

**CITY OF NEW CORDELL, OKLAHOMA
NEW CORDELL, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2014**

**CITY OF NEW CORDELL, OKLAHOMA
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For the fiscal year ended JUNE 30, 2014**

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CITY OF NEW CORDELL, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Rick Oliver, Interim Mayor

Zetta Penner

Rick Wiest

Vickie Dunlap, NCUA President

Steve McLaughlin

Terry Patton, Council President

Cheryl Wedel

Karen White

CITY CLERK

Sharee Lewis



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of New Cordell, Oklahoma

Report on the Financial Statements

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 the City of New Cordell, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of New Cordell, Oklahoma'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 of 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 New Cordell, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 New Cordell, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 16, 2015, on our consideration of City of New Cordell, 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 New Cordell, Oklahoma's internal control over financial reporting and compliance.

Britton Kuykendall & Miller
BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
April 16, 2015

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

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2014, the City's total net assets decreased by \$109,105 or 1.82% from the prior year.
- During the year, City's expenses for governmental activities amounted to \$1,676,172 and were funded by program revenues of \$237,846 and further funded programs with taxes and other general revenues and transfers that totaled \$1,726,978.
- In the City's business-type activities, including utilities and economic development, program revenues exceeded expenses by \$381,975.
- At June 30, 2014, the General Fund reported an unassigned fund balance of \$153,035, an increase of \$101,485.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues by \$42,259 or 6.29%, while expenditures were under final appropriations by \$119,730 or 6.92%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of New Cordell (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. 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. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets 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 and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets and liabilities- as one way to measure the City's financial condition, or position. 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 nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

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

- **Governmental activities-** Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- **Business-type activities-** The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

CITY OF NEW CORDELL, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2014

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets decreased from \$5,993,778 to \$5,884,673 between fiscal years 2013 and 2014. Net position of governmental activities showed an increase while business-type activities showed a decrease when compared to prior year.

	Governmental Activities		Business-Type Activities		Total		Difference	
	2013	2014	2013	2014	2013	2014	\$	%
Current assets	\$ 315,826	\$ 425,946	\$ 3,028,829	\$ 2,652,408	\$ 2,968,234	\$ 3,078,354	\$ 110,120	4%
Capital assets, net	2,024,622	2,185,470	2,231,101	2,168,441	4,255,723	4,353,911	98,188	2%
Other non-current assets	-	-	57,610	49,941	57,610	49,941	(7,669)	-13%
Total assets	2,340,448	2,611,416	5,317,540	4,870,790	7,281,567	7,482,206	200,639	3%
Current liabilities	137,023	119,339	492,581	548,194	629,604	667,533	37,929	6%
Non-current liabilities	-	-	1,527,187	930,000	1,527,187	930,000	(597,187)	-39%
Total liabilities	137,023	119,339	2,019,768	1,478,194	2,156,791	1,597,533	(559,258)	-26%
Net assets								
Invested in capital assets, net of related debt	2,024,622	2,185,470	1,146,579	1,183,776	3,171,201	3,369,246	198,045	6%
Unrestricted	178,803	306,607	2,643,774	2,208,820	2,822,577	2,515,427	(307,150)	-11%
Total net assets	\$ 2,203,425	\$ 2,492,077	\$ 3,790,353	\$ 3,392,596	\$ 5,993,778	\$ 5,884,673	\$ (109,105)	-2%

Changes in Net Assets

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

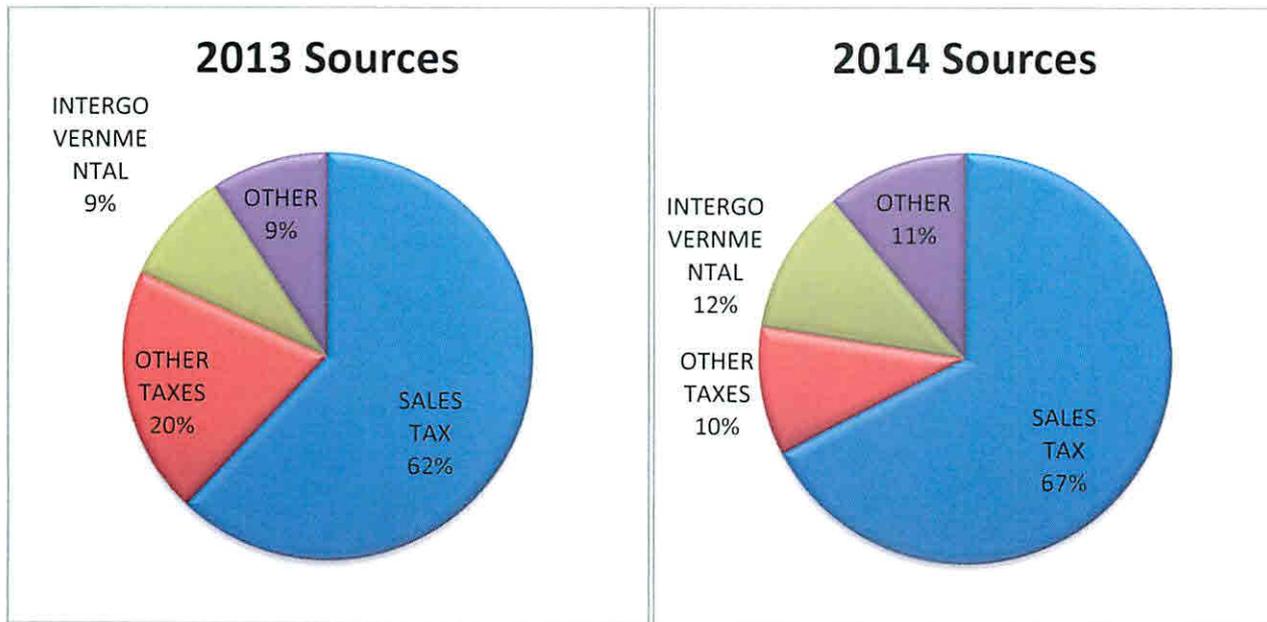
	Governmental Activities		Business-type Activities		Difference			
					Governmental Activities		Business-type Activities	
	2013	2014	2013	2014	\$	%	\$	%
Revenues								
Program revenues	\$ 210,403	\$ 237,846	\$ 3,812,605	\$ 3,909,155	\$ 27,443	13%	\$ 96,550	3%
Taxes and other general revenues	965,674	886,244	78,131	61,002	(79,430)	-8%	(17,129)	-22%
Total revenues	1,176,077	1,124,090	3,890,736	3,970,157	(51,987)	-4%	79,421	2%
Expenses								
General government	219,072	199,988	-	-	(19,084)	-9%	-	-
Public safety and judiciary	862,019	864,201	-	-	2,182	0%	-	-
Transportation	439,873	407,218	-	-	(32,655)	-7%	-	-
Cultural, parks, and recreation	159,454	153,619	-	-	(5,835)	-4%	-	-
Public services	44,800	51,146	-	-	6,346	14%	-	-
Electric	-	-	1,766,965	1,868,002	-	-	101,037	6%
Water	-	-	695,439	725,248	-	-	29,809	4%
Sewer	-	-	100,582	137,368	-	-	36,786	37%
Sanitation	-	-	365,009	372,316	-	-	7,307	2%
Customer service	-	-	386,851	378,995	-	-	(7,856)	-2%
Economic development	-	-	36,275	45,251	-	-	8,976	25%
Total expenses	1,725,218	1,676,172	3,351,121	3,527,180	(49,046)	-3%	176,059	5%
Excess (deficiency) before transfers	(549,141)	(552,082)	539,615	442,977	(2,941)	1%	(96,638)	-18%
Transfers	384,892	840,734	(384,892)	(840,734)	455,842	118%	(455,842)	118%
Increase (decrease) in net assets	\$ (164,249)	\$ 288,652	\$ 154,723	\$ (397,757)	\$ 452,901	-276%	\$ (552,480)	-357%

The City's governmental activities' increase in net assets of \$288,652 is attributable to an increase in transfers and a decrease in total expenses. The business-type activities' decrease in net assets is a function of the operating transfers. The results indicate that, as a whole, the City's financial condition decreased slightly from the prior year.

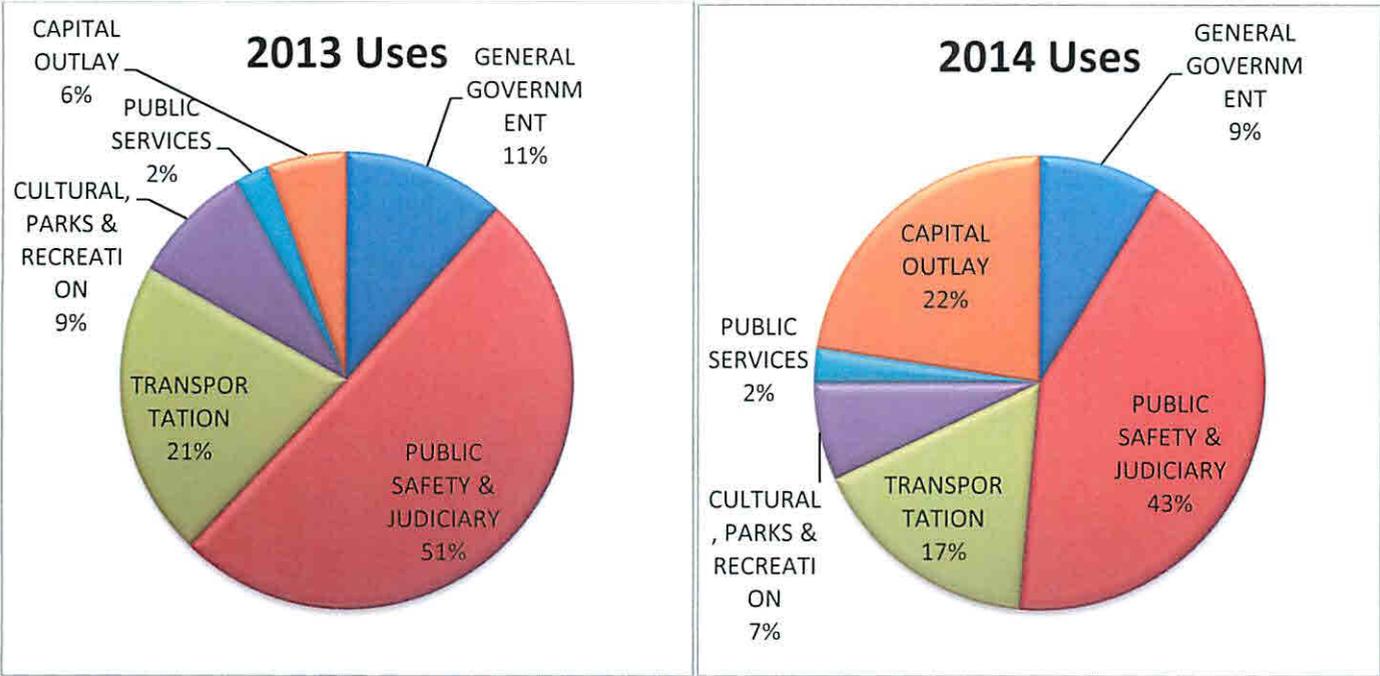
Governmental Activities

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

The City's governmental activities were funded and used as follows:



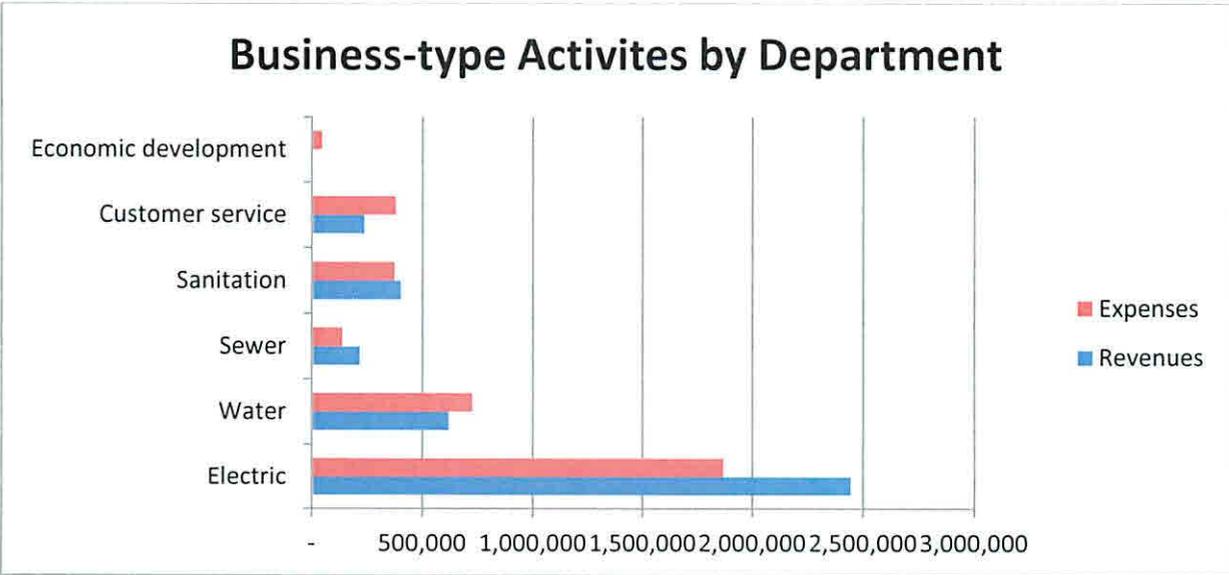
For the year ended June 30, 2013 and 2014, sales tax provided the most significant source of funding for governmental activities at 62% and 67%, respectively. Intergovernmental revenues increased as a funding source in fiscal year 2014 due to grants received for the fire department in FY 2014.



Consistent between fiscal years, public safety and judiciary expenses were the largest use of governmental funds at 51% and 43% for 2013 and 2014, respectively. Capital outlay expenses noted a increase in fiscal year 2014 at 22% of uses as compared to 6% in fiscal year 2013.

Business-type Activities

Business-type activities are designed to cover their cost of operations. The following chart displays total revenues and total expenses of each business-type department for fiscal year 2014:



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$306,607 or a 71.48% increase over the prior year. The enterprise funds reported combined net assets of \$3,392,596 or a 10.49% decrease from 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had \$3,369,246 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Land and improvements	776,609	807,964	111,135	111,135	887,744	919,099
Buildings	847,978	900,302	1,534,088	1,440,008	2,382,066	2,340,310
Machinery & equipment	320,510	341,328	244,576	283,065	565,086	624,393
Utility property & improvements	-	-	341,302	334,233	341,302	334,233
Construction in process	79,525	135,876	-	-	79,525	135,876
Totals	\$ 2,024,622	\$ 2,185,470	\$ 2,231,101	\$ 2,168,441	\$ 4,255,723	\$ 4,353,911

This year's more significant capital asset additions included:

- In Governmental Activities: \$38,600 for library roof, \$7,992 for heat & air unit, \$7,010 for concrete at museum, \$120,928 for swimming pool rehab (partially funded by a grant), \$8,650 for roof repair, \$58,083 for exhaust system for fire station, \$5,075 for fire rescue team package, \$82,000 for 2003 Am LeFrance fire engine, \$5,238 for bridge timber and ties, \$28,944 for REAP grant creek crossings and \$27,408 on airport improvements.
- In Business-type Activities: \$5,375 for horizontal split case pump, \$26,000 for theatre building roof repairs, and \$69,898 on theatre projection equipment.

Long-Term Debt

At year-end, the City had \$930,000 in outstanding long-term debt which represents a net decrease of \$104,606 from the prior year. The City's Changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Revenue bonds	\$ -	\$ -	\$ 1,130,000	\$ 1,030,000	\$ 1,130,000	\$ 1,030,000
Notes payable/capital leases	-	-	12,132	4,606	12,132	4,606
subtotal	-	-	1,142,132	1,034,606	1,142,132	1,034,606
less current portion	-	-	(107,526)	(104,606)	(107,526)	(104,606)
Totals	\$ -	\$ -	\$ 1,034,606	\$ 930,000	\$ 1,034,606	\$ 930,000

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Cordell has seen its financial condition improve and is seeing some growth in the local economy. The City must continue to make prudent financial management decisions and continue to progress, reinvest in infrastructure, and continue to plan for the long-term quality for future generations. The City budget continues to reflect a conservative and sustainable zero-based approach.

In fiscal year 2014, sales tax collections noted an increase. As the City continues to manage the revenue sources, costs of doing business are seeing increased levels, including employment costs in healthcare, worker's compensation insurance, and unemployment rates. The budget for fiscal year 2014 reflected a conservative estimate of 90% of recurring revenues. Utility revenues are expected to increase slightly due to the proposed rate increase for fiscal year 2014. The rate increase will allow the City to cover the rising cost of providing services to its citizens.

The City has identified capital projects that it would like to complete for fiscal year 2014; however, those projects will be dependent upon funding. The City will further focus on priorities established by the elected officials, specifically maintaining a cash reserve and consideration of future capital improvements.

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 101 East Main, Cordell, Oklahoma, 73632 or phone at (580) 832-3825.

City of New Cordell, Oklahoma
Statement of Net Position
June 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash, including time deposits	\$ 310,478	\$ 1,430,010	\$ 1,740,488
Investments	35,052	271,697	306,749
Interest receivable	2	46	48
Due from other funds	-	4,606	4,606
Taxes receivable	80,317	-	80,317
Accounts receivable (net)	-	490,262	490,262
Prepaid expenses	97	24,487	24,584
Total current assets	425,946	2,221,108	2,647,054
Restricted assets:			
Cash, including time deposits	-	226,708	226,708
Investments	-	204,592	204,592
Total restricted assets	-	431,300	431,300
Non-Current Assets:			
Land and construction in progress	1,302,486	111,135	1,413,621
Other capital assets (net of accumulated depreciation)	882,984	2,057,306	2,940,290
Total noncurrent assets	2,185,470	2,168,441	4,353,911
Total assets	2,611,416	4,820,849	7,432,265
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	49,941	49,941
	-	49,941	49,941
LIABILITIES			
Current liabilities:			
Accounts payable	40,715	301,549	342,264
Wages and benefits payable	25,145	8,278	33,423
Compensated absences, current	48,873	6,754	55,627
Due to other funds	4,606	-	4,606
Notes payable, current	-	4,606	4,606
Total current liabilities	119,339	321,187	440,526
Liabilities payable from restricted assets:			
Accrued interest payable	-	9,362	9,362
Customer deposits payable	-	117,645	117,645
Bonds payable, current	-	100,000	100,000
Total liabilities payable from restricted assets	-	227,007	227,007
Noncurrent liabilities:			
Notes payable, non-current	-	-	-
Bonds payable, non-current	-	930,000	930,000
Total noncurrent liabilities	-	930,000	930,000
Total liabilities	119,339	1,478,194	1,597,533
NET POSITION			
Invested in capital assets, net of related debt	2,185,470	1,183,776	3,369,246
Unrestricted	306,607	2,208,820	2,515,427
Total net position	\$ 2,492,077	\$ 3,392,596	\$ 5,884,673

City of New Cordell, Oklahoma
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 79,829	\$ 15,956	\$ -	\$ -	\$ (63,873)
Administration	101,334	-	-	-	(101,334)
Grant Writing	18,825	-	-	-	(18,825)
Total general government	199,988	15,956	-	-	(184,032)
Public safety and judiciary:					
Legislative & judicial	29,824	-	-	-	(29,824)
Police	589,592	32,451	-	-	(557,141)
Fire	211,171	11,345	3,250	65,788	(130,788)
Animal Control	33,614	-	-	-	(33,614)
Total public safety and judiciary	864,201	43,796	3,250	65,788	(751,367)
Transportation:					
Street	283,424	3,758	25,443	-	(254,223)
Airport	123,794	7,320	-	-	(116,474)
Total transportation	407,218	11,078	25,443	-	(370,697)
Cultural, parks and recreation:					
Park	91,319	-	-	-	(91,319)
Swimming pool	62,300	16,739	-	37,045	(8,516)
Total cultural, parks and recreation	153,619	16,739	-	37,045	(99,835)
Public services:					
Public works	35	16,063	-	-	16,028
Cemetery	30,023	2,688	-	-	(27,335)
City garage	21,088	-	-	-	(21,088)
Total public services	51,146	18,751	-	-	(32,395)
Total governmental activities	1,676,172	106,320	28,693	102,833	(1,438,326)
Business-type activities:					
Electric	1,868,002	2,444,956	-	-	576,954
Water	725,248	615,117	-	-	(110,131)
Sewer	137,368	214,940	-	-	77,572
Sanitation	372,316	398,759	-	-	26,443
Customer service	378,995	235,382	-	-	(143,613)
Economic development	45,251	1	-	-	(45,250)
Total business-type activities	3,527,180	3,909,155	-	-	381,975
Total	\$ 5,203,352	\$ 4,015,475	\$ 28,693	\$ 102,833	\$ (1,056,351)

City of New Cordell, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2014

Changes in Net Assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (1,438,326)	\$ 381,975	\$ (1,056,351)
General revenues:			
Taxes:			
Sales tax	756,559	-	756,559
Use tax	15,779	-	15,779
E-911 tax	258	-	258
Franchise taxes	50,003	-	50,003
Alcoholic beverage tax	39,714	-	39,714
Cigarette tax	8,874	-	8,874
Oil & gas royalties	1,328	-	1,328
Investment income	857	8,340	9,197
Penalties	-	47,796	47,796
Miscellaneous	12,872	4,866	17,738
Transfers-Internal activity	840,734	(840,734)	-
Total general revenues and transfers	<u>1,726,978</u>	<u>(779,732)</u>	<u>947,246</u>
Change in net position	288,652	(397,757)	(109,105)
Net position-beginning	2,203,425	3,790,353	5,993,778
Net position-ending	<u>\$ 2,492,077</u>	<u>\$ 3,392,596</u>	<u>\$ 5,884,673</u>

**City of New Cordell, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash, including time deposits	\$ 194,154	\$ 2	\$ 116,322	\$ 310,478
Investments	-	-	35,052	35,052
Interest receivable	-	-	2	2
Taxes receivable	78,123	-	2,194	80,317
Due from other funds	-	-	-	-
Prepaid expenses	97	-	-	97
Total assets	<u>\$ 272,374</u>	<u>\$ 2</u>	<u>\$ 153,570</u>	<u>\$ 425,946</u>
LIABILITIES				
Accounts payable	\$ 40,715	\$ -	\$ -	\$ 40,715
Wages and benefits payable	25,145	-	-	25,145
Due to other funds	4,606	-	-	4,606
Compensated absences, current	48,873	-	-	48,873
Total liabilities	<u>119,339</u>	<u>-</u>	<u>-</u>	<u>119,339</u>
FUND BALANCES				
Restricted for:				
Capital projects fund	-	-	28,279	28,279
Special revenue funds	-	2	125,291	125,293
Unassigned	153,035	-	-	153,035
Total fund balances	<u>153,035</u>	<u>2</u>	<u>153,570</u>	<u>306,607</u>
Total liabilities and fund balances	<u>\$ 272,374</u>	<u>\$ 2</u>	<u>\$ 153,570</u>	<u>\$ 425,946</u>
Total fund balance- total governmental funds				306,607
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds. See Note 3(B) for additional detail.				
Land and construction in process			1,302,486	
Capital assets			8,035,700	
Less: Accumulated depreciation			<u>(7,152,716)</u>	2,185,470
Long-term liabilities are not due and payable in the current period and are not reported in the funds.				<u>-</u>
Net position of governmental activities				<u>\$ 2,492,077</u>

City of New Cordell, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

	General Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Sales taxes	\$ 756,559	\$ -	\$ -	\$ 756,559
Use taxes	15,779	-	-	15,779
E911 taxes	258	-	-	258
Beverage tax	39,714	-	-	39,714
Franchise taxes	50,003	-	-	50,003
Cigarette tax	8,874	-	-	8,874
Licenses and permits	10,541	-	-	10,541
Oil and gas royalties	-	-	1,328	1,328
Fines and forfeitures	31,411	-	-	31,411
Investment income	381	-	476	857
Charges for services	19,194	-	233	19,427
Rental income	12,735	-	-	12,735
Intergovernmental	25,140	11,905	91,231	128,276
Miscellaneous	46,828	-	1,500	48,328
Total revenues	<u>1,017,417</u>	<u>11,905</u>	<u>94,768</u>	<u>1,124,090</u>
<u>EXPENDITURES</u>				
Current:				
General government:				
General government	41,540	-	-	41,540
Administration	101,334	-	-	101,334
Grant Writing	18,825	-	-	18,825
Total general government	<u>161,699</u>	<u>-</u>	<u>-</u>	<u>161,699</u>
Public safety and judiciary:				
Legislative & judicial	29,824	-	-	29,824
Police	553,355	-	-	553,355
Fire	162,326	-	4,428	166,754
Animal Control	33,115	-	-	33,115
Total public safety and judiciary	<u>778,620</u>	<u>-</u>	<u>4,428</u>	<u>783,048</u>
Transportation:				
Street	260,670	-	-	260,670
Airport	44,238	-	-	44,238
Total transportation	<u>304,908</u>	<u>-</u>	<u>-</u>	<u>304,908</u>
Cultural, parks and recreation:				
Park	64,803	-	-	64,803
Swimming pool	62,300	-	-	62,300
Total cultural, parks and recreation	<u>127,103</u>	<u>-</u>	<u>-</u>	<u>127,103</u>
Public Services:				
Public works	35	-	-	35
Cemetery	24,543	-	-	24,543
City garage	21,088	-	-	21,088
Total public services	<u>45,666</u>	<u>-</u>	<u>-</u>	<u>45,666</u>
Debt service				
Capital lease obligation	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay				
Total expenditures	<u>1,607,732</u>	<u>160,839</u>	<u>64,021</u>	<u>1,837,020</u>
Excess (deficiency) of revenues over expenditures	<u>(590,315)</u>	<u>(148,934)</u>	<u>26,319</u>	<u>(712,930)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	947,861	151,571	-	1,099,432
Transfers out	(256,061)	(2,637)	-	(258,698)
Total other financing sources and uses	<u>691,800</u>	<u>148,934</u>	<u>-</u>	<u>840,734</u>
Net change in fund balances	101,485	-	26,319	127,804
Fund balances - beginning	51,550	2	127,251	178,803
Fund balances - ending	<u>\$ 153,035</u>	<u>\$ 2</u>	<u>\$ 153,570</u>	<u>\$ 306,607</u>

City of New Cordell, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

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

Net change in fund balances - total governmental funds \$ 127,804
Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	414,596	
Equipment disposed		
Depreciation expense	(253,748)	160,848

The proceeds of debt issuances provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net position. Repayment
of debt principle is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net position.

Debt activity reported in the fund statements

Proceeds from debt issuance	-	
Payments on capital lease obligations	-	-

Change in Net Position of Governmental Activities	\$ 288,652
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City of New Cordell, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 672,196	\$ 70,000	\$ 742,196	\$ 753,014	\$ 10,818
Use taxes	69,426	(52,000)	17,426	16,807	(619)
E911 taxes	75,800	(75,542)	258	258	-
Beverage tax	34,980	3,000	37,980	39,283	1,303
Cigarette tax	8,737	-	8,737	8,956	219
Licenses & permits	7,162	2,000	9,162	10,541	1,379
Franchise taxes	46,777	3,000	49,777	50,003	226
Fines and forfeitures	21,838	9,500	31,338	31,411	73
Charges for services	11,498	2,100	13,598	19,194	5,596
Rental income	10,164	800	10,964	12,735	1,771
Intergovernmental	-	14,846	14,846	25,140	10,294
Investment income	756	-	756	381	(375)
Miscellaneous	32,154	3,100	35,254	46,828	11,574
Total revenues	991,488	(19,196)	972,292	1,014,551	42,259
EXPENDITURES					
General government:					
General government	87,445	29,500	116,945	115,818	1,127
Administration	34,650	60,000	94,650	101,390	(6,740)
Grant writing	30,061	-	30,061	20,029	10,032
Total general government	152,156	89,500	241,656	237,237	4,419
Public safety and judiciary:					
Legislative and judicial	41,655	-	41,655	30,065	11,590
Police	592,257	(9,000)	583,257	552,225	31,032
Fire	217,734	75,000	292,734	270,530	22,204
Animal Control	19,450	15,500	34,950	34,214	736
Total public safety and judiciary	871,096	81,500	952,596	887,034	65,562
Transportation:					
Street	226,035	52,500	278,535	266,658	11,877
Airport	37,990	8,500	46,490	45,039	1,451
Total transportation	264,025	61,000	325,025	311,697	13,328
Cultural, parks and recreation:					
Park	66,047	3,000	69,047	66,202	2,845
Swimming pool	83,742	3,591	87,333	63,813	23,520
Total cultural, parks and recreation	149,789	6,591	156,380	130,015	26,365
Public Services:					
Public works	10,000	(9,000)	1,000	35	965
Cemetery	24,885	4,950	29,835	23,747	6,088
City garage	28,025	(3,900)	24,125	21,122	3,003
Total public services	62,910	(7,950)	54,960	44,904	10,056
Total expenditures	1,499,976	230,641	1,730,617	1,610,887	119,730
Excess (deficiency) of revenues over expenditures	(508,488)	(249,837)	(758,325)	(596,336)	161,989
OTHER FINANCING SOURCES (USES)					
Operating transfers in	524,000	402,637	926,637	947,861	21,224
Operating transfers out	(15,000)	(242,300)	(257,300)	(256,060)	1,240
Net other financing sources (uses)	509,000	160,337	669,337	691,801	22,464
Excess of revenues and other financing sources over (under) expenditures and other uses	512	(89,500)	(88,988)	95,465	184,453
Fund balance at beginning of year (Non-GAAP budgetary basis):					
Appropriated for current year budget	150,000	-	150,000	97,572	(52,428)
Fund balance at beginning of year (Non-GAAP budgetary basis)	150,000	-	150,000	97,572	(52,428)
Fund balance at end of year (Non-GAAP budgetary basis)	\$ 150,512	\$ (89,500)	\$ 61,012	\$ 193,037	\$ 132,025
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				2,865	
Expenditure and transfer accruals				(42,867)	
Fund balance at end of year (GAAP basis)				\$ 153,035	

City of New Cordell, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014

	New Cordell Utilities Authority	Development Redevelopment Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash, including time deposits	\$ 1,421,458	\$ 8,552	\$ 1,430,010
Investment	271,697	-	271,697
Interest receivable	46	-	46
Due from other funds	4,606	-	4,606
Accounts receivable, net of allowance of \$5,711	490,262	-	490,262
Prepaid expenses	24,487	-	24,487
Total current assets	2,212,556	8,552	2,221,108
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	226,708	-	226,708
Investments	204,592	-	204,592
Total restricted assets	431,300	-	431,300
Noncurrent assets:			
Capital assets (net)	1,578,396	590,045	2,168,441
Total noncurrent assets	1,578,396	590,045	2,168,441
Total assets	4,222,252	598,597	4,820,849
LIABILITIES			
Current liabilities:			
Accounts payable	301,549	-	301,549
Wages and benefits payable	8,278	-	8,278
Compensated absences, current	6,754	-	6,754
Due to other funds	-	-	-
Notes payable, current	4,606	-	4,606
Total current liabilities	321,187	-	321,187
Liabilities payable from restricted assets:			
Accrued interest payable	9,362	-	9,362
Customer deposits payable	117,645	-	117,645
Bonds payable, current	100,000	-	100,000
Total liabilities payable from restricted assets	227,007	-	227,007
Noncurrent liabilities:			
Notes payable, noncurrent	-	-	-
Bonds payable, noncurrent	930,000	-	930,000
Deferred amount on refunding	(49,941)	-	(49,941)
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	880,059	-	880,059
Total noncurrent liabilities	880,059	-	880,059
Total liabilities	1,428,253	-	1,428,253
NET POSITION			
Invested in capital assets, net of related debt	593,731	590,045	1,183,776
Unrestricted	2,200,268	8,552	2,208,820
Total net position	\$ 2,793,999	\$ 598,597	\$ 3,392,596

City of New Cordell, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	<u>New Cordell Utilities Authority</u>	<u>Development Redevelopment Authority</u>	<u>Total Enterprise Funds</u>
<u>Operating revenues:</u>			
Charges for services:			
Electric charges	\$ 2,444,956	\$ -	\$ 2,444,956
Water charges	615,117	-	615,117
Sewer charges	214,940	-	214,940
Sanitation charges	398,759	-	398,759
Penalties	47,796	-	47,796
Total charges for services	<u>3,721,568</u>	<u>-</u>	<u>3,721,568</u>
Lease and rental income	-	1	1
Miscellaneous	4,866	-	4,866
Total operating revenues	<u>3,726,434</u>	<u>1</u>	<u>3,726,435</u>
<u>Operating expenses:</u>			
Cost of goods sold	2,333,930	-	2,333,930
Personal services	468,928	-	468,928
Materials and supplies	225,164	6,049	231,213
Other services and charges	237,058	4,755	241,813
Depreciation	170,661	34,447	205,108
Total operating expenses	<u>3,435,741</u>	<u>45,251</u>	<u>3,480,992</u>
Net operating income	290,693	(45,250)	245,443
<u>Nonoperating revenue (expense):</u>			
Investment income	8,267	73	8,340
Grant income	-	-	-
Interest expense	(38,519)	-	(38,519)
Amortization	(7,669)	-	(7,669)
Other income	235,382	-	235,382
Total nonoperating revenue (expense)	<u>197,461</u>	<u>73</u>	<u>197,534</u>
Net income before contributions and transfers	488,154	(45,177)	442,977
Transfers from other funds	1,990	112,500	114,490
Transfers to other funds	(955,224)	-	(955,224)
Change in net position	(465,080)	67,323	(397,757)
Net position-beginning of year	3,259,079	531,274	3,790,353
Net position-end of year	<u>\$ 2,793,999</u>	<u>\$ 598,597</u>	<u>\$ 3,392,596</u>

City of New Cordell, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	New Cordell Utilities Authority	Development Redevelopment Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 3,770,225	\$ 1	\$ 3,770,226
Payments to suppliers	(2,749,146)	(10,804)	(2,759,950)
Payments to employees	(468,155)	-	(468,155)
Other operating revenues	4,866	-	4,866
Net cash provided (used) by operating activities	557,790	(10,803)	546,987
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	1,990	112,500	114,490
Transfers to other funds	(955,224)	-	(955,224)
Receipts on interfund loan agreements	7,526	-	7,526
Receipts from nonoperating income	235,382	-	235,382
Net cash provided (used) by non-capital financing activities	(710,326)	112,500	(597,826)
<u>Cash flows from capital and related financing activities:</u>			
Purchases of capital assets	(39,800)	(102,648)	(142,448)
Principal paid on capital debt	(107,526)	-	(107,526)
Interest paid on capital debt	(38,955)	-	(38,955)
Net cash provided (used) by capital and related financing activities	(186,281)	(102,648)	(288,929)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(2,687)	-	(2,687)
Investment income	8,267	73	8,340
Net cash provided (used) by investing activities	5,580	73	5,653
Net increase (decrease) in cash and cash equivalents	(333,237)	(878)	(334,115)
Cash and cash equivalents, July 1, 2013	1,981,403	9,430	1,990,833
Cash & cash equivalents, June 30, 2014	\$ 1,648,166	\$ 8,552	\$ 1,656,718
Cash, including time deposits	\$ 1,421,458	\$ 8,552	\$ 1,430,010
Restricted cash, including time deposits	226,708	-	226,708
Total cash and cash equivalents, end of year	\$ 1,648,166	\$ 8,552	\$ 1,656,718
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ 290,693	\$ (45,250)	\$ 245,443
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	170,661	34,447	205,108
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	36,072	-	36,072
(Increase) decrease in prepaids	1,395	-	1,395
Increase (decrease) in accounts payable	45,611	-	45,611
Increase (decrease) in wages & benefits payable	1,431	-	1,431
Increase (decrease) in compensated absences	(658)	-	(658)
Increase (decrease) in deposits subject to refund	12,585	-	12,585
Total adjustments	267,097	34,447	301,544
Net cash provided (used) by operating activities	\$ 557,790	\$ (10,803)	\$ 546,987

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of New Cordell, Oklahoma (the "City") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on May 22, 1908. The City operates under the statutory Aldermanic form of government. The City provides the following services: public safety (police and fire), streets, utility (sanitation, water, sewer, and electric) planning and zoning, public improvements, library, airport, parks, and general administration.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of New Cordell. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of New Cordell.

The financial statements of the City include the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

New Cordell Utilities Authority - created October 6, 1986 by Declaration of Trust and as amended by Amendment to Declaration of Trust dated 01/08/88, under Title 60, OS (1981) Section 176-804. The City has beneficial interest and the City Council members serve as Trustees of the Authority. City employees carry on the activities of the Authority.

Cordell Development and Redevelopment Authority - The City Council members serve as trustees of the Authority.

The Cordell Hospital Authority and the Cordell Recreation Authority are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the related organization.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

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

Grant Fund

Accounts for funds received for grant programs

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Cemetery Care	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.
Fireman Fund	Accounts for collection of rural fire fighting fees and is administratively restricted for fire department needs.
Disaster Fund	Accounts for funds spent in the City's response to the October 9, 2001 tornado and the winter ice storm.

Capital Project Fund

This fund is used to account for financial resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by proprietary funds). The City of New Cordell has expanded its use to include major repairs with full board approval.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprises funds:

<u>FUND</u>	<u>BRIEF DESCRIPTION</u>
New Cordell Utilities Authority	Accounts for the activities of the authority in providing electric, water, wastewater, and solid waste services to the public.
Cordell Development & Redevelopment Authority	Accounts for economic development activities and for the operation of the theatre.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The City Administrator submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price.

Allowance for Uncollectible Accounts

The City has established an allowance for collectible accounts based on management's prior experience. Management does not believe there are significant losses in excess of the allowance.

Restricted Assets

Restricted assets include current assets of proprietary fund types that are legally restricted as to their use. The restricted assets are primarily related investments restricted for customer refunds, and cash reserved for payment of the revenue bond obligation.

Property, Plant and Equipment

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

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- | | |
|------------------------------------|-------------|
| • Buildings | 25-50 years |
| • Other improvements | 10-50 years |
| • Machinery, furniture & equipment | 3-20 years |
| • Infrastructure | 25-50 years |

Fund Financial Statements:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. An example of an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category would be unavailable revenue from property taxes and special assessments. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. Those amounts would be deferred and recognized as an inflow of resources in the period that the amounts become available. The City does not currently have any items that qualify as a deferred inflow of resources.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amount to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, and fiduciary financial statements.

Equity Classifications

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Assets

Both proprietary fund financial statements and government-wide financial statements report net assets. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their 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.

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

F. Revenues, Expenditures and Expenses

Sales Tax

The City levied a three-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers."

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The City reported no deficit fund balances or net assets for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2014, the City complied, in all material respects, with the applicable budget laws.

C. Debt Covenants

The 2011 Series bonds held by the Cordell Utility Authority contain a number of covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, pledged revenues less operating expenses shall provide Net Revenues Available for Debt Service equal to 1.20 times average annual debt service on the respective notes for the Authority. As calculated on the Schedule Debt Service Coverage Requirements in the Other Supplementary Schedules section of this report, the City complied with this requirement.

E. Revenue Restrictions

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

REVENUE SOURCE	LEGAL RESTRICTIONS OF USE
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes
Airport Revenue	Airport Operations and Debt Service
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
911 Fees	Capital items and personnel for Emergency Management

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Investments

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>GOVERNMENTAL ACTIVITIES</u>				
Certificates of deposit	\$ 35,052	\$ 35,052	N/A	20.56
Total governmental activities	35,052	35,052		
<u>BUSINESS-TYPE ACTIVITIES</u>				
Certificates of deposit	\$ 476,289	\$ 476,289	N/A	315.84
Total business-type activities	476,289	476,289		
Total primary government investments	\$ 511,341	\$ 511,341		

Reconciliation to statement of net assets:

Investments

Governmental activities	\$ 35,052
Business-type activities	271,697
Business-type activities, restricted	204,592
	\$ 511,341

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

At June 30, 2014 the City held restricted assets totaling \$431,300. Assets were restricted for the following purposes:

Business-type activities:

Cash, including time deposits

Debt service 2011 Revenue Bonds	\$ 230,965
Customer deposits	129,633
Board restrictions	70,702
	\$ 431,300

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2014 follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Land and land improvements	\$ 1,158,872	\$ 7,737	\$ -	\$ 1,166,609
Buildings & structures	4,551,624	126,048	-	4,677,672
Machinery, furniture, & equipment	2,031,531	103,531	-	2,135,062
Improvements other than land	1,102,038	120,928	-	1,222,966
Construction in process	79,525	56,352	-	135,877
	8,923,590	414,596	-	9,338,186
Total	8,923,590	414,596	-	9,338,186
Less accumulated depreciation	6,898,968	253,748	-	7,152,716
Fixed assets, net	\$ 2,024,622	\$ 160,848	\$ -	\$ 2,185,470

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2014 follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Cordell Utility Authority:				
Electric plant				
Land	\$ 308	\$ -	\$ -	\$ 308
Structures & improvements	95,609	-	-	95,609
Plant & equipment	479,270	3,180	-	482,450
Distribution system	986,471	4,090	-	990,561
Construction in process	-	-	-	-
	<u>1,561,658</u>	<u>7,270</u>	<u>-</u>	<u>1,568,928</u>
Water plant				
Land	11,649	-	-	11,649
Structures & improvements	1,111,688	3,000	-	1,114,688
Plant & equipment	936,740	4,041	-	940,781
Distribution system	1,017,957	22,196	-	1,040,153
	<u>3,078,034</u>	<u>29,237</u>	<u>-</u>	<u>3,107,271</u>
Sewer plant				
Structures & improvements	1,057,232	-	-	1,057,232
Plant & equipment	198,678	-	-	198,678
Distribution system	141,823	3,293	-	145,116
Equipment	14,162	-	-	14,162
	<u>1,411,895</u>	<u>3,293</u>	<u>-</u>	<u>1,415,188</u>
General and administrative				
Land	69,178	-	-	69,178
Structures & improvements	48,902	-	-	48,902
Equipment	291,666	-	-	291,666
Transportation equipment	360,422	-	-	360,422
	<u>770,168</u>	<u>-</u>	<u>-</u>	<u>770,168</u>
Ambulance garage				
	<u>7,849</u>	<u>-</u>	<u>-</u>	<u>7,849</u>
Total	6,829,604	39,800	-	6,869,404
Less accumulated depreciation	<u>5,120,347</u>	<u>170,661</u>	<u>-</u>	<u>5,291,008</u>
Fixed assets, net	<u>\$ 1,709,257</u>	<u>\$ (130,861)</u>	<u>\$ -</u>	<u>\$ 1,578,396</u>
Cordell Development/Redevelopment Authority:				
Land	\$ 30,000	\$ -	\$ -	30,000
Building - Theater	879,436	26,000	-	905,436
Equipment - Theater	16,257	76,648	-	92,905
Total	<u>925,693</u>	<u>102,648</u>	<u>-</u>	<u>1,028,341</u>
Less: accumulated depreciation	<u>403,849</u>	<u>34,447</u>	<u>-</u>	<u>438,296</u>
Fixed assets, net	<u>\$ 521,844</u>	<u>\$ 68,201</u>	<u>\$ -</u>	<u>\$ 590,045</u>
Total Business-type activities, net	<u>\$ 2,231,101</u>	<u>\$ (62,660)</u>	<u>\$ -</u>	<u>\$ 2,168,441</u>

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

All vehicles purchased by the Utility Authority are depreciated under the general and administrative transportation equipment.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$	38,289
Public safety & judiciary		81,153
Transportation		102,310
Cultural, parks & recreation		31,996
Total governmental activities depreciation expense	<u>\$</u>	<u>253,748</u>

Depreciation expense charges to business-type activities:

Electric	\$	35,945
Water		93,034
Customer service		2,747
Sewer		38,935
Economic development		34,447
Total business-type activities depreciation expense	<u>\$</u>	<u>205,108</u>

C. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2014:

NOTES PAYABLE

Business-Type Activities:

Note payable to High Plains Bank in Cordell, OK for the purchase of a 2012 Chevrolet Impala police car in the amount of \$22,040.70, payable in monthly installments of \$671.38 carrying a 6% interest rate, maturing January 20, 2015.		4,606
	<u>\$</u>	<u>4,606</u>

REVENUE BONDS PAYABLE:

2011 Series New Cordell Utilities Authority Utility System Refunding Revenue Bonds original issue amount of \$1,300,000, dated February 28, 2011, issued by the New Cordell Utilities Authority, secured by the net revenue of the system, interest rates from 1.0% to 4.75%, final maturity on October 1, 2022.		\$ 1,030,000
Total revenue bonds payable		1,030,000
Less: unamortized deferred amount on refunding		(49,941)
Net revenue bonds payable	<u>\$</u>	<u>980,059</u>

CITY OF NEW CORDELL, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

<u>Type of Debt</u>	<u>Balance at July 1, 2013</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2014</u>	<u>Due within One Year</u>
Business-type activities					
Notes payable	\$ 12,132	\$ -	\$ 7,526	\$ 4,606	\$ 4,606
Revenue bonds payable	1,130,000	-	100,000	1,030,000	100,000
Total governmental activities	<u>\$ 1,142,132</u>	<u>\$ -</u>	<u>\$ 107,526</u>	<u>\$ 1,034,606</u>	<u>\$ 104,606</u>
Total primary government debt	<u>\$ 1,142,132</u>	<u>\$ -</u>	<u>\$ 107,526</u>	<u>\$ 1,034,606</u>	<u>\$ 104,606</u>

Annual Debt Service Requirements:

The annual debt service requirement to maturity, including principal and interest, for long-term debt as of June 30, 2014 is as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>			
	<u>Capital Leases</u>	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 4,606	\$ 94	100,000	36,550
2016	-	-	-	105,000	34,238
2017	-	-	-	110,000	31,275
2018	-	-	-	110,000	27,700
2019	-	-	-	115,000	23,619
2020-2024	-	-	-	490,000	44,893
Totals	<u>\$ -</u>	<u>\$ 4,606</u>	<u>\$ 94</u>	<u>\$ 1,030,000</u>	<u>\$ 198,275</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2014 were as follows:

<u>Operating Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
GENERAL FUND:		
Cordell Utility Authority	\$ 945,224	\$ 1,990
Grant fund	2,637	151,571
Development & Redevelopment	-	102,500
GRANT FUND:		
General Fund	151,571	2,637
ENTERPRISE FUNDS - Cordell Utility Authority		
General Fund	1,990	945,224
Development & Redevelopment	-	10,000
ENTERPRISE FUNDS - Development & Redevelopment		
Cordell Utility Authority	10,000	-
General Fund	102,500	-
	<u>\$ 1,213,922</u>	<u>\$ 1,213,922</u>

(4) RETIREMENT PLANS

The City participates in two employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund

Plan Description

Substantially all of the City's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

	<u>As of January 1, 2014</u>
Retired participants and beneficiaries	23
Vested active participants	19
Nonvested active participants	8
Total	<u>50</u>

The following is a summary of eligibility, contribution methods and benefits provisions:

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, regular employees of the City or Authority, except police, firefighters, and other employees who are covered under an approved system
b. Contributions Requirement	By City Ordinance
- Authorization	Yes
- Actuarially Determined	17.43% of covered payroll for FY13-14
- Employer Rate	15.23% of covered payroll for FY 14-15
- Employee Rate	0% of covered payroll
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 - Early Retirement at age 55 - Disability retirement upon total and permanent disability with 7 years of service. - Death benefits with 7 years of service for single or married employees.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average compensation multiplied by the number of years of credited service.
- Early Retirement	Accrued benefit reduced 5% per year prior to normal retirement or benefit starting at normal retirement age
- Disability Retirement	Payable upon disablement without early payment reduction
- Death Benefit	Married: 50% of employee's accrued benefit, but terminates upon spouse remarriage, Other: 50% of employee's accrued benefit for 5 years
- Prior to 7 Years Service	Return of employee contributions with accrued interest.

g. Form of Benefit Payments

Normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain. Employee may elect, with City consent, optional form based on actuarial equivalent basis.

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/10	3,301,449	3,771,338	469,889	87.5%	811,732	57.9%
01/01/11	3,446,104	3,941,112	495,008	87.4%	748,304	66.2%
01/01/12	3,558,384	4,197,087	638,703	84.8%	777,455	82.2%
01/01/13	3,742,050	4,369,641	627,591	85.6%	772,923	81.2%
01/01/14	3,989,775	4,389,119	399,344	90.9%	873,245	47.7%

a. Date of last Actuarial Valuation

March 2014

b. Significant Actuarial Assumptions Used:

1. Rate of Return on Investments

7.5% per annum

2. Projected Salary Increase

4.0% - 7.42%

3. Retirement Age

Normal and Early Rates, based upon current age

4. Mortality Table

UP 1994 mortality (projected)

5. Asset Value

Actuarial method

c. Actuarial cost method

Entry age normal cost method

d. Amortization method

Level % of payroll

e. Fiscal Year 2014 Contributions Made

Total Contributions- 20.13% of covered payroll

\$ 151,954

B. Oklahoma Firefighter's Pension and Retirement System

Plan Description

The City's firefighters participated in the statewide Oklahoma State Firefighters Pension and Retirement System (System), a multi-employer, cost-sharing defined benefit plan. The system is funded by contributions from participants, employers, insurance premium taxes, and State appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	Oklahoma Firefighter's Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	9% of covered payroll (eff 11/13)
City's contribution rate	14% of covered payroll, \$60 per year for volunteer firefighters
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.

Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.
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Deferred retirement option	Yes, 20 years credited service for a maximum of five years
----------------------------	--

The system is administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriates, as necessary.

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are:

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Provision for:	
Cost of living adjustment	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes
 Valuation Date	 7/1/14
Actuarial cost method	Individual entry age normal
Amortization method/period	Level dollar 30 years, open
Actuarial asset valuation method	5 year moving average
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	3.5% - 9.0%
Post retirement benefit increase (max)	2.0%
Inflation	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

(5) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. Leasing Arrangements

Pursuant to Ordinance No. 89-2, on January 16, 1989, the City entered into a 15 year lease with the Cordell Hospital Authority, leasing all hospital related real property, equipment and facilities plus future additions and improvements made by the City. Consideration of this lease is the installation and construction of improvements and operation of the facilities by the Authority. This lease was extended for 15 years beginning on January 17, 2004 and ending on January 17, 2019.

On June 20, 1989, a 50 year lease agreement dated December 5, 1988, was filed between the City and the New Cordell Utilities Authority. The City leased to the Authority all existing water and sanitary sewer system, related equipment, real property and unexplored leases and contracts. The Authority, for consideration of the lease, agrees to obtain financing and expend proceeds for extensions and improvements of facilities; and to set fair rates sufficient to pay debt service and facility operation expenses.

C. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. 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. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**City of New Cordell, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Special Revenue				Total Special Rev Funds	Capital Projects Fund	Total Other Governmental Funds
	Street & Alley Fund	Cemetery Care Fund	Fireman's Fund	Disaster Fund			
ASSETS							
Cash, including time deposits	\$ 60,914	\$ 6,197	\$ 10,359	\$ 10,573	\$ 88,043	\$ 28,279	\$ 116,322
Investments	-	35,052	-	-	35,052	-	35,052
Interest receivable	-	2	-	-	2	-	2
Due from other funds	-	-	-	-	-	-	-
Accounts receivable, taxes	2,194	-	-	-	2,194	-	2,194
Total assets	\$ 63,108	\$ 41,251	\$ 10,359	\$ 10,573	\$ 125,291	\$ 28,279	\$ 153,570
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-
FUND BALANCES							
Restricted for:							
Special revenue funds	63,108	41,251	10,359	10,573	125,291	-	125,291
Capital projects fund	-	-	-	-	-	28,279	28,279
Total fund balances	63,108	41,251	10,359	10,573	125,291	28,279	153,570
Total liabilities and fund balances	\$ 63,108	\$ 41,251	\$ 10,359	\$ 10,573	\$ 125,291	\$ 28,279	\$ 153,570

City of New Cordell, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue				Total Special Rev Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
	Street & Alley Fund	Cemetery Care Fund	Fireman's Funds	Disaster Fund			
REVENUES							
Oil & gas royalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,328	\$ 1,328
Investment income	145	204	-	43	392	84	476
Charges for services	-	233	-	-	233	-	233
Intergovernmental programs	25,443	-	65,788	-	91,231	-	91,231
Miscellaneous	-	-	1,500	-	1,500	-	1,500
Total revenues	25,588	437	67,288	43	93,356	1,412	94,768
EXPENDITURES							
Current:							
General government:							
General government	-	-	-	-	-	-	-
Total general government	-	-	-	-	-	-	-
Public safety and judiciary:							
Police	-	-	-	-	-	-	-
Fire	-	-	4,428	-	4,428	-	4,428
Total public safety and judiciary	-	-	4,428	-	4,428	-	4,428
Transportation:							
Street	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-
Total transportation	-	-	-	-	-	-	-
Cultural, parks and recreation:							
Cemetery	-	-	-	-	-	-	-
Total cultural, parks and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	64,021	-	64,021	-	64,021
Total expenditures	-	-	68,449	-	68,449	-	68,449
Excess (deficiency) of revenues over expenditures	25,588	437	(1,161)	43	24,907	1,412	26,319
OTHER FINANCING SOURCES (USES)							
Transfers in/(out)	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-
Net change in fund balances	25,588	437	(1,161)	43	24,907	1,412	26,319
Fund balances - beginning	37,520	40,814	11,520	10,530	100,384	26,867	127,251
Fund balances - ending	\$ 63,108	\$ 41,251	\$ 10,359	\$ 10,573	\$ 125,291	\$ 28,279	\$ 153,570

CITY OF NEW CORDELL, OKLAHOMA
Schedule of Debt Service Coverage Requirements
2011 Series New Cordell Utility Authority
Year Ended June 30, 2014

Revenue Bond Coverage:

Gross revenue available for debt service:

Operating revenue for Cordell Utility Authority	<u>\$ 3,726,434</u>
Gross revenue available for debt service	3,726,434

Operating expenses for Cordell Utility Authority excluding depreciation and amortization	<u>(3,265,080)</u>
Net revenues available for debt service	<u>\$ 461,354</u>

Debt service requirements:

Average annual debt service - revenue bonds 2011	<u>\$ 107,692</u>
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Computed coverage	<u>4.28</u>
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Coverage requirement	<u>1.20</u>
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The accompanying notes are an integral part of these statements.



BRITTON, KUYKENDALL, & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and City Council
City of New Cordell, Oklahoma

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Cordell, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of New Cordell, Oklahoma's basic financial statements, and have issued our report thereon dated April 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of New Cordell, 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 the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 New Cordell, 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* in the United States of America.

MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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.

Britton Kuykendall & Miller
BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
April 16, 2015

**CITY OF NEW CORDELL, OKLAHOMA
AUDIT COMMENTS
JUNE 30, 2014**

CURRENT YEAR

1. During our audit of the General Fund and New Cordell Utilities Authority, we noted instances where invoices were dated before purchase orders, purchase orders were not signed, invoices were not signed to verify receipt of goods or services. Purchase orders should be issued before purchases, and the person receiving goods or services should sign the invoice, statement or delivery ticket to indicate that the goods or services were received and in good condition.

PRIOR YEAR

1. During our audit of the General Fund and New Cordell Utilities Authority, we noted instances where invoices were not signed to verify receipt of goods or services. The person receiving goods or services should sign the invoice, statement or delivery ticket to indicate that the goods or services were received and in good condition.
2. During our audit of the General Fund, we noted an instance where lots were purchased in the amount of \$16,500 for the purpose of allowing SWODA to build houses on the lots. Once the houses were completed, the lots were then deeded to the purchasers of the houses and the City received no compensation for the lots. Since the General Fund includes taxpayer funds, this type of purchase should not have been made out of the General Fund since the lots were given away. Article 10, Section 17 of the Oklahoma Constitution does not authorize a City to obtain property or appropriate money for, or levy any tax for, or loan its credit to any individual. In addition, Article 10, Section 14 of the Oklahoma Constitution states that taxes shall be levied and collected for public purposes only. These sections of the Oklahoma Constitution prohibit gifts or donations of public funds or property when the primary benefit goes to an individual. This type of expenditure would have been appropriate if it had been made out of one of the City's proprietary funds, with board approval.