\$ -
Net difference between projected and actual earnings on pension plan investments		569,758
City contributions subsequent to the measurement date	140,257	-
Total	\$ 229,938	\$ 569,758

The \$140,257 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (125,739)
2017	(125,739)
2018	(125,739)
2019	(125,739)
2020	16,700
Thereafter	6,179
	\$ (480,077)

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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 healthy 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 weighting 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>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:

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	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 4,914,912	\$ 3,763,940	\$ 2,798,978

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 at www.ok.gov/fprs .

Police Plan:

Plan description- The City of Okmulgee, 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 www.ok.gov/OPPRS.

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 service, 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 participants’ 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 no 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.

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Contributions- The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent 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 \$115,234. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$110,583 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$91,230. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Asset/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 \$98,045 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 this information, the City's proportion was 0.2912%.

For the year ended June 30, 2015, the City recognized pension expense of \$35,937. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 44,049
Net difference between projected and actual earnings on pension plan investments	-	344,612
City contributions subsequent to the measurement date	115,234	-
Total	\$ 115,234	\$ 388,661

The \$115,234 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ 95,272
2016	95,272
2017	95,272
2018	95,272
2019	7,573
	\$ 388,661

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:

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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:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.</p> <p>Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.</p>

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 weighting 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

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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 Asset/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 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 583,345	\$ (98,054)	\$ (672,302)

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 OPPRS; which can be located at www.ok.gov/OPPRS.

Employee Plans:

Defined Benefit Plan:

Plan Description- The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies- For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/14 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.

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b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-2.625% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 10 Years of Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Employees Covered by Benefit Terms

Active Employees	86
Deferred Vested Former Employees	44
Retirees or Retiree Beneficiaries	<u>15</u>
Total	<u>145</u>

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Contribution Requirements- The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 11.46% of covered payroll as of 7-1-14. For the year ended June 30, 2015, the City recognized \$307,020 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$2,679,058. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2014
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Post Retirement Cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1 st based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%.
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

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Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2014 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
TOTAL	100%		5%

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Changes in Net Pension Asset/Liability– The total pension liability was determined based on an actuarial valuation performed as of July 1, 2014 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2014 and the City’s report ending date of June 30, 2015, that would have had a significant impact on the net pension asset/liability. The following table reports the components of changes in net pension asset/liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balances Beginning of Year	\$ 12,063,880	\$ 12,419,052	\$ (355,172)
Changes for the Year:			
Service cost	247,470	-	247,470
Interest expense	937,098	-	937,098
Contributions--City	-	315,468	(315,468)
Net investment income	-	2,036,434	(2,036,434)
Benefits paid	(447,884)	(447,884)	-
Plan administrative expenses	-	(30,131)	30,131
Net Changes	736,684	1,873,887	(1,137,203)
Balances End of Year	\$ 12,800,564	\$ 14,292,939	\$ (1,492,375)

Sensitivity of the net pension liability (asset) to changes in the discount rate- The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability (Asset)	\$ 367,617	\$(1,492,375)	\$(3,014,892)

The City reported \$97,882 in pension expense for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 919,617
City contributions subsequent to the measurement date	307,020	-
Total	\$ 307,020	\$ 919,617

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Amortization of Pension Deferrals - Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2016	\$(229,904)
2017	(229,904)
2018	(229,904)
2019	(229,905)
	<u>\$(919,617)</u>

OKMRF Defined Contribution Plan:

The City has also provided a defined contribution plan and trust known as the City of Okmulgee Plan and Trust (the “Plan”) in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OKMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by JP Morgan Chase Bank. The defined contribution plan is available to all full-time employees who are not already participating in another plan. According to City Ordinance, the employee must contribute to the Plan 5% of their gross wages. The City, as employer, contributes, per ordinance, a variable amount based on budget. This fiscal year the employer contributed 0% of pay to this plan. If an employee terminates before becoming fully vested, the employer’s contributions that are forfeited are allocated to the remaining employees. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2015, the City contributed \$0 to the plan, while the employee contributions totaled \$134,619.

The City also participates in a City Manager Plan. This plan was amended on June 1, 2014 to require the City to contribute 10% and the city manager contributes 7% of gross wages to the plan. For the year ended June 30, 2015, the City contributed \$7,952 to the plan, while the city manager contributions totaled \$7,952.

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

Summary of Contributions – Defined Contribution Plan:

For the year ended June 30, 2015, the following amounts related to the defined contribution plan:

	2015	2014	2013
Employee contributions made	\$ 134,619	\$ 139,179	\$ 147,691
Employer (City) contributions made	\$ 7,952	\$ 450	\$ -

13. Use of Estimates

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

14. New Accounting Pronouncements

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

Statement No. 72, *Fair Value Measurement and Application* – GASB No. 72 was issued in February 2015, and addresses issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement is effective for financial statements for period beginning after June 15, 2015. At this time the impact to the city is unknown.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – GASB No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City has not yet determined the impact that implementation of GASB 73 will have on its net position.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - GASB No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City has not yet determined the impact that implementation of GASB 74 will have on its net position.

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Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* – GASB No. 76 was issued in June 2015, and was issued to identify the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City has not yet determined the impact that implementation of GASB 76 will have on its net position.

GASB Statement No. 77, *Tax Abatement Disclosures* - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City has not yet determined the impact that implementation of GASB 77 will have on its net position.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 1,328,102	\$ 8,043,486	\$ 8,043,486	\$ -
Resources (Inflows):				
TAXES:				
Sales tax	6,120,000	6,120,000	6,047,710	(72,290)
Use tax	170,000	170,000	168,312	(1,688)
Franchise tax	400,000	400,000	406,438	6,438
Hotel/Motel tax	100,000	100,000	90,708	(9,292)
Total Taxes	<u>6,790,000</u>	<u>6,790,000</u>	<u>6,713,168</u>	<u>(76,832)</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	70,000	70,000	70,819	819
Gas excise tax	23,000	23,000	22,979	(21)
Commercial vehicle tax	90,000	90,000	93,844	3,844
Cigarette/tobacco tax	75,000	75,000	71,071	(3,929)
Grants	773,836	773,836	372,129	(401,707)
Total Intergovernmental	<u>1,031,836</u>	<u>1,031,836</u>	<u>630,842</u>	<u>(400,994)</u>
LICENSES AND PERMITS:	<u>52,100</u>	<u>52,100</u>	<u>60,778</u>	<u>8,678</u>
FINES AND FORFEITURES:	<u>439,000</u>	<u>439,000</u>	<u>343,442</u>	<u>(95,558)</u>
CHARGES FOR SERVICES:				
Lake fees	6,100	6,100	6,135	35
Weed abatements	35,000	35,000	55,373	20,373
False alarm fee	1,500	1,500	-	(1,500)
Nutrition center rent	1,800	1,800	1,800	-
Insufficient check charge fees	2,000	2,000	2,799	799
Police department service fees	6,000	6,000	8,538	2,538
Fire subscriptions	10,000	10,000	7,930	(2,070)
Shelter fees	1,000	1,000	1,650	650
Library fees	14,000	14,000	16,564	2,564
Total Charges for Services	<u>77,400</u>	<u>77,400</u>	<u>100,789</u>	<u>23,389</u>
INVESTMENT INCOME:	<u>20,000</u>	<u>20,000</u>	<u>19,640</u>	<u>(360)</u>
MISCELLANEOUS:				
Seized property	40,000	40,000	567	(39,433)
Stop loss refunds	50,000	50,000	22,789	(27,211)
Miscellaneous	154,300	154,300	254,039	99,739
Total Miscellaneous	<u>244,300</u>	<u>244,300</u>	<u>277,395</u>	<u>33,095</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,200,000</u>	<u>200,000</u>
Total Resources (Inflows)	<u>9,654,636</u>	<u>9,654,636</u>	<u>9,346,054</u>	<u>(308,582)</u>
Amounts available for appropriation	<u>10,982,738</u>	<u>17,698,122</u>	<u>17,389,540</u>	<u>(308,582)</u>
Charges to Appropriations (Outflows):				
<i>General Government:</i>				
City Administration	322,626	322,626	286,048	36,578
General Government	1,376,824	1,389,777	816,580	573,197
Finance	227,360	227,703	206,545	21,158
Central Repair	143,422	143,422	117,176	26,246
Property Maintenance	908,247	909,080	705,175	203,905
Technology Services	306,606	306,852	280,415	26,437
<i>Public Safety and Judiciary:</i>				
Police	2,339,162	2,384,736	1,877,339	507,397
Fire	1,951,535	2,001,229	1,682,507	318,722
Legal and Municipal Court	194,410	194,410	154,843	39,567
<i>Culture and Recreation:</i>				
Library	633,887	642,213	416,124	226,089
Historic Preservation	1,000	1,000	-	1,000
<i>Community:</i>				
Community Development	469,408	469,503	339,583	129,920
Transfers to Other Funds	2,108,251	2,108,251	5,326,534	(3,218,283)
Total Charges to Appropriations	<u>10,982,738</u>	<u>11,100,802</u>	<u>12,208,869</u>	<u>(1,108,067)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 6,597,320</u>	<u>\$ 5,180,671</u>	<u>\$ (1,416,649)</u>

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported using the modified accrual basis of accounting, with the exception of on-behalf payments.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within departments require the approval of the City Manager. All other transfers require the approval of the City Council. All supplemental appropriations require the approval of the City Council and are to be filed with the Office of the State Auditor and Inspector.

3. The General Fund budgetary comparison differs from the modified cash basis Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

	Revenues, Expenditures and Changes in Fund Balance	On-Behalf Payments Made by State	Reclass of Dedicated Sales Tax	Per Budgetary Comparison Schedule
General Fund:				
Total Revenues	\$ 7,088,948	\$ (448,987)	\$ 1,506,093	\$ 8,146,054
Transfers In	1,200,000	-	-	1,200,000
Total Revenues and Other Financing Sources	8,288,948	(448,987)	1,506,093	9,346,054
Total Expenditures	7,331,322	(448,987)	-	6,882,335
Transfers Out	3,820,441	-	1,506,093	5,326,534
Total Expenditures and Other Financing Uses	11,151,763	(448,987)	1,506,093	12,208,869
Net Change in Fund Balance	\$ (2,862,815)	\$ -	\$ -	\$ (2,862,815)

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**SCHEDULE OF THE CITY OF OKMULGEE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

	2015
City's proportion of the net pension liability	0.366018%
City's proportionate share of the net pension liability	\$ 3,763,940
City's covered-employee payroll	\$ 994,004
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	379%
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 6/30

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 & RETIREMENT SYSTEM
Last 10 Fiscal Years**

	2015
Statutorily required contribution	\$ 140,257
Contributions in relation to the statutorily required contribution	140,257
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 1,001,836
Contributions as a percentage of covered-employee payroll	14.00%

Notes to Schedule:

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

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Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY OF OKMULGEE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**

Last 10 Fiscal Years*

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.2912%
City's proportionate share of the net pension liability (asset)	\$ (98,054)
City's covered-employee payroll	\$ 843,031
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.63%
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 6/30

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 & RETIREMENT SYSTEM**

Last 10 Fiscal Years

	<u>2015</u>
Statutorily required contribution	\$ 115,234
Contributions in relation to the statutorily required contribution	<u>115,234</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 823,100
Contributions as a percentage of covered-employee payroll	14.00%

Notes to Schedule:

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

CITY OF OKMULGEE, OKLAHOMA
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Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios	Last Fiscal Year
	2015
Total pension liability	
Service cost	\$ 247,470
Interest	937,098
Benefit payments, including refunds of member contributions	(447,884)
Net change in total pension liability	736,684
Total pension liability - beginning	12,063,880
Total pension liability - ending (a)	\$ 12,800,564
Plan fiduciary net position	
Contributions - employer	\$ 315,468
Net investment income	2,036,434
Benefit payments, including refunds of member contributions	(447,884)
Administrative expense	(30,131)
Net change in plan fiduciary net position	1,873,887
Plan fiduciary net position - beginning	12,419,052
Plan fiduciary net position - ending (b)	\$ 14,292,939
Net pension liability (asset) - ending (a) - (b)	\$ (1,492,375)
Plan fiduciary net position as a percentage of the total pension liability	111.66%
Covered employee payroll	\$ 2,679,058
Net pension liability (asset) as a percentage of covered-employee payroll	55.71%

Notes to Schedule:

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

**CITY OF OKMULGEE, OKLAHOMA
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**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Fiscal Year
	2015
Actuarially determined contribution	\$ 307,020
Contributions in relation to the actuarially determined contribution	307,020
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 2,679,058
Contributions as a percentage of covered-employee payroll	11.46%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2014
3. Actuarially determined contribution rate is calculated as of July 1, 2013 and July 1, 2014
FY13-14 contributions were at a rate of 9.28%.
FY14-15 contributions were at a rate of 9.26%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 29 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.50%

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OTHER SUPPLEMENTARY INFORMATION

**CITY OF OKMULGEE, OKLAHOMA
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Schedule of Expenditures of Federal and State Awards – For year ended June 30, 2015

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Aeronautics Commission:				
Airport Grant	20.106	3-40-0074-020-2014	\$ 76,946	\$ 66,173
Airport Grant	20.106	3-40-0074-021-2015	149,982	16,506
			<u>226,928</u>	<u>82,679</u>
Passed through Oklahoma Department of Transportation:				
Federal Aid Railroad Safety Project	20.301	DOT #671-866M	184,608	-
Total U.S. Department of Transportation			<u>411,536</u>	<u>82,679</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce:				
Community Development Block Grant - Waterline Replacement	14.228	15605 CDBG 96	350,000	350,000
Total U.S. Department of Housing and Urban Development			<u>350,000</u>	<u>350,000</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITIES:</u>				
FEMA Disaster Assistance	97.036	PA-4117 PW686 B40(39)	25,312	25,312
Total U.S. Department of Homeland Securities			<u>25,312</u>	<u>25,312</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through the Oklahoma District Attorney's Council:				
Justice Assistance Grant	16.738	JAG-LLE 2014	9,093	9,093
Total U.S. Department of Justice			<u>9,093</u>	<u>9,093</u>
TOTAL FEDERAL AWARDS			<u>\$ 795,941</u>	<u>\$ 467,084</u>
STATE AWARDS:				
Oklahoma Department of Libraries:				
State Aid	N/A	N/A	\$ 13,036	\$ 13,036
Oklahoma Department of Emergency Management:				
Disaster Assistance - State Aid	N/A	PA-4117 PW686 B40(39)	4,219	4,219
TOTAL STATE AWARDS			<u>\$ 17,255</u>	<u>\$ 17,255</u>

**CITY OF OKMULGEE, OKLAHOMA
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INTERNAL CONTROL AND COMPLIANCE INFORMATION

**CITY OF OKMULGEE, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Okmulgee, Oklahoma (the "City"), 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, and have issued our report thereon dated February 9, 2016. Our report on the governmental activities, the business-type activities, the discretely presented component unit, and each major proprietary fund of the City was qualified because prior year records concerning its property and equipment and the related accumulated depreciation are not adequate. Except as described in the preceding sentence, 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's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arlidge & Associates, P.C.

February 9, 2016