

THE CITY OF PIEDMONT, OKLAHOMA

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

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

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

TABLE OF CONTENTS

	Page
Independent Auditor’s Report on Financial Statements	5-6
Management’s Discussion and Analysis	7-13
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Governmental Funds Financial Statements:	
Balance Sheet	18
Statement of Revenues, Expenditures and Changes in Fund Balances.....	19
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	20
Proprietary Funds Financial Statements:	
Statement of Net Position.....	22
Statement of Revenues, Expenses, and Changes in Net Position.....	23
Statement of Cash Flows.....	24
Footnotes to the Basic Financial Statements	26-53
Required Supplementary Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....	55
Budgetary Comparison Schedule (Budgetary Basis) – Street and Alley Fund.....	56
Footnotes to Budgetary Comparison Schedule.....	57
Schedules of Required Supplementary Information – Oklahoma Firefighter’s Pension & Retirement System.....	58
Schedules of Required Supplementary Information – Oklahoma Police Pension & Retirement System.....	59
Schedules of Required Supplementary Information – Oklahoma Municipal Retirement Fund.....	60-61
Supplementary Information:	
Nonmajor Governmental Combining Statements	
Combining Balance Sheet – Nonmajor Governmental Funds.....	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	64
Schedule of Expenditures of Federal and State Awards	
Schedule of Expenditures of Federal and State Awards.....	65
Footnotes to Schedule of Expenditures of Federal and State Awards.....	65
Schedule of Debt Service Coverage Requirements	66

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

TABLE OF CONTENTS

	Page
Internal Control and Compliance Information	
Independent Auditor's Report on Internal Control and Compliance Over Financial Reporting in Accordance with Government Auditing Standards.....	69



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Piedmont, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan schedules, 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 of Piedmont, Oklahoma's basic financial statements. The nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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



Oklahoma City, Oklahoma
February 9, 2016

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

As Management of the City of Piedmont, we offer readers this narrative overview and analysis of the financial activities of the City of Piedmont for the fiscal year ended June 30, 2015. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$2,037,911 and the assets and deferred outflows of the City continued to exceed its liabilities and deferred inflows at June 30, 2015, by \$13,140,606 (net position). Of this amount, \$2,377,758 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$2,837,620. Of that amount \$823,795 is available for spending at the government's discretion (unassigned fund balance) of the General Fund.
- At the end of fiscal year 2015, unassigned fund balance for the General Fund was \$823,795 or 35% of General Fund total revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Piedmont (the "City") and the Piedmont Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of two categories of activities: governmental and business-type.

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. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure), along with deferred outflows, as well as all liabilities (including long-term debt) and deferred inflows.

Reporting the City as a Whole - Statements of Net Position and Activities

This discussion and analysis is intended to serve as an introduction to the City of Piedmont's basic financial statements. 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.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

These two statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets plus deferred outflows, less 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 are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial 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 of the City.

The Statement of Net Position and the Statement of Activities are divided into two types 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 grants finance most of these activities.
- *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

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

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of Piedmont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the City of Piedmont can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". 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. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer and sanitation services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Notes to the Financial Statements

The notes provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-54 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund and the Street and Alley Fund, combining fund financial statements and schedules, and debt service coverage schedule.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets and deferred outflows exceeded liabilities and deferred inflows by \$13,140,606 at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014 *		2015	2014 *		2015	2014 *	
Assets:									
Current assets	\$ 3,265	\$ 3,275	0%	\$ 486	\$ 200	143%	\$ 3,751	\$ 3,475	8%
Capital assets, net	6,533	5,167	26%	10,021	10,217	-2%	16,554	15,384	8%
Other non-current assets	35	-	-	181	176	3%	216	176	23%
Total assets	9,833	8,442	16%	10,688	10,593	1%	20,521	19,035	8%
Deferred outflows of resources:									
Deferred amounts related to pension	105	-	100%	24	-	100%	129	-	100%
Liabilities:									
Current liabilities	144	123	17%	872	816	7%	1,016	939	8%
Non-current liabilities	757	181	318%	5,513	6,093	-10%	6,270	6,274	0%
Total liabilities	901	304	196%	6,385	6,909	-8%	7,286	7,213	1%
Deferred inflows of resources:									
Deferred amounts related to pension	224	-	100%	-	-	-	224	-	100%
Net position:									
Net investment in capital assets	6,424	5,033	28%	3,928	3,587	10%	10,352	8,620	20%
Restricted	385	1,323	-71%	26	26	-	411	1,349	-70%
Unrestricted	2,004	1,782	12%	373	71	425%	2,377	1,853	28%
Total net position	\$ 8,813	\$ 8,138	8%	\$ 4,327	\$ 3,684	17%	\$ 13,140	\$ 11,822	11%

* 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 used to acquire those assets that are still outstanding. This year, the net investment in capital assets amounted to approximately \$10.3 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 these liabilities.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

The governmental activities had a decrease in current assets of approximately \$10,000 while non-current had an increase of approximately \$1,401,000 due primarily of capital assets additions of \$1.7 million and depreciation expense of approximately \$344,000

A portion of the City's net position, approximately \$411,000, represents resources that are subject to internal and external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2.4 million, may be used to meet the government's ongoing obligations to citizens and creditors. The City's business-type activities had \$373,366 of unrestricted net position.

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 Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014 *		2015	2014 *		2015	2014 *	
Revenues									
Charges for service	\$ 768	\$ 580	32%	\$ 2,672	\$ 2,520	6%	\$ 3,440	\$ 3,100	11%
Operating grants and contributions	197	328	-40%	-	-	-	197	328	-40%
Capital grants and contributions	187	-	100%	-	-	-	187	-	100%
Taxes	2,138	2,066	3%	-	-	-	2,138	2,066	3%
Intergovernmental revenue	42	45	-7%	3	10	-70%	45	55	-18%
Investment income	1	1	-	1	-	100%	2	1	-
Miscellaneous	986	397	148%	204	187	9%	1,190	584	104%
Total revenues	4,319	3,417	26%	2,880	2,717	6%	7,199	6,134	17%
Expenses									
General government	915	830	10%	-	-	-	915	830	10%
Public safety	1,483	1,410	5%	-	-	-	1,483	1,410	5%
Streets	329	315	4%	-	-	-	329	315	4%
Community development	149	148	1%	-	-	-	149	148	1%
Culture, parks and recreation	126	123	2%	-	-	-	126	123	2%
Interest on long-term debt	1	1	0%	-	-	-	1	1	0%
Water	-	-	-	1,246	1,340	-7%	1,246	1,340	-7%
Wastewater	-	-	-	316	331	-5%	316	331	-5%
Sanitation	-	-	-	590	603	-2%	590	603	-2%
Governmental interest	-	-	-	6	9	-33%	6	9	-33%
Total expenses	3,003	2,827	6%	2,158	2,283	-5%	5,161	5,110	1%
Excess (deficiency) before transfers	1,316	590	123%	722	434	66%	2,038	1,024	99%
Gain on disposal of assets	-	-	-	-	11	-	-	11	-100%
Transfers	96	208	-54%	(96)	(208)	54%	-	-	-
Increase in net position	\$ 1,412	\$ 798	77%	\$ 626	\$ 237	-164%	\$ 2,038	\$ 1,035	97%

* prior year amounts not restated for MD&A purposes

The increase in governmental miscellaneous revenue is due the City receiving a payment of \$500,000 from Apex Clean Energy Holdings to install windmills.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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.

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

	Total Expense		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	2015	2014 *		2015	2014 *	
General government	\$915	\$830	10%	(\$690)	(\$645)	7%
Public safety	1,483	1,410	5%	(841)	(906)	-7%
Streets	329	315	4%	(81)	(246)	-67%
Community Development	149	148	1%	(149)	(51)	192%
Culture, parks and recreation	126	123	2%	(89)	(70)	27%
Interest on long-term debt	1	1	0%	(1)	(1)	0%
Total	\$3,003	\$2,827	6%	(\$1,851)	(\$1,919)	-4%

* prior year amounts not restated for MD&A purposes

Business-type Activities

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

	Total Expense		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	2015	2014 *		2015	2014 *	
Water	\$ 1,246	\$ 1,340	-7%	\$ 309	\$ 112	176%
Wastewater	316	331	-5%	(56)	(77)	-27%
Sanitation	590	603	-2%	267	210	27%
Governmental Interest	6	9	-33%	(6)	(9)	-33%
Total	\$ 2,158	\$ 2,283	-5%	\$ 514	\$ 236	118%

* prior year amounts not restated for MD&A purposes

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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 approximately \$2.8 million, or a 8.2% decrease from the prior year. The enterprise fund reported net position of approximately \$4.3 million, or a 17% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2015, the General Fund's total fund balance increased by \$194,767, or 22.5%, while the Capital Improvement's total fund balance increased by \$96,848 or 9.6%.
- The Piedmont Municipal Authority reported an increase in net position, after transfers, of \$626,054 for the year.

General Fund Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual revenues over final estimates by \$11,805 or a 0.5% positive variance. General Fund actual expenditures were under final appropriations by \$182,962 or a 7.7% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had approximately \$16.5 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of approximately \$1.2 million from last year.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2015	2014 *	2015	2014 *	2015	2014 *
Land	\$ 58	\$ 58	\$ 790	\$ 791	\$ 848	\$ 849
Buildings and Improvements	2,256	2,315	1	2	2,257	2,317
Machinery, furniture and equipment	764	826	43	57	807	883
Infrastructure	3,455	1,943	9,117	9,334	12,572	11,277
Intangible water rights	-	-	33	33	33	33
Construction in progress	-	25	37	-	37	25
Totals	\$ 6,533	\$ 5,167	\$ 10,021	\$ 10,217	\$ 16,554	\$ 15,384

* prior year amounts not restated for MD&A purposes

Major capital asset additions include:

Road repairs	\$1,615,103
Fire Department Storm warning siren	\$20,950
Police Department Tahoes	\$39,600

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Long-Term Debt

At year-end, the City had \$6,328,269 in long-term debt outstanding, which represents a \$560,953 decrease from the prior year.

TABLE 6
Primary Government Long-Term Debt
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	2015	2014 *	2015	2014 *	2015	2014 *	2014-2015
Accrued absences	\$ 117	\$ 82	\$ 47	\$ 43	\$ 164	\$ 125	31%
Notes payable	100	115	5,968	6,508	6,068	6,623	-8%
Capital leases	8	19	88	123	96	142	-32%
Totals	\$ 225	\$ 216	\$ 6,103	\$ 6,674	\$ 6,328	\$ 6,890	-8%

* prior year amounts not restated for MD&A purposes

The Upcoming Year

- The City will continue to move forward with needed road improvements.
- They are also going to purpose a new bond issue for roads and a splash pad.

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 City Clerk's Office at 314 Edmond Rd NW, Piedmont Oklahoma 73078 or phone at (405) 373-2621.

(Unaudited. See accompanying auditor's report.)

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

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

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

Statement of Net Position– June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 274,412	\$ 328,714	\$ 603,126
Restricted cash and equivalents	1,974,386	26,090	2,000,476
Receivables:			
Accounts receivable, net of allowance	-	326,166	326,166
Due from other governments	566,785	-	566,785
Court fine receivable, net	171,974	-	171,974
Notes receivable	83,589	-	83,589
Internal Balances	194,312	(194,312)	-
Total current assets	<u>3,265,458</u>	<u>486,658</u>	<u>3,752,116</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	181,239	181,239
Net pension asset	34,988	-	34,988
Capital Assets:			
Land, improvements and construction in progress	58,273	860,688	918,961
Other capital assets, net of depreciation	6,474,395	9,159,901	15,634,296
Total noncurrent assets	<u>6,567,656</u>	<u>10,201,828</u>	<u>16,769,484</u>
Total assets	<u>9,833,114</u>	<u>10,688,486</u>	<u>20,521,600</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pension	104,754	24,167	128,921
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	89,848	91,577	181,425
Accrued interest	-	8,533	8,533
Due to other governmental agencies	2,675	-	2,675
Due to depositors	14,615	181,239	195,854
Long-term liabilities:			
Due within one year:			
Notes payable	16,163	552,236	568,399
Capital leases payable	8,292	33,914	42,206
Compensated absences	11,693	4,713	16,406
Total current liabilities	<u>143,286</u>	<u>872,212</u>	<u>1,015,498</u>
Non-current Liabilities:			
Due in more than one year:			
Notes payable	83,878	5,415,291	5,499,169
Capital leases payable	-	54,441	54,441
Net pension liability	567,801	851	568,652
Compensated absences	105,234	42,412	147,646
Total noncurrent liabilities	<u>756,913</u>	<u>5,512,995</u>	<u>6,269,908</u>
Total liabilities	<u>900,199</u>	<u>6,385,207</u>	<u>7,285,406</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pension	224,509	-	224,509
NET POSITION			
Net investment in capital assets	6,424,335	3,927,990	10,352,325
Restricted by:			
External groups and contracts	293,813	26,090	319,903
Enabling legislation	90,620	-	90,620
Unrestricted	2,004,392	373,366	2,377,758
Total net position	<u>\$ 8,813,160</u>	<u>\$ 4,327,446</u>	<u>\$ 13,140,606</u>

See accompanying notes to the financial statements.

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

Statement of Activities – For the Year Ended June 30, 2015

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities	Total
Primary government						
Governmental Activities						
General Government	\$ 914,534	\$ 224,994	\$ -	\$ -	\$ -	\$ (689,540)
Public Safety	1,482,684	540,710	100,563	-	-	(841,411)
Highways and Streets	329,441	-	60,984	186,947	-	(81,510)
Community Development	149,293	-	-	-	-	(149,293)
Culture and Recreation	126,444	1,836	35,609	-	-	(88,999)
Interest on Long-term debt	676	-	-	-	-	(676)
Total governmental activities	<u>3,003,072</u>	<u>767,540</u>	<u>197,156</u>	<u>186,947</u>	<u>(1,851,429)</u>	<u>(1,851,429)</u>
Business-type activities:						
Water	1,246,117	1,555,571	-	-	309,454	309,454
Sewer	315,708	259,234	-	-	(56,474)	(56,474)
Sanitation	589,678	856,866	-	-	267,188	267,188
Governmental Interest	5,808	-	-	-	(5,808)	(5,808)
Total business-type activities	<u>2,157,311</u>	<u>2,671,671</u>	<u>-</u>	<u>-</u>	<u>514,360</u>	<u>514,360</u>
Total primary government	<u>\$ 5,160,383</u>	<u>\$ 3,439,211</u>	<u>\$ 197,156</u>	<u>\$ 186,947</u>	<u>\$ (1,851,429)</u>	<u>\$ (1,337,069)</u>
General revenues:						
Taxes:						
Sales and use taxes				\$ 1,865,584	\$ -	\$ 1,865,584
Franchise taxes				272,548	-	272,548
Grants and contributions not restricted to specific programs				41,533	2,851	44,384
Unrestricted investment earnings				1,129	692	1,821
Miscellaneous				986,023	204,620	1,190,643
Transfers				96,469	(96,469)	-
Total general revenues and transfers				<u>3,263,286</u>	<u>111,694</u>	<u>3,374,980</u>
Change in net position				1,411,857	626,054	2,037,911
Net position - beginning (restated)				7,401,303	3,701,392	11,102,695
Net position - ending				<u>\$ 8,813,160</u>	<u>\$ 4,327,446</u>	<u>\$ 13,140,606</u>

See accompanying notes to the financial statements.

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

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF PIEDMONT, 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>Capital Improvement</u>	<u>Street and Alley</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 561,838	\$ 1,135,337	\$ 346,311	\$ 205,312	\$ 2,248,798
Due from other funds	257,551	-	-	19,968	277,519
Court fines receivable	171,974	-	-	-	171,974
Due from other governments	291,359	228,131	6,111	41,184	566,785
Notes receivable	-	-	-	83,589	83,589
Total assets	<u>1,282,722</u>	<u>1,363,468</u>	<u>352,422</u>	<u>350,053</u>	<u>3,348,665</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	54,215	-	11,952	5,925	72,092
Due to other funds	-	72,024	10,117	1,066	83,207
Deposits held for others	17,756	-	-	-	17,756
Other payables	2,675	-	-	-	2,675
Total liabilities	<u>74,646</u>	<u>72,024</u>	<u>22,069</u>	<u>6,991</u>	<u>175,730</u>
Deferred Inflows of resources:					
Deferred revenue	<u>148,368</u>	<u>186,947</u>	<u>-</u>	<u>-</u>	<u>335,315</u>
Fund balances:					
Restricted for:					
Capital Projects	-	804,589	-	-	804,589
Fire	-	-	-	214,247	214,247
USDA Revolving Loan	-	-	-	98,418	98,418
Economic Development	-	-	-	896	896
Municipal Court	124,785	-	-	-	124,785
Capital Projects and Debt related to water, wastewater, and roadways	90,620	-	-	-	90,620
Assigned to:					
Streets	-	-	330,353	-	330,353
Capital Projects	-	299,908	-	-	299,908
Fire	-	-	-	29,501	29,501
Municipal Court	20,508	-	-	-	20,508
Unassigned	823,795	-	-	-	823,795
Total fund balances	<u>1,059,708</u>	<u>1,104,497</u>	<u>330,353</u>	<u>343,062</u>	<u>2,837,620</u>
Total liabilities, deferred outflows and fund balances	<u>\$ 1,282,722</u>	<u>\$ 1,363,468</u>	<u>\$ 352,422</u>	<u>\$ 350,053</u>	<u>\$ 3,348,665</u>

See accompanying notes to the financial statements

CITY OF PIEDMONT, 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>Capital Improvement</u>	<u>Street and Alley</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,461,765	\$ 348,403	\$ -	\$ 348,403	\$ 2,158,571
Fines and forfeitures	503,488	-	-	-	503,488
Licenses and permits	224,873	-	-	-	224,873
Intergovernmental	69,900	-	60,984	50,929	181,813
Charges for services	3,356	-	-	-	3,356
Investment earnings	361	448	222	98	1,129
Miscellaneous	92,220	500,000	437,472	3,659	1,033,351
Total revenues	<u>2,355,963</u>	<u>848,851</u>	<u>498,678</u>	<u>403,089</u>	<u>4,106,581</u>
EXPENDITURES					
Current:					
General government	338,721	169,242	-	149,293	657,256
Administrative	348,022	-	-	-	348,022
Police	881,577	-	-	-	881,577
Municipal court	112,704	-	-	-	112,704
Emergency management	3,754	-	-	-	3,754
Community development	170,468	-	-	-	170,468
Fire	-	-	-	367,812	367,812
Library	105,556	-	-	-	105,556
Streets	-	15,400	197,075	-	212,475
Parks	2,673	-	-	-	2,673
Debt Service:					
Principal	-	10,458	-	15,331	25,789
Interest and other charges	-	676	-	4,907	5,583
Capital Outlay	40,179	221,997	1,259,622	9,370	1,531,168
Total Expenditures	<u>2,003,654</u>	<u>417,773</u>	<u>1,456,697</u>	<u>546,713</u>	<u>4,424,837</u>
Excess (deficiency) of revenues over expenditures	<u>352,309</u>	<u>431,078</u>	<u>(958,019)</u>	<u>(143,624)</u>	<u>(318,256)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,120,284	349,895	408,187	149,293	2,027,659
Transfers out	(1,277,826)	(684,095)	-	-	(1,961,921)
Total other financing sources and uses	<u>(157,542)</u>	<u>(334,200)</u>	<u>408,187</u>	<u>149,293</u>	<u>65,738</u>
Net change in fund balances	194,767	96,878	(549,832)	5,669	(252,518)
Fund balances - beginning	864,941	1,007,619	880,185	337,393	3,090,138
Fund balances - ending	<u>\$ 1,059,708</u>	<u>\$ 1,104,497</u>	<u>\$ 330,353</u>	<u>\$ 343,062</u>	<u>\$ 2,837,620</u>

See accompanying notes to the financial statements

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

Reconciliation of Governmental Fund and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	2,837,620
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,927,896		6,532,668
Certain long-term assets are not available to pay for current fund liabilities and they therefore, are either deferred or not reported in the funds:		
Net pension asset		34,988
Pension related deferred outflows		104,754
Deferred revenue		320,700
Certain long-term liabilities are not due and payable from current financial resources and they therefore, along with deferred inflows are not reported in the funds:		
Net pension liability		(567,801)
Pension related deferred inflows		(224,509)
Capital leases payable		(8,292)
Notes payable		(100,041)
Accrued compensated absences		(116,927)
		(1,017,570)
Net Position of Governmental Activities in the Statement of Net Position	\$	8,813,160

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	(252,518)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets		
Capital asset purchases capitalized		1,709,946
Depreciation expense		(344,295)
In the 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.		84,060
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in deferred revenue		224,290
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Principal paid on debt		25,789
Change in accrued compensated absences		(35,415)
		(9,626)
Change in net position of governmental activities	\$	1,411,857

See accompanying notes to the financial statements

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

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

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

Proprietary Fund Statement of Net Position – June 30, 2015

	<u>Piedmont Municipal Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 328,714
Restricted cash and cash equivalents	26,090
Accounts receivable, net	326,166
Total current assets	<u>680,970</u>
Non-current assets:	
Restricted cash and cash equivalents	181,239
Capital assets:	
Land and improvements	860,688
Other capital assets, net of depreciation	9,159,901
Total non-current assets	<u>10,201,828</u>
Total assets	<u>10,882,798</u>
 DEFERRED OUTFLOW OF RESOURCES	
Deferred amounts related to pension	24,167
 LIABILITIES	
Current liabilities:	
Accounts payable	91,577
Accrued interest payable	8,533
Due to other funds	194,312
Due to depositors	181,239
Compensated absences	4,713
Capital lease obligation	33,914
Notes payable	552,236
Total current liabilities	<u>1,066,524</u>
Non-current liabilities:	
Compensated absences	42,412
Net pension liability	851
Capital lease obligation	54,441
Notes payable	5,415,291
Total non-current liabilities	<u>5,512,995</u>
Total liabilities	<u>6,579,519</u>
 NET POSITION	
Net investment in capital assets	3,927,990
Restricted for debt service	26,090
Unrestricted	373,366
Total net position	<u>\$ 4,327,446</u>

See accompanying notes to the financial statements

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

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

	Piedmont Municipal Authority
REVENUES	
Charges for services:	
Water charges	\$ 1,515,604
Sewer charges	252,574
Sanitation charges	834,851
Penalties	54,540
Miscellaneous	14,102
Total operating revenues	2,671,671
 OPERATING EXPENSES	
Administrative	343,014
Public works	1,457,987
Depreciation	233,158
Total operating expenses	2,034,159
Operating income	637,512
 NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	692
Miscellaneous revenue	204,620
Operating grants and contributions	2,851
Interest expense	(123,152)
Total non-operating revenue (expenses)	85,011
Income before transfers	722,523
Transfers in	1,453,428
Transfers out	(1,549,897)
Change in net position	626,054
Total net position - beginning (restated)	3,701,392
Total net position - ending	\$ 4,327,446

See accompanying notes to the financial statements

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

Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2015

	<u>Piedmont Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,642,855
Payments to suppliers	(1,148,594)
Payments to employees	(608,497)
Receipt of customer deposits	21,740
Customer meter deposits refunded or applied	(16,825)
Receipts from other funds	(35,410)
Net Cash Provided by Operating Activities	<u>855,269</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	1,453,428
Transfers to other funds	(1,549,897)
Miscellaneous revenues	204,620
Grant funding from federal government	2,851
Net Cash Provided by Noncapital Financing Activities	<u>111,002</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(36,717)
Principal paid on capital debt	(574,305)
Interest and fiscal charges paid on capital debt	(128,680)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(739,702)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	692
Net Cash Provided by Investing Activities	<u>692</u>
Net Increase in Cash and Cash Equivalents	227,261
Balances - beginning of the year	<u>308,782</u>
Balances - end of the year	<u>\$ 536,043</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 328,714
Current restricted cash and cash equivalents	26,090
Non-current restricted cash and cash equivalents	181,239
Total cash and cash equivalents	<u>\$ 536,043</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 637,512
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	233,158
Change in assets and liabilities:	
Receivables	(28,816)
Due to other funds	(35,410)
Accounts payable and accrued liabilities	46,172
Pension liability	(5,983)
Meter deposit liability	4,915
Accrued compensated absences	3,721
Net Cash Provided by Operating Activities	<u>\$ 855,269</u>

See accompanying notes to the financial statements

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

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 Piedmont) and blended component units as noted below. This annual report includes all activities for which the City of Piedmont City Council is fiscally responsible.

The City of Piedmont – that operates the public safety, health and welfare, streets and highways, parks and recreation and administrative activities.

The City of Piedmont has a population of 5,720 located in central Oklahoma in Canadian County. 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 six-member governing body with the mayor elected by the citizens at large and five council members elected by each ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.

The City provides typical municipal services such as a public safety, health and welfare, street and alley maintenance, parks and recreation.

Component Units:

Piedmont Municipal Authority (PMA) – public trust created under 60 O.S. 162 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

Piedmont Special Projects Authority - Created January 28, 2008, to furnish and supply services and facilities for industrial, economic development, cultural, educational and recreational purposes within its territorial boundaries. The Trustees are the governing body of the City of Piedmont. The PSPA is currently being used to remit payment of sales tax to Williams Grocery Inc. The Authority is reported as a blended component unit.

Piedmont Economic Authority - Created August 25, 1998, to provide industrial, cultural and educational facilities within its territorial boundaries. The Trustees are confirmed by the governing body. Any issuances of debt would require a two-thirds approval of the City Council.

Piedmont Library Authority - Created September 19, 2001, to provide services and facilities for cultural, educational, and recreational purposes. The Trustees are appointed by the City Council. Any issuances of debt would require a two thirds approval of the City Council. The PLA is currently inactive.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

- General Government: Inspection fees, licenses and permit revenue, operating and capital grants
- Public Safety: Fine revenue, donation revenue, on-behalf pension payments and operating and capital grants
- Highways and Streets: Commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation: Library fines, and library donations, operating and capital grants

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

Governmental Funds:

The City's governmental funds include:

Major Funds:

General Fund – accounts for all activities not accounted for in other special-purpose funds

Special Revenue Fund:

- Street and Alley Fund– accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance

Capital Project Fund:

- Capital Improvement Fund - accounts for construction and acquisition of capital facilities

Nonmajor Funds:

Special Revenue Funds:

- Fire Restricted Sales Tax Fund – accounts for revenues from the voter restricted sales tax for the fire department
- USDA Revolving Loan Fund – accounts for USDA grant revolving funds and the loans receivable from those funds.
- Piedmont Special Project Authority – accounts for sales tax remitted to Williams Grocery Inc. per contract agreement

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

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end.

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.

Proprietary Funds:

The City's proprietary fund includes:

Major Enterprise Fund:

- Piedmont Municipal Authority – accounts for the operation of the water, wastewater, and sanitation activities.

The proprietary fund is reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in 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.

Pensions:

For purposes of measuring the net pension liability/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 the Oklahoma Municipal Retirement System (OkMRF) and additions to/deductions from FPRS's, OPPRS's, and OkMRF'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, and 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.

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

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

Type	Carrying Value
Deposits:	
Demand deposits	\$ 2,784,841
Total deposits	<u>\$ 2,784,841</u>
 Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 603,126
Restricted cash and cash equivalents	2,000,476
Noncurrent- Restricted cash and cash equivalents	181,239
	<u>\$ 2,784,841</u>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2015, the City was exposed to custodial credit in one institution in the amount of \$119,012.

Investment Interest Rate Risk – the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City was not exposed to investment interest rate risk.

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.
- 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., d. and e.

The City was not exposed to investment credit rate risk.

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

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

The City was not exposed to concentration of credit risk as defined above.

Restricted Cash and Investments - The amounts reported as restricted assets of the statement of net position are comprised of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) and amounts held by the trustee bank for retirement. Restricted assets for governmental activities are comprised of municipal court funds, Capital Improvement Fund cash, Fire Department Fund cash, USDA Revolving Loan cash and Street and Alley Fund cash. The restricted assets as of June 30, 2015 are as follows:

	Current Cash and Cash Equivalents		Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents
Governmental Activities:		Business-Type Activities and Proprietary Funds:		
Capital Improvement Fund	\$ 1,135,337	Utility deposits	\$ -	\$ 181,239
Street and Alley Fund	346,311	Trustee Accounts:		
Municipal Court	288,322	Sinking Account	1	-
USDA Revolving Loan Fund	14,829	Debt Service Account	26,089	-
Fire Department	189,587	Total	\$ 26,090	\$ 181,239
Total Governmental Activities	\$ 1,974,386			

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, grants, police fines, and notes receivable. 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, tax increment revenue, and 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 gas, 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.

Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectable amounts. The governmental activities receivables include fines receivables, due from other governments and two USDA revolving note receivables.

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

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Notes receivables	\$ 83,589		83,589
Due from other governments	566,785		566,785
Court fines	269,065	(97,091)	171,974
Other	-	-	-
Total Governmental Activities	\$ 919,439	\$ (97,091)	\$ 822,348
Reconciliation to Statement of Net Position:			
Court fine receivable, net			\$ 171,974
Due from other governmental agencies			566,785
Notes receivable, net			83,589
Total			\$ 822,348
Business-Type Activities:			
Utilities	\$ 394,886	\$ (68,720)	\$ 326,166

5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building 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.

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

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

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
Governmental activities:				
Non-depreciable:				
Land	\$ 58,273	\$ -	\$ -	\$ 58,273
Construction-in-progress	25,103	-	(25,103)	-
Total non-depreciable assets at historical cost	<u>83,376</u>	<u>-</u>	<u>(25,103)</u>	<u>58,273</u>
Depreciable:				
Buildings	2,908,475	10,386	-	2,918,861
Improvements	44,075	6,407	-	50,482
Machinery and equipment	2,315,976	103,154	(91,173)	2,327,957
Infrastructure	2,489,888	1,615,103	-	4,104,991
Total depreciable assets at historical cost	<u>7,758,414</u>	<u>1,735,050</u>	<u>(91,173)</u>	<u>9,402,291</u>
Less accumulated depreciation				
Buildings	(612,769)	(73,384)	-	(686,153)
Improvements	(24,426)	(4,161)	-	(28,587)
Machinery and equipment	(1,490,297)	(164,408)	91,173	(1,563,532)
Infrastructure	(547,282)	(102,342)	-	(649,624)
Total accumulated depreciation	<u>(2,674,774)</u>	<u>(344,295)</u>	<u>91,173</u>	<u>(2,927,896)</u>
Net depreciable assets	<u>5,083,640</u>	<u>1,390,755</u>	<u>-</u>	<u>6,474,395</u>
Governmental activities capital assets, net	<u>5,167,016</u>	<u>1,390,755</u>	<u>(25,103)</u>	<u>6,532,668</u>
Business-type activities				
Non-depreciable:				
Land	790,545	-	-	790,545
Construction-in-progress	-	36,717	-	36,717
Water Rights	33,426	-	-	33,426
Total non-depreciable assets at historical cost	<u>823,971</u>	<u>36,717</u>	<u>-</u>	<u>860,688</u>
Depreciable:				
Buildings	50,440	-	-	50,440
Machinery and equipment	381,019	-	-	381,019
Infrastructure	11,866,670	-	-	11,866,670
Totals depreciable assets at historical cost	<u>12,298,129</u>	<u>-</u>	<u>-</u>	<u>12,298,129</u>
Less accumulated depreciation				
Buildings	(48,627)	(544)	-	(49,171)
Machinery and equipment	(324,113)	(13,637)	-	(337,750)
Infrastructure	(2,532,330)	(218,977)	-	(2,751,307)
Total accumulated depreciation	<u>(2,905,070)</u>	<u>(233,158)</u>	<u>-</u>	<u>(3,138,228)</u>
Net depreciable assets	<u>9,393,059</u>	<u>(233,158)</u>	<u>-</u>	<u>9,159,901</u>
Business-type capital assets, net	<u>\$ 10,217,030</u>	<u>\$ (196,441)</u>	<u>\$ -</u>	<u>\$ 10,020,589</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows: Buildings 50 years, Improvements other than buildings 20-30 years, Machinery, furniture and equipment 3-24 years, Utility property and improvements and infrastructure 15-50 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:

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

Governmental Activities:

General government	\$ 29,561
Public safety	179,355
Highways and streets	116,826
Culture and recreation	18,553
Total depreciation	<u>\$ 344,295</u>

Business-Type Activities:

Water	\$ 163,906
Sewer	69,252
Total depreciation	<u>\$ 233,158</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:

<u>Type of Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Note Payable	\$ 115,372	\$ -	\$ 15,331	\$ 100,041	\$ 16,163
Capital Leases	18,750	-	10,458	8,292	8,292
Accrued Compensated Absences	81,509	35,418	-	116,927	11,693
Total Governmental Long-Term Debt	<u>\$ 215,631</u>	<u>\$ 35,418</u>	<u>\$ 25,789</u>	<u>\$ 225,260</u>	<u>\$ 36,148</u>
Business-Type Activities:					
Note Payable	\$ 6,507,640	\$ -	\$ 540,113	\$ 5,967,527	\$ 552,236
Capital Leases	122,547	-	34,192	88,355	33,914
Accrued Compensated Absences	43,404	3,721	-	47,125	4,713
Total BTA Long-Term Debt	<u>\$ 6,673,591</u>	<u>\$ 3,721</u>	<u>\$ 574,305</u>	<u>\$ 6,103,007</u>	<u>\$ 590,863</u>

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

Governmental activities long-term debt:

Notes Payable:

161,889 lease with Farmers and Merchant Bank for the purchase of a 2010 International Fire truck, issued December 2010 with an interest rate of 4.50% and maturing December 2020.	<u>100,041</u>
Current portion	\$ 16,163
Non-current portion	<u>83,878</u>
Total	<u><u>\$ 100,041</u></u>

Capital Lease Obligations:

\$73,984 lease with Farmers and Merchant Bank for the purchase of a backhoe, issued March 2010 with an interest rate of 4.75% and maturing April 2016.	<u>8,292</u>
Current portion	\$ 8,292
Non-current portion	<u>-</u>
Total	<u><u>\$ 8,292</u></u>

Accrued Compensated Absences:

Current portion	\$ 11,693
Non-current portion	<u>105,234</u>
Total	<u><u>\$ 116,927</u></u>

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

Business-type activities long-term debt:

Notes Payable:

Community Center note payable, original issue amount of \$1,718,765 dated October 1, 2003, issued by the Piedmont Municipal Authority, interest rate 4% with a final maturity of September 1, 2023.	\$ 877,454
OWRB Drinking Water SRF note payable, original issue amount of \$4,670,000 dated September 1, 2007, issued by the Piedmont Municipal Authority, interest rate 3.55%, with a final maturity of March 2029.	3,154,415
OWRB Clean Water SRF note payable, original issue amount of \$2,655,000 dated December 1, 2009, issued by the Piedmont Municipal Authority, interest rate 2.68%, with a final maturity to be determined when entire balance of note is drawn. Amount left to draw is \$99,230.	1,312,468
Sewer project note payable, original issue amount of \$900,000 dated September 2010, issued by the Piedmont Municipal Authority, interest rate 4.50%, with a final maturity to be October 2020.	<u>623,190</u>
Total Notes Payable	<u><u>\$ 5,967,527</u></u>
Current portion	\$ 552,236
Non-current portion	<u>5,415,291</u>
Total	<u><u>\$ 5,967,527</u></u>

Capital Lease Obligations:

\$295,000 lease with F&M Bank for the purchase of a Pierce Fire Truck issued December 2007 with an interest rate of 5.0% and maturing December 2017.	<u>\$ 88,355</u>
Total Capital Lease Obligations	<u><u>\$ 88,355</u></u>
Current portion	\$ 33,914
Non-current portion	<u>54,441</u>
Total	<u><u>\$ 88,355</u></u>

Accrued Compensated Absences:

Current portion	\$ 4,713
Non-current portion	<u>42,412</u>
Total	<u><u>\$ 47,125</u></u>

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

Long-term debt service requirements to maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	8,292	199	16,163	4,075
2017	-	-	16,905	3,332
2018	-	-	17,682	2,556
2019	-	-	18,494	1,744
2020	-	-	19,344	894
2021-2022	-	-	11,453	112
Totals	<u>\$ 8,292</u>	<u>\$ 199</u>	<u>\$ 100,041</u>	<u>\$ 12,713</u>

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	33,914	3,633	552,236	87,795
2017	35,649	1,898	563,953	77,425
2018	18,792	271	576,004	66,706
2019	-	-	588,541	55,544
2020	-	-	601,481	43,981
2021-2024	-	-	2,269,514	109,585
2025-2029	-	-	764,335	35,384
2030	-	-	51,463	573
Totals	<u>\$ 88,355</u>	<u>\$ 5,802</u>	<u>\$ 5,967,527</u>	<u>\$ 476,993</u>

Piedmont Special Projects Authority Promissory Note

The Piedmont Special Projects Authority entered into a promissory note agreement with Williams Grocery Inc. with payments beginning July 1, 2012. On July 1, 2012 the PSPA paid a one- time payment to Williams Grocery Inc. of \$59,104. Monthly payments equal to 3 cents of each \$1 of gross sales from the store operations will be due at the end of each month through June 30, 2027. The Piedmont Special Projects Authority paid Williams Grocery Inc. \$149,293 during this fiscal year ending June 30, 2015.

Pledge of Future Revenues:

Sales Tax and Utility Net Revenues Pledge – The City has pledged future sales tax and net water and sewer revenues to repay \$4,670,000 of the OWRB 2007 Series Drinking Water SRF Promissory Note and \$2,655,000 of the 2009 Series Clean Water SRF Promissory Note. Proceeds from the notes provided financing for utility system capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these notes is \$4,714,857. Pledged sales taxes received in the current year were \$1,399,579 and net utility revenues were \$22,409. Debt service payments of \$402,468 for the current fiscal year were 28% of both pledged sales taxes and net utility revenues of \$1,421,988.

7. Net Position and Fund Balances

Net position is displayed in three components:

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

The City had \$410,523 of restricted net position, of which \$90,620 is restricted by enabling legislation.

- c. *Unrestricted net position* - All other net position balances 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 are available.

Fund Statements:

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.

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

Prior Period Adjustments:

Beginning net position was restated as of June 30, 2015:

	PMA	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 3,684,059	\$ 8,137,932	\$ 3,684,059
Implementation of GASB Pension Statements 68 & 71	17,333	(736,629)	17,333
Beginning net position, restated	<u>\$ 3,701,392</u>	<u>\$ 7,401,303</u>	<u>\$ 3,701,392</u>

8. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements 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:

Transfer from	Transfer to	Amount	Purpose of Transfer
PMA	General Fund	\$ 1,049,684	Transfer unused pledged sales tax
PMA	Street and Alley	119,587	Transfer of road maintenance fee
PMA	Capital Improvement Fund	349,895	Transfer unused pledged sales tax
General Fund	Street and Alley	25,000	Transfer for infrastructure enhancement
General Fund	PSPA	149,293	Sales tax transfer
General Fund	PMA	53,849	Transfer for repayment of loan
General Fund	PMA	1,049,684	Pledged sales tax transfer
Capital Improvement Fund	General Fund	70,600	Operations
Capital Improvement Fund	Street and Alley	263,600	Capital expenditures budgeted
Capital Improvement Fund	PMA	349,895	Pledged sales tax transfer
PMA	General Fund	30,731	Transfer of capital assets
		<u>\$ 3,511,818</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 2,027,659	\$ (1,961,921)	\$ 65,738
Enterprise Funds	1,453,428	(1,549,897)	(96,469)
Total	3,481,087	(3,511,818)	(30,731)

One-sided transfer of capital assets from governmental fund to proprietary fund	30,731	-	30,731
	<u>\$ 3,511,818</u>	<u>\$ (3,511,818)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Governmental Funds net transfers	\$ 65,738
One-sided transfer of capital assets from proprietary fund to governmental fund	30,731
Total transfer	<u>\$ 96,469</u>

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

Balances:

Interfund receivable and payables at June 30, 2015 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Street and Alley Fund	General Fund	\$ 10,117	Alcoholic beverage tax
Fire	General Fund	1,066	Sales tax
Capital Improvement	General Fund	72	Sales tax
Capital Improvement	General Fund	71,952	Operating subsidy
PMA	Fire	19,968	Operating subsidy
PMA	General Fund	174,344	Operating subsidy
		<u>\$ 277,519</u>	

Reconciliation to fund financial statements and Statement of Net Position:

	<u>Due From</u>	<u>Due To</u>	<u>Net Balances</u>
Governmental Funds	\$ 277,519	\$ (83,207)	\$ 194,312
Enterprise Funds	-	(194,312)	(194,312)
Total	<u>\$ 277,519</u>	<u>\$ (277,519)</u>	<u>\$ -</u>

9. Sales Tax Revenues

The City levies a five cent sales tax on taxable sales within the city limits in accordance with Ordinance No. 297. The City records three cents in the General Fund for general municipal operations; one cent in the Capital Improvement fund for capital costs and one cent to the Fire Department Restricted Sales Tax Fund for fire operating and capital expenses.

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 Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Workers' Compensation – Workers' compensation is covered through purchased commercial insurance with Compsource
- Employee's Group Medical – Covered through participation in commercial insurance with Blue Cross and Blue Shield

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.

11. Contingencies

Litigation:

The City is a defendant in a lawsuit filed on July 31, 2013 by a former police officer alleging wrongful termination. No determination regarding the risk of loss, if any, can be made at this time.

The City is also a defendant in a lawsuit filed by two individuals alleging damages due to a lack of action in approving their plat. The City is seeking to have this matter dismissed. No determination of the outcome or risk of loss, if any, can be made at this time.

Federal and State Award Programs:

The City of Piedmont participates in various federal or state grant/loan programs from year to year. In 2015, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

12. Pension Plan Participation

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Contribution Plan and Trust (OkMRF-DCP) – an agent multi-employer defined contribution pension plan
- Oklahoma Municipal Retirement System City Manager Retirement Plan and Trust (OkMRF-CMO) – an agent multi-employer defined contribution plan

OFPRS:

Plan description - The City of Piedmont, 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.

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

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.

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 \$21,675. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$46,445 during the fiscal year and this is reported as both a revenue and an expenditure 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 \$43,852. These on-behalf payments did not meet the criteria of a special funding situation.

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 \$567,801 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 0.0551%.

For the year ended June 30, 2015, the City recognized pension expense of \$50,767. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,507	\$ -
Net difference between projected and actual earnings on pension plan investments	-	85,814
City contributions subsequent to the measurement date	21,675	-
Total	<u>\$ 35,182</u>	<u>\$ 85,814</u>

\$21,675 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	\$ (18,939)
2017	(18,939)
2018	(18,939)
2019	(18,937)
2020	2,515
Thereafter	933

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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.

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

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:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 740,260	\$ 566,906	\$ 421,569

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.

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

OPPRS:

Plan description - The City of Piedmont, 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.

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 \$44,158. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$42,374 during the fiscal 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 \$32,556. These on-behalf payments did not meet the criteria of a special funding situation.

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

Pension Liabilities/Assets, 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 \$34,988 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, 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, 2015. Based upon this information, the City's proportion was 0.1039%.

For the year ended June 30, 2015, the City recognized pension expense of \$13,704. 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	\$ -	\$ 15,719
Net difference between projected and actual earnings on pension plan investments	-	122,976
City contributions subsequent to the measurement date	44,157	-
Total	\$ 44,157	\$ 138,695

\$44,157 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase/decrease of the net pension asset/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	\$ (33,993)
2017	(33,993)
2018	(33,993)
2019	(33,993)
2020	(2,723)
	\$ (138,695)

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:

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

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.

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

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

Sensitivity of the Net Pension Liability/Asset 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/asset 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)	\$ 208,137	\$ (34,992)	\$ (239,877)

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.

OkMRF 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.

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

Eligibility Factors and Benefit Provisions

As of 07/01/15

<u>Provision</u>	<u>OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
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	-1.5% 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.

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

Employees Covered by Benefit Terms

Active Employees	19
Deferred Vested Former Employees	0
Retirees or Retiree Beneficiaries	<u>0</u>
Total	<u>19</u>

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 9.26% of covered payroll as of 7-1-14 and 9.28% of covered payroll as of 7-1-13. For the year ended June 30, 2015, the City recognized \$38,643 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$857,971. 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)

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

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

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:

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

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
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%
	<u> </u>		<u> </u>
TOTAL	<u> 100% </u>		

Changes in Net Pension 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 liability. The following table reports the components of changes in net pension liability:

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balances Beginning of Year	\$ 2,131	\$ 92	\$ 2,039
Changes for the Year:			
Service cost	60,661	-	60,661
Interest expense	4,811	-	4,811
Contributions--City	-	37,601	(37,601)
Contributions--members	-	25,124	(25,124)
Net investment income	-	3,094	(3,094)
Benefits paid	(1,469)	(1,469)	-
Plan administrative expenses	-	(54)	54
Net Changes	<u>64,003</u>	<u>64,296</u>	<u>(293)</u>
Balances End of Year	<u>\$ 66,134</u>	<u>\$ 64,388</u>	<u>\$ 1,746</u>

Sensitivity of the net pension liability 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>6.75%</u>	Current Discount Rate 7.75%	1% Increase <u>8.75%</u>
Net Pension Liability (Asset)	\$ 12,037	\$ 1,745	\$ (6,572)

The City reported \$26,369 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	\$ 10,939	\$ -
City contributions subsequent to the measurement date	38,643	-
Total	<u>\$ 49,582</u>	<u>\$ -</u>

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

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	\$ 2,735
2017	2,735
2018	2,735
2019	<u>2,734</u>
	<u>\$ 10,939</u>

OkMRF Defined Contribution Plan:

The City contributes to the Employee Retirement System of Piedmont, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Contribution Plan and Trust, an agent multiple employer - defined contribution plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OkMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as administrator and securities custodian.

For the year ended June 30, 2015, the total contributions were 5.75 percent of covered payroll, of which 3.50 percent and 2.25 were contributed by the employer and employee respectively. For the year ended June 30, 2015, contributions to the plan amounted to \$37,739 which was equal to the required contribution.

OMRF CMO Plan:

Effective July 1, 2001, the City has also provided a defined contribution plan and trust known as the City of Piedmont City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. The plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund.

For the year ended June 30, 2015, the employer contribution rate is variable. Contributions to the plan for the year ended June 30, 2015 were \$5,746 on a covered payroll of \$95,774.

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

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.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 864,941	\$ 864,941	\$ 864,941	\$ -
Resources (Inflows):				
Taxes	1,367,100	1,478,651	1,461,765	(16,886)
Intergovernmental	36,000	40,557	27,526	(13,031)
Charges for services	2,100	2,100	3,356	1,256
Fines and Forfeitures	335,508	486,940	503,488	16,548
Licenses and Permits	170,500	170,500	224,873	54,373
Miscellaneous	108,900	122,636	92,220	(30,416)
Interest	400	400	361	(39)
Transfers in	117,220	70,600	70,600	-
Total Resources (Inflows)	<u>2,137,728</u>	<u>2,372,384</u>	<u>2,384,189</u>	<u>11,805</u>
Amounts available for appropriation	<u>3,002,669</u>	<u>3,237,325</u>	<u>3,249,130</u>	<u>11,805</u>
	Budgeted Amounts	Actual	Variance with	
	Original	Final	Amounts	Final Budget Positive (Negative)
Charges to Appropriations (Outflows):				
General Government	400,862	400,862	351,257	49,605
Administration	283,516	374,047	354,715	19,332
Community Development	228,700	228,700	170,468	58,232
Police	785,790	853,915	839,203	14,712
Municipal Court	100,485	125,485	112,704	12,781
Emergency Management	32,000	32,000	24,704	7,296
Parks and Recreation	5,400	5,400	2,673	2,727
Library	105,975	111,975	105,556	6,419
Transfers out	195,000	240,000	228,142	11,858
Total Charges to Appropriations	<u>2,137,728</u>	<u>2,372,384</u>	<u>2,189,422</u>	<u>182,962</u>
Ending Budgetary Fund Balance	<u>\$ 864,941</u>	<u>\$ 864,941</u>	<u>\$ 1,059,708</u>	<u>\$ 194,767</u>

See accompanying notes to budgetary comparison schedules.

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

Budgetary Comparison Schedule (Budgetary Basis) – Street and Alley Fund – Year Ended June 30, 2015

	SPECIAL REVENUE - STREET AND ALLEY FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 880,185	\$ 880,185	\$ 880,185	\$ -
Revenues:				
Intergovernmental	52,690	52,690	60,984	8,294
Investment income	100	100	222	122
Miscellaneous	17,400	417,400	437,472	20,072
Transfers in	369,600	469,600	408,187	(61,413)
Total Resources (Inflows)	<u>439,790</u>	<u>939,790</u>	<u>906,865</u>	<u>(32,925)</u>
Amounts available for appropriation	<u>1,319,975</u>	<u>1,819,975</u>	<u>1,787,050</u>	<u>(32,925)</u>
Charges to Appropriations (Outflows):				
Street	439,790	1,639,790	1,456,697	183,093
Total Charges to Appropriations	<u>439,790</u>	<u>1,639,790</u>	<u>1,456,697</u>	<u>183,093</u>
Ending Budgetary Fund Balance	<u>\$ 880,185</u>	<u>\$ 180,185</u>	<u>\$ 330,353</u>	<u>\$ 150,168</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a GAAP basis with the exception of police pension on behalf payments.

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

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$3,249,130
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(864,941)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. These amounts do not include amount of pledged sales tax transfers of \$1,049,684.	(70,600)
Payments to police and fire pension systems made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	42,374
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	\$2,355,963
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$2,189,422
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. These amounts do not include amount of pledged sales tax transfers of \$1,049,684.	(228,142)
Payments to police and fire pension systems made by the State of Oklahoma are expenditures for financial reporting purpose but not budgetary purposes	42,374
	2,003,654

2. The legal level of appropriation control is the department level within a fund. The City Manager has the authority to make line item transfers but any overall increases or decreases are to be approved by the City Council.

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

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY OF PIEDMONT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM**

Last 10 Fiscal Years*

	<u>2014</u>
City's proportion of the net pension liability	0.551279%
City's proportionate share of the net pension liability	\$ 566,906
City's covered-employee payroll	\$ 1,497,121
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38%
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**

	<u>2015</u>
Statutorially required contribution	\$ 21,675
Contributions in relation to the statutorially required contribution	<u>21,675</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 154,812
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 PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

**SCHEDULE OF THE CITY OF PIEDMONT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2014</u>
City's proportion of the net pension liability (asset)	0.1039%
City's proportionate share of the net pension liability (asset)	\$ (34,988)
City's covered-employee payroll	\$ 300,793
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	\$ 44,158
Contributions in relation to the statutorily required contribution	<u>44,158</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 339,663
Contributions as a percentage of covered-employee payroll	13.00%

Notes to Schedule:

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

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

Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Fiscal Year

	2015
Total pension liability	
Service cost	\$ 60,661
Interest	4,811
Benefit payments, including refunds of member contributions	(1,469)
Net change in total pension liability	64,003
Total pension liability - beginning	2,131
Total pension liability - ending (a)	\$ 66,134
Plan fiduciary net position	
Contributions - employer	\$ 37,601
Contributions - member	25,124
Net investment income	3,094
Benefit payments, including refunds of member contributions	(1,469)
Administrative expense	(54)
Other	-
Net change in plan fiduciary net position	64,296
Plan fiduciary net position - beginning	92
Plan fiduciary net position - ending (b)	\$ 64,388
Net pension liability - ending (a) - (b)	\$ 1,746
Plan fiduciary net position as a percentage of the total pension liability	97.36%
Covered employee payroll	\$ 794,249
Net pension liability as a percentage of covered-employee payroll	0.22%

Notes to Schedule:

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

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

Oklahoma Municipal Retirement Fund

Schedule of Employer Contributions	Last Fiscal Year
	2015
Actuarially determined contribution	\$ 38,643
Contributions in relation to the actuarially determined contribution	38,643
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 857,971
Contributions as a percentage of covered-employee payroll	4.50%

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, 2014 July 2014 through June 2015 contributions were at a rate of 4.49%.
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%

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

SUPPLEMENTARY INFORMATION

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

Combining Balance Sheet – Nonmajor Funds – City of Piedmont – June 30, 2015

	<u>Fire Dept</u> <u>Restricted Sales</u> <u>Tax Fund</u>	<u>Piedmont Special</u> <u>Projects</u> <u>Authority</u>	<u>USDA Revolving</u> <u>Loan</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 189,587	\$ 896	\$ 14,829	\$ 205,312
Due from other funds	19,968	-	-	19,968
Receivable from other governments	41,184	-	-	41,184
Notes receivable	-	-	83,589	83,589
Total assets	<u>250,739</u>	<u>896</u>	<u>98,418</u>	<u>350,053</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	5,925	-	-	5,925
Due to other funds	1,066	-	-	1,066
Total liabilities	<u>6,991</u>	<u>-</u>	<u>-</u>	<u>6,991</u>
 Fund balances:				
Restricted for:				
Fire	214,247	-	-	214,247
USDA Revolving Loan	-	-	98,418	98,418
Economic Development	-	896	-	896
Assigned to:				
Fire	29,501	-	-	29,501
Total fund balances	<u>243,748</u>	<u>896</u>	<u>98,418</u>	<u>343,062</u>
Total fund balances	<u>\$ 250,739</u>	<u>\$ 896</u>	<u>\$ 98,418</u>	<u>\$ 350,053</u>

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

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds
- City of Piedmont - Year Ended June 30, 2015**

	<u>Fire Dept</u> <u>Restricted Sales</u> <u>Tax Fund</u>	<u>Piedmont Special</u> <u>Projects</u> <u>Authority</u>	<u>USDA Revolving</u> <u>Loan</u>	<u>Total-Other</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Sales and miscellaneous taxes	\$ 348,403	\$ -	\$ -	348,403
Intergovernmental	50,929	-	-	50,929
Investment earnings	98	-	-	98
Miscellaneous	3,251	-	408	3,659
Total revenues	<u>402,681</u>	<u>-</u>	<u>408</u>	<u>403,089</u>
EXPENDITURES				
Current:				
General government	-	149,293	-	149,293
Fire	367,812	-	-	367,812
Debt Service:				
Principal	15,331	-	-	15,331
Interest and other charges	4,907	-	-	4,907
Capital Outlay	9,370	-	-	9,370
Total Expenditures	<u>397,420</u>	<u>149,293</u>	<u>-</u>	<u>546,713</u>
Excess (deficiency) of revenues over expenditures	<u>5,261</u>	<u>(149,293)</u>	<u>408</u>	<u>(143,624)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	149,293	-	149,293
Total other financing sources and uses	<u>-</u>	<u>149,293</u>	<u>-</u>	<u>149,293</u>
Net change in fund balances	5,261	-	408	5,669
Fund balances - beginning	238,487	896	98,010	337,393
Fund balances - ending	<u>\$ 243,748</u>	<u>\$ 896</u>	<u>\$ 98,418</u>	<u>\$ 343,062</u>

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

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2015

Federal/State Grantor/Pass Through Agency Grantor/Program Title	CFDA or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:			
DEPARTMENT OF HOMELAND SECURITY			
Passed through Oklahoma Department of Public Safety:			
Disaster Recovery - 2013 Storm	97.036	1,597	1,597
Passed through Oklahoma Department of Public Safety:			
Disaster Recovery - 2013 Storm	97.036	1,254	1,254
Total Department of Homeland Security		2,851	2,851
DEPARTMENT OF TRANSPORTATION:			
Passed through Oklahoma Department of Transportation:			
Safe Routes to School	20.205	198,800	18,947
TOTAL FEDERAL AWARDS		\$ 201,651	\$ 21,798
STATE AWARDS:			
Department of Agriculture:			
Rural Fire Grant	N/A	\$ 4,484	\$ 4,484
Oklahoma Department of Libraries.			
STEM 15	N/A	1,875	993
State Aid 15	N/A	5,096	4,577
Total Department of Libraries		6,971	5,570
TOTAL STATE AWARDS		\$ 11,455	\$ 10,054

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Revenue, Expenditures and Changes in Program Balances of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

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

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2015

GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water and sewer systems)	\$ 1,822,718
Investment income	692
Sales tax pledged from the City General Fund	1,399,579
	3,222,989
Total Gross Revenue Available	3,222,989
OPERATING EXPENDITURES:	
Total Operating Expenses (water and sewer systems, excluding depreciation)	1,801,001
	1,801,001
Net Revenue Available for Debt Service	\$1,421,988
Annual Debt Service:	
2007 OWRB DWSRF Loan Payable maximum annual debt service	298,018
2009 OWRB CWSRF Loan Payable maximum annual debt service	103,697
Total Annual Debt Service on Revenues of the Systems	\$401,715
Computed Coverage	354%
Coverage Requirement	125%

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

INTERNAL CONTROL AND COMPLIANCE

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

THIS PAGE INTENTIONALLY LEFT BLANK



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

To the City Council
City of Piedmont, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Piedmont, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Piedmont, Oklahoma's basic financial statements, and have issued our report thereon dated February 9, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "HBC CPAs & Advisors".

Oklahoma City, Oklahoma
February 9, 2016