

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

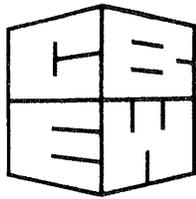
**CONTENTS**

	<b>Page No.</b>
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	9
Statement of Activities	10-11
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities	15
Statement of Net Fund Position - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
<b>Notes to the Basic Financial Statements</b>	21-49
<b>Required Supplemental Information:</b>	
Exhibit 1 – Schedule of Share of Net Pension Liability (Asset) – Police Pension	50
Exhibit 2 – Schedule of City Contributions – Police Pension & Retirement System	50
Exhibit 3 – Schedule of Share of Net Pension Liability – Firefighter's System	51
Exhibit 4 – Schedule of City Contributions – Firefighter's Pension & Retirement	51
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	52-54
Notes to Required Supplemental Information	55

**CITY OF MUSKOGEE  
Muskogee, Oklahoma**

**CONTENTS**

	<b>Page No.</b>
<b>Other Supplementary Information:</b>	
Combining Balance Sheet – Non-Major Governmental Funds	56-61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	62-67
Combining Statement of Net Fund Position – Non-Major Proprietary Funds	68-69
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Non-Major Proprietary Funds	70-71
Combining Statement of Cash Flows – Non-Major Proprietary Funds	72-73
Combining Statement of Fiduciary Net Position – Agency Funds	74
Schedule of Expenditures of Federal Awards	75
<b>Report Required by <i>Government Auditing Standards</i>:</b>	
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	76-77



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## INDEPENDENT AUDITOR'S REPORT

December 15, 2015

Honorable City Council  
City of Muskogee  
Muskogee, 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 Muskogee, Oklahoma, (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Muskogee, Oklahoma, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in conformity 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, pension exhibits and budgetary comparison information on pages 3 – 8 and 50-54 and the notes on page 55 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 Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, and is also not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards 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 statements and the schedule of expenditures of federal awards 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 December 15, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*CBEW Professional Group, LLP*

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Certified Public Accountants



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*For the Fiscal Year Ended June 30, 2015  
Unaudited*

The City of Muskogee (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the city's financial position, (d) identify any material deviations from the financial plans, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**HIGHLIGHTS**

**Financial Highlights**

- The City's Net Position increased by \$159,109
- The total cost of all the City's programs was \$50,433,054
- During the year, the City had expenses of \$43,054,322 for governmental activities which was \$8,609,617 more than the \$34,444,705 generated in taxes, program revenues and other financing sources.
- The City's business-type activities decreased net position by \$3,644,836 from operations.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 9-11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

## The City as Trustee

The City is the trustee, or fiduciary, for the Employee Retirement Fund, Health and Insurance Fund, C.C. Hultquist Library Fund and the Escrow Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 19-20. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City holds deposits for various individuals and businesses for contract performance which are then returned when the contract has been completed. These deposits are accounted for in an Agency fund, where assets equal liabilities.

## THE CITY AS A WHOLE

### GOVERNMENT-WIDE STATEMENTS

#### Statement of Net Position

The following table reflects the condensed Statement of Net Position as of June 30, 2015:

	Governmental Activities		Business-Type Activities		Total	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current and other assets	\$ 22,972,459	\$ 20,984,204	\$ 13,679,464	\$ 16,494,823	\$ 36,651,923	\$ 37,479,027
Capital assets	187,368,680	185,631,594	91,390,909	88,765,030	278,759,589	274,396,624
Total assets	<u>210,341,139</u>	<u>206,615,798</u>	<u>105,070,373</u>	<u>105,259,853</u>	<u>315,411,512</u>	<u>311,875,651</u>
Deferred outflows	1,605,821	1,150,533	-	-	1,605,821	1,150,533
Long-term liabilities	2,146,809	3,588,977	54,008,702	49,935,555	56,155,511	53,524,532
Other liabilities	31,694,772	34,855,407	1,116,078	1,733,871	32,810,850	36,589,278
Total liabilities	<u>33,841,581</u>	<u>38,444,384</u>	<u>55,124,780</u>	<u>51,669,426</u>	<u>88,966,361</u>	<u>90,113,810</u>
Deferred inflows	4,661,962	-	-	-	4,661,962	-
Net position:						
Investment in capital assets	185,221,871	182,042,617	37,382,207	38,829,475	222,604,078	220,872,092
Restricted	10,800,703	9,383,738	7,576,526	11,703,713	18,377,229	21,087,451
Unrestricted	(22,579,157)	(22,104,408)	4,986,860	3,057,239	(17,592,297)	(19,047,169)
Total net position	<u>\$ 173,443,417</u>	<u>\$ 169,321,947</u>	<u>\$ 49,945,593</u>	<u>\$ 53,590,427</u>	<u>\$ 223,389,010</u>	<u>\$ 222,912,374</u>

For more detail information see the Statement of Net Position on page 9.

The City's combined net position increased from \$223,229,901 to \$223,389,010 or .0713% increase due to the operation of the Governmental and Business-type Activities.

## Changes in Net Position

The following table shows the revenue and expenses of the total primary government.

	Governmental Activities		Business-Type Activities		Total	
	06/30/15	06/30/14	06/30/15	06/30/14	06/30/15	06/30/14
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,726,496	\$ 1,632,886	\$ 16,859,780	\$ 17,621,125	\$ 18,586,276	\$ 19,254,011
Operating grants & contributions	2,614,802	3,992,061	72,772	27,762	2,687,574	4,019,823
Capital grants & contributions	-	-	68,076	411,335	68,076	411,335
<b>General revenues:</b>						
Taxes	29,535,252	28,402,821	-	-	29,535,252	28,402,821
Intergovernmental	5,050	2,105	-	-	5,050	2,105
Other	563,105	748,104	224,200	41,500	787,305	789,604
Net pension change	(1,077,370)	-	-	-	(1,077,370)	-
<b>Total revenues</b>	<b>33,367,335</b>	<b>34,777,977</b>	<b>17,224,828</b>	<b>18,101,722</b>	<b>50,592,163</b>	<b>52,879,699</b>
<b>Expenses:</b>						
General government	8,475,198	11,487,050	-	-	8,475,198	11,487,050
Public safety and judiciary	15,505,799	16,366,410	-	-	15,505,799	16,366,410
Transportation	6,329,345	6,482,040	-	-	6,329,345	6,482,040
Cultural, parks and recreation	3,328,509	4,264,776	-	-	3,328,509	4,264,776
Utilities	6,867,968	6,479,575	3,157,012	3,126,113	10,024,980	9,605,688
Other public services	1,195,693	1,081,758	-	-	1,195,693	1,081,758
Economic development	1,254,240	1,001,432	-	-	1,254,240	1,001,432
Airport	-	-	366,596	353,004	366,596	353,004
Parking	-	-	16,982	5,878	16,982	5,878
Civic Center and Roxy Theatre	-	-	632,970	772,489	632,970	772,489
Hatbox Sports Complex	-	-	740,946	809,019	740,946	809,019
Fairgrounds	-	-	32,894	54,488	32,894	54,488
Swim & Fitness Center	-	-	505,833	529,081	505,833	529,081
War Memorial Park	-	-	147,415	93,867	147,415	93,867
Financing	97,570	106,653	1,778,084	1,819,129	1,875,654	1,925,782
<b>Total expenses</b>	<b>43,054,322</b>	<b>47,269,694</b>	<b>7,378,732</b>	<b>7,563,068</b>	<b>50,433,054</b>	<b>54,832,762</b>
Increases/(decreases) in net assets before transfers	(9,686,987)	(12,491,717)	9,846,096	10,538,654	159,109	(1,953,063)
Transfers	13,490,932	10,676,132	(13,490,932)	(10,676,132)	-	-
Increase/(decrease) in net assets	3,803,945	(1,815,585)	(3,644,836)	(137,478)	159,109	(1,953,063)
Net position - beginning of year	169,639,472	171,455,057	53,590,429	53,727,907	223,229,901	225,182,964
<b>Net position - end of year</b>	<b>\$ 173,443,417</b>	<b>\$ 169,639,472</b>	<b>\$ 49,945,593</b>	<b>\$ 53,590,429</b>	<b>\$ 223,389,010</b>	<b>\$ 223,229,901</b>

### Governmental Activities/Administrative

The change in net position of governmental activities was \$3,803,945. Examples of governmental activities are general government, fire, police, streets, public works and parks.

### Business-type Activities

The change in net position of business-type activities was an decrease of \$3,644,836. Examples of proprietary activities are water, waste water services and solid waste, Hatbox sports complex, Civic Center, Roxy Theatre, Swim & Fitness Center, War Memorial Park, Fairgrounds and Davis Field Airport.

## Reporting the City as a Whole

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

- These two statements report the City's *net position* and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Overtime, *increases or decreases* in the City's net position, is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the *overall health* of the City.

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, public works and parks departments, and general administration. Sales taxes, franchise taxes, water revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Airport, Sports Complex, Civic Center, Municipal Authority, War Memorial Park, Swim & Fitness Center, State Fair Authority, Hatbox, Roxy Theatre and Parking Authority are reported here.

## Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 12. 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, the City Council establishes many other funds to help it control and manage money for particular purposes (like the water and sewer program) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the gasoline tax). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in reconciliations at the bottom of the fund financial statements.
- 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 Activities. In fact, the City's enterprise funds (a component of proprietary funds) are 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, for proprietary funds.

## THE CITY'S FUNDS

### Governmental Type Funds

As of year end, the governmental funds reported a combined fund balance of \$18,957,875 which is an increase from the beginning of the year in the amount of \$1,025,020. Several of the governmental funds are capital expenditure related and, therefore, may reflect capital expenditures or payment on debt service (which are reflected in the current financial resource-based Fund Financial Statements) as a spending of a portion of available net position or an increase in net position from unspent net position.

### Business-Type Funds

As of year end, the business-type funds reported combined net position of \$49,945,593 which is a decrease from the beginning of the year in the amount of \$3,644,836.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2015 the City had \$576,428,241 invested in a broad range of capital assets, including police, fire and public works equipment, buildings, park facilities, infrastructure, roads, bridges and stormwater drainage structures. This amount represents a net increase (including additions and deductions) of \$13,854,644 from fiscal year 2015. See pages 31-32 in the notes to the financial statements for detailed changes in capital assets.

### Debt

At June 30, 2015 the City had \$56,155,510 in notes outstanding versus \$53,130,241 at June 30, 2014 – an increase of 5.69% – as shown below.

	Governmental Activities		Business-Type Activities		Total	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Notes payable	\$ 750,897	\$ 1,493,454	\$ 45,167,702	\$ 39,805,555	\$ 45,918,599	\$ 41,299,009
Tax-increment bond	-	-	-	-	-	-
Contract payable	492,865	591,438	-	-	492,865	591,438
Sales tax revenue note	-	-	2,995,000	3,500,000	2,995,000	3,500,000
Judgements payable	383,128	497,877	-	-	383,128	497,877
Leases payable	519,918	611,917	5,846,000	6,630,000	6,365,918	7,241,917
Total	\$ 2,146,808	\$ 3,194,686	\$ 54,008,702	\$ 49,935,555	\$ 56,155,510	\$ 53,130,241

Other obligations of the City include accrued vacation pay and sick leave.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and fees that will be charged for the business-type activities. One of those factors is the economy.

Muskogee is the third largest manufacturing community in the state. Some of the largest manufacturers are Georgia-Pacific, Owens Illinois and Dal Tile. The Muskogee County unemployment rate in 2015 was 5.6% down from 6.0% in 2014. This indicates that economic recession had an effect on the business growth in the area during the year.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2016. Amounts available for appropriation in the General Fund budget are \$32,352,060, a decrease of .47% from the fiscal year 2015 budget of \$32,504,844.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 information, contact the City Finance Department at City of Muskogee, P.O. Box 1927, Muskogee, OK 74402.

**CITY OF MUSKOGEE**  
**STATEMENT OF NET POSITION**  
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 2)	\$ 11,110,141	\$ 3,633,920	\$ 14,744,061
Investments, at cost	4,865,948	-	4,865,948
Receivables (net of allowance for uncollectibles):			
Services	969,255	2,136,084	3,105,339
Court fines	690,609	-	690,609
Taxes	4,804,867	-	4,804,867
Interest	-	-	-
Due to/from other funds (Note 2D)	-	-	-
Grants receivable	21,500	-	21,500
Net pension asset	510,139	-	510,139
Restricted assets:			
Bond fund/cash & investments (Note 2)	-	7,576,526	7,576,526
Inventories	-	332,934	332,934
<b>Capital assets:</b>			
Land and construction in progress	3,594,355	2,416,597	6,010,952
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	183,774,325	88,974,312	272,748,637
<b>Total assets</b>	<b>\$ 210,341,139</b>	<b>\$ 105,070,373</b>	<b>\$ 315,411,512</b>
<b>Deferred outflows of resources:</b>			
Deferred amounts related to pensions	1,605,821	-	1,605,821
<b>Total deferred outflows</b>	<b>1,605,821</b>	<b>-</b>	<b>1,605,821</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 2,209,771	\$ 284,363	\$ 2,494,134
Cash overdraft	-	-	-
Temporary customer deposits	-	11,155	11,155
Deferred revenues	-	4,252	4,252
Accrued compensated absences payable (Note 1)	4,362,569	576,300	4,938,869
Accrued payroll	677,528	44,734	722,262
Payable from restricted assets:			
Interest payable	-	195,274	195,274
Accrued interest payable	32,166	-	32,166
Leases payable (Note 2)	95,780	801,000	896,780
Notes payable (Note 2)	361,385	2,138,372	2,499,757
Judgements payable	206,523	-	206,523
Non-current liabilities:			
OPEB liability	6,974,201	-	6,974,201
Net pension liability	17,438,537	-	17,438,537
Leases payable (Note 2)	662,023	5,045,000	5,707,023
Notes payable (Note 2)	644,493	46,024,330	46,668,823
Judgements payable	176,605	-	176,605
<b>Total liabilities</b>	<b>33,841,581</b>	<b>55,124,780</b>	<b>88,966,361</b>
<b>Deferred inflows of resources:</b>			
Deferred amounts related to pensions	4,661,962	-	4,661,962
<b>Total deferred inflows</b>	<b>4,661,962</b>	<b>-</b>	<b>4,661,962</b>
<b>Net position:</b>			
Net investment in capital assets	185,221,871	37,382,207	222,604,078
Restricted	10,800,703	7,576,526	18,377,229
Unrestricted	(22,579,157)	4,986,860	(17,592,297)
<b>Total net position</b>	<b>\$ 173,443,417</b>	<b>\$ 49,945,593</b>	<b>\$ 223,389,010</b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government:					
City clerk	\$ 473,951	\$ -	\$ -	\$ -	\$ (473,951)
City manager	579,148	-	-	-	(579,148)
City treasurer	191,508	-	-	-	(191,508)
Engineering and planning	1,128,078	-	437,393	-	(690,685)
Financial management	2,353,073	-	-	-	(2,353,073)
General government	3,749,440	461,318	95,378	-	(3,192,744)
Total general government	8,475,198	461,318	532,771	-	(7,481,109)
Public safety and judiciary:					
Animal control	261,111	13,524	9,549	-	(238,038)
City attorney	278,716	-	-	-	(278,716)
Code enforcement	252,690	-	-	-	(252,690)
Fire	6,566,045	-	-	-	(6,566,045)
Police	7,119,921	1,080,622	138,020	-	(5,901,279)
Emergency 911	450,908	-	-	-	(450,908)
Environmental control	496,967	-	-	-	(496,967)
Civil emergency management	79,441	-	-	-	(79,441)
Total public safety and judiciary	15,505,799	1,094,146	147,569	-	(14,264,084)
Transportation:					
Streets	6,329,345	-	248,682	-	(6,080,663)
Total transportation	6,329,345	-	248,682	-	(6,080,663)
Cultural, parks and recreation:					
Cemetery	151,407	87,995	12,938	-	(50,474)
Library	81,276	-	-	-	(81,276)
Parks	3,033,363	83,037	1,241,042	-	(1,709,284)
Convention and Tourism	-	-	-	-	-
Multicultural	-	-	-	-	-
Civic Center and Roxy Theatre	62,463	-	-	-	(62,463)
Total cultural, parks and recreation	3,328,509	171,032	1,253,980	-	(1,903,497)
Utilities:					
Water	3,807,932	-	-	-	(3,807,932)
Sewer	1,314,508	-	-	-	(1,314,508)
Solid waste	1,745,528	-	-	-	(1,745,528)
Other public services	1,195,693	-	-	-	(1,195,693)
Economic development	1,254,240	-	431,800	-	(822,440)
Total other activities	9,317,901	-	431,800	-	(8,886,101)
Financing costs	97,570	-	-	-	(97,570)
<b>Total governmental activities</b>	<b>43,054,322</b>	<b>1,726,496</b>	<b>2,614,802</b>	<b>-</b>	<b>(38,713,024)</b>
<b>Business-type activities</b>					
Water and sewer	2,903,627	11,306,271	-	-	8,402,644
Solid waste	38,922	2,862,534	-	-	2,823,612
Aiport	366,596	218,675	-	68,076	(79,845)
Stormwater management	214,463	1,073,830	-	-	859,367
Parking	16,982	64,654	-	-	47,672
Civic Center and Roxy Theatre	632,970	146,530	5	-	(486,435)
Hatbox Sports Complex	740,946	554,822	-	-	(186,124)
Fairgrounds	32,894	150	-	-	(32,744)
Swim & Fitness Center	505,833	554,793	-	-	48,960
War Memorial Park	147,415	77,521	72,767	-	2,873
Financing costs	1,778,084	-	-	-	(1,778,084)
<b>Total business-type activities</b>	<b>7,378,732</b>	<b>16,859,780</b>	<b>72,772</b>	<b>68,076</b>	<b>9,621,896</b>
<b>Total</b>	<b>\$ 50,433,054</b>	<b>\$ 18,586,276</b>	<b>\$ 2,687,574</b>	<b>\$ 68,076</b>	<b>\$ (29,091,128)</b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(38,713,024)	9,621,896	(29,091,128)
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales and use taxes	25,422,372	-	25,422,372
Cigarette taxes	283,310	-	283,310
Franchise taxes	2,165,758	-	2,165,758
Property taxes	210,248	-	210,248
Gasoline excise taxes	72,720	-	72,720
Commercial vehicle taxes	295,530	-	295,530
Beverage taxes	155,070	-	155,070
Hotel/motel taxes	930,244	-	930,244
Intergovernmental programs	5,050	-	5,050
Investment earnings	194,312	4,877	199,189
Miscellaneous	276,796	219,323	496,119
Sale of property	91,997	-	91,997
Net pension change	(1,077,370)	-	(1,077,370)
Transfers	13,490,932	(13,490,932)	-
<b>Total general revenues and transfers</b>	<u>42,516,969</u>	<u>(13,266,732)</u>	<u>29,250,237</u>
<b>Change in net position</b>	3,803,945	(3,644,836)	159,109
<b>Net position - beginning of year - as restated</b>	<u>169,639,472</u>	<u>53,590,429</u>	<u>223,229,901</u>
<b>Net position - end of year</b>	<u>\$ 173,443,417</u>	<u>\$ 49,945,593</u>	<u>\$ 223,389,010</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 2)	\$ 2,879,304	\$ 8,230,837	\$ 11,110,141
Investments, at cost	3,000,735	1,865,213	4,865,948
Receivables (net of allowance for uncollectibles):			
Accounts receivable	665,420	303,835	969,255
Court fines	73,463	-	73,463
Taxes	2,806,943	1,997,924	4,804,867
Interest	-	-	-
Due from other funds (Note 2D)	-	-	-
Grants receivable	4,500	17,000	21,500
	<u>9,430,365</u>	<u>12,414,809</u>	<u>21,845,174</u>
<b>Total assets</b>	<b>\$ 9,430,365</b>	<b>\$ 12,414,809</b>	<b>\$ 21,845,174</b>
<b>Liabilities:</b>			
Accounts payable	\$ 559,203	\$ 1,650,568	\$ 2,209,771
Due to other funds (Note 2D)	-	-	-
Accrued payroll	579,095	98,433	677,528
	<u>1,138,298</u>	<u>1,749,001</u>	<u>2,887,299</u>
<b>Total liabilities</b>	<b>1,138,298</b>	<b>1,749,001</b>	<b>2,887,299</b>
<b>Fund balance:</b>			
<b>Restricted for:</b>			
Other purposes	-	10,779,039	10,779,039
<b>Committed to:</b>			
Other purposes	-	21,664	21,664
<b>Unassigned</b>	<u>8,292,067</u>	<u>(134,895)</u>	<u>8,157,172</u>
<b>Total fund balance</b>	<u>8,292,067</u>	<u>10,665,808</u>	<u>18,957,875</u>
<b>Total liabilities and fund equity</b>	<u>\$ 9,430,365</u>	<u>\$ 12,414,809</u>	<u>\$ 21,845,174</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT  
 OF NET POSITION  
 June 30, 2015

**Total Fund Balances - Total Governmental Funds** \$ 18,957,875

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset	510,139
Pension related deferred outflows	1,605,821
Net pension liability	(17,438,537)
Pension related deferred inflows	(4,661,962)

Some of the City's revenue will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in governmental funds: Fines and forfeitures (net of allowance for uncollectibility)	617,146
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Notes payable	(1,005,878)	
Leases payable	(757,803)	
Judgements payable	(383,128)	
Accrued compensated absences	(4,362,569)	
OPEB liability	(6,974,201)	
Accrued interest payable	(32,166)	
Total		(13,515,745)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 3,594,355	
Construction in process	-	
Buildings & Improvements	22,954,148	
Furniture & Equipment	23,769,554	
Infrastructure - parks	4,772,791	
Infrastructure - water/sewer	17,031,404	
Infrastructure - streets	375,693,839	
Infrastructure - public works	38,165	
Accumulated depreciation	(260,485,576)	
Total		187,368,680

**Net position of governmental activities** \$ 173,443,417

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 15,947,237	\$ 11,126,725	\$ 27,073,962
Franchise fees	2,236,581	-	2,236,581
Intergovernmental programs	17,000	1,531,091	1,548,091
Fines and forfeits	1,052,479	82,818	1,135,297
Donations	82,878	1,284,414	1,367,292
Admissions and concessions	-	41,694	41,694
Licenses and permits	278,668	13,524	292,192
Interest	191,196	3,116	194,312
Rental receipts	163,665	41,343	205,008
Cemetery collections	87,995	-	87,995
Judgements	-	18,984	18,984
Lease proceeds	-	-	-
Miscellaneous revenue	100,344	176,454	276,798
Sale of property	27,927	64,070	91,997
<b>Total revenues</b>	<u>20,185,970</u>	<u>14,384,233</u>	<u>34,570,203</u>
<b>Expenditures:</b>			
Current:			
General government	4,840,939	3,288,970	8,129,909
Public safety and judiciary	13,211,416	3,224,989	16,436,405
Streets	1,617,755	520,831	2,138,586
Cultural and recreational	2,074,854	969,842	3,044,696
Utilities	5,505,781	775,322	6,281,103
Economic development	-	1,253,643	1,253,643
Capital outlay	-	7,339,810	7,339,810
Debt Service:			
Principal	-	1,118,700	1,118,700
Interest expense	-	97,570	97,570
Other public services	169,258	1,026,435	1,195,693
<b>Total expenditures</b>	<u>27,420,003</u>	<u>19,616,112</u>	<u>47,036,115</u>
<b>Excess of revenues over (under) expenditures</b>	(7,234,033)	(5,231,879)	(12,465,912)
<b>Other financing uses:</b>			
Operating transfers in (out)	<u>6,324,758</u>	<u>7,166,174</u>	<u>13,490,932</u>
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	(909,275)	1,934,295	1,025,020
<b>Fund balance - beginning of year</b>	<u>9,201,342</u>	<u>8,731,513</u>	<u>17,932,855</u>
<b>Fund balance - end of year</b>	<u>\$ 8,292,067</u>	<u>\$ 10,665,808</u>	<u>\$ 18,957,875</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2015

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,025,020</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources (are not collected within 60 days) are deferred in the governmental funds. Therefore, the recognition of revenue differs between the two statements. The following represents the net change in deferred revenue for: Fines and forfeitures (net of allowance for uncollectibility)	(54,675)
Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	(1,077,370)
Government-Wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	1,448,893
The interest paid on notes and judgements is recorded as an expense in governmental funds and not as a payment against the accrual. However, in the Government-Wide Statement of Activities, the interest is recorded against the payable. This is the amount of interest paid in the current period.	9,794
Governmental Funds report judgements as property tax income. However, in the Government-Wide Statement of Activities, the income received is applied as a liability. This is the amount that increased the liability during the year.	(70,823)
Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	1,118,700
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	7,339,810
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. reported as expenditures in Governmental Funds.	<u>(5,935,404)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u><u>3,803,945</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE  
STATEMENT OF NET FUND POSITION  
PROPRIETARY FUNDS  
June 30, 2015

	Business-type Activities - Enterprise Funds		
	Muskogee Municipal Authority	Other Enterprise Funds	Totals
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 2)	\$ 78,141	\$ 3,555,779	\$ 3,633,920
Investments, at cost	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,911,162	224,922	2,136,084
Interest	-	-	-
Grants receivable	-	-	-
Due from other funds	-	-	-
Restricted Assets:			
Bond fund/cash & investments (Notes 2)	7,576,526	-	7,576,526
Inventories	310,413	22,521	332,934
<b>Capital assets:</b>			
Land	1,306,954	1,109,643	2,416,597
Construction in progress	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	73,531,781	15,442,531	88,974,312
<b>Total assets</b>	<b>\$ 84,714,977</b>	<b>\$ 20,355,396</b>	<b>\$ 105,070,373</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 191,647	\$ 92,716	\$ 284,363
Due to other funds	-	-	-
Temporary customer deposits	-	11,155	11,155
Deferred revenues	-	4,252	4,252
Accrued compensated absences payable (Note 1)	424,642	151,658	576,300
Accrued payroll	-	44,734	44,734
Payable from restricted assets:			
Interest payable	195,274	-	195,274
Leases payable (Note 2)	801,000	-	801,000
Notes payable (Note 2)	2,138,372	-	2,138,372
Non-current liabilities:			
Leases payable (Note 2)	5,045,000	-	5,045,000
Notes payable (Note 2)	46,024,330	-	46,024,330
<b>Total liabilities</b>	<b>54,820,265</b>	<b>304,515</b>	<b>55,124,780</b>
<b>Net position:</b>			
Net investment in capital assets	20,830,033	16,552,174	37,382,207
Restricted	7,576,526	-	7,576,526
Unrestricted	1,488,153	3,498,707	4,986,860
<b>Total net position</b>	<b>\$ 29,894,712</b>	<b>\$ 20,050,881</b>	<b>\$ 49,945,593</b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Muskogee Municipal Authority	Other Enterprise Funds	Totals
<b>Revenues:</b>			
Water revenue	\$ 7,797,621	\$ -	\$ 7,797,621
Sewer revenue	3,253,949	-	3,253,949
Solid waste revenue	-	2,780,348	2,780,348
Stormwater revenue	-	1,073,830	1,073,830
Penalty revenue	254,701	82,186	336,887
Parking fees	-	64,654	64,654
Rental receipts	-	307,156	307,156
Admissions and concessions	-	590,740	590,740
Miscellaneous revenue	219,323	17,163	236,486
Activity fees	-	640,245	640,245
Intergovernmental programs	-	138,035	138,035
<b>Total revenues</b>	<u>11,525,594</u>	<u>5,694,357</u>	<u>17,219,951</u>
<b>Operating expense:</b>			
Cultural and recreational	-	1,683,538	1,683,538
Parking	-	508	508
Planning	-	-	-
Sanitation	-	6,058	6,058
Stormwater	-	162,306	162,306
Transportation	-	150,340	150,340
Water service	41,623	-	41,623
Depreciation	2,862,004	694,271	3,556,275
<b>Total operating expenses</b>	<u>2,903,627</u>	<u>2,697,021</u>	<u>5,600,648</u>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<u>8,621,967</u>	<u>2,997,336</u>	<u>11,619,303</u>
<b>Non-operating revenues (expenses):</b>			
Interest revenue	2,130	2,747	4,877
Interest expense	(1,622,017)	-	(1,622,017)
Grant revenues	-	-	-
Loan administration fees	(156,067)	-	(156,067)
<b>Total</b>	<u>(1,775,954)</u>	<u>2,747</u>	<u>(1,773,207)</u>
<b>Income (loss) before operating transfers</b>	<u>6,846,013</u>	<u>3,000,083</u>	<u>9,846,096</u>
<b>Transfers in (out)</b>	<u>(12,147,088)</u>	<u>(1,343,844)</u>	<u>(13,490,932)</u>
<b>Change in net position</b>	<u>(5,301,075)</u>	<u>1,656,239</u>	<u>(3,644,836)</u>
<b>Net position - beginning of year</b>	<u>35,195,787</u>	<u>18,394,642</u>	<u>53,590,429</u>
<b>Net position - end of year</b>	<u>\$ 29,894,712</u>	<u>\$ 20,050,881</u>	<u>\$ 49,945,593</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF MUSKOGEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Muskogee Municipal Authority	Other Enterprise Funds	Totals
<b>Cash flows from operating activities:</b>			
Cash received from customers & service users	\$ 11,544,984	\$ 5,642,009	\$ 17,186,993
Cash payments for goods & services & employees	(365,532)	(2,057,876)	(2,423,408)
Other operating revenues	-	1,664	1,664
<b>Net cash provided by operating activities</b>	<u>11,179,452</u>	<u>3,585,797</u>	<u>14,765,249</u>
<b>Cash flows from noncapital financing activities:</b>			
Net change in inventory	(14,390)	(4,269)	(18,659)
Grants received	-	-	-
Net change in due to/from accounts	-	-	-
Operating transfers out to other funds	(14,945,047)	(3,328,856)	(18,273,903)
Operating transfers in from other funds	2,797,959	1,985,011	4,782,970
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(12,161,478)</u>	<u>(1,348,114)</u>	<u>(13,509,592)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition & construction of capital assets	(4,562,527)	(1,619,627)	(6,182,154)
Principal paid on debt	(4,283,088)	-	(4,283,088)
Interest paid on debt	(1,862,437)	-	(1,862,437)
Loan proceeds	8,356,235	-	8,356,235
Trustee fees	(156,067)	-	(156,067)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(2,507,884)</u>	<u>(1,619,627)</u>	<u>(4,127,511)</u>
<b>Cash flows from investing activities:</b>			
(Purchase) liquidation of investments - unrestricted	-	694	694
Interest on investments	2,130	2,747	4,877
<b>Net cash provided by investing activities</b>	<u>2,130</u>	<u>3,441</u>	<u>5,571</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(3,487,780)	621,497	(2,866,283)
<b>Cash and cash equivalents - beginning of year</b>	<u>11,142,447</u>	<u>2,934,282</u>	<u>14,076,729</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 7,654,667</u>	<u>\$ 3,555,779</u>	<u>\$ 11,210,446</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 8,621,967	\$ 2,997,336	\$ 11,619,303
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	2,862,004	694,271	3,556,275
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	19,390	(52,348)	(32,958)
Increase (decrease) in accounts payable	(299,161)	(34,356)	(333,517)
Increase (decrease) in accrued expenses	(24,748)	(19,106)	(43,854)
<b>Total adjustments</b>	<u>2,557,485</u>	<u>588,461</u>	<u>3,145,946</u>
<b>Net cash provided by operating activities</b>	<u>\$ 11,179,452</u>	<u>\$ 3,585,797</u>	<u>\$ 14,765,249</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2015**

	<b>Employee Benefit Trust</b>	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 1,800,014	\$ (41)	\$ 856,491
Investments	-	135,035	383,128
Accounts receivable	76,419	-	-
Accrued interest	-	-	-
	<u>1,876,433</u>	<u>134,994</u>	<u>1,239,619</u>
<b>Total assets</b>	<b>\$ <u>1,876,433</u></b>	<b>\$ <u>134,994</u></b>	<b>\$ <u>1,239,619</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ 44,561	\$ -	\$ -
Due to other funds	-	-	-
Security deposits	-	-	981,763
Escrow deposits	-	-	257,856
	<u>44,561</u>	<u>-</u>	<u>1,239,619</u>
<b>Total liabilities</b>	<b>\$ <u>44,561</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,239,619</u></b>
<b>Net Position:</b>			
Held in trust for employee benefits and other purposes	<u>\$ 1,831,872</u>	<u>\$ 134,994</u>	

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2015**

	<u>Employee Benefit Trust</u>	<u>Private Purpose Trust</u>
<b>Additions:</b>		
Contributions:		
Employer	\$ 5,128,322	\$ -
Plan members	-	-
Insurance recoveries	-	-
Sales tax revenues	450,624	-
Investment earnings	<u>722</u>	<u>523</u>
<b>Total additions</b>	<b>\$ <u>5,579,668</u></b>	<b>\$ <u>523</u></b>
<b>Deductions:</b>		
Retirement contributions	\$ -	\$ -
Premiums paid	120,925	-
Claims paid	4,657,810	-
Administrative expenses	46,578	-
Distributions for benefit of library	<u>-</u>	<u>629</u>
<b>Total deductions</b>	<b><u>4,825,313</u></b>	<b><u>629</u></b>
<b>Change in net position</b>	<b>754,355</b>	<b>(106)</b>
<b>Net position beginning of year</b>	<b><u>1,077,517</u></b>	<b><u>135,100</u></b>
<b>Net position end of year</b>	<b>\$ <u><u>1,831,872</u></u></b>	<b>\$ <u><u>134,994</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Muskogee, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

The City of Muskogee, Oklahoma is organized under the statutes of the State of Oklahoma and was incorporated in 1898. The City currently operates under a charter ratified at a special election held December 7, 1971. The charter was approved by the Governor on February 18, 1972 and went into effect upon approval in accordance with article XVIII, three, of the Oklahoma Constitution. The City operates under a Mayor-Council-Manager form of government and is governed by an eight-member council and a ninth voting member who is the elected mayor. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Muskogee Municipal Authority (MMA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water and sanitary sewer facilities for the City of Muskogee. The water, sanitary sewer, and solid waste disposal systems owned by the City have been leased to MMA until such date that all indebtedness of the Authority is retired or provided for. MMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of eight council members and a mayor identical with the City Council. MMA is exempt from State and Federal Income taxes. MMA is reported as an enterprise fund.

The Muskogee Parking Authority (MPA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MPA was established to plan, develop, construct, enlarge, remodel, improve, make alterations, extend, maintain, equip, operate and furnish parking facilities for the City of Muskogee. MPA is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of eight council members and a mayor identical with the City Council. MPA is exempt from State and Federal Income taxes. MPA is reported as an enterprise fund.

The Muskogee State Fair Authority (MSFA) was created pursuant to a Trust Indenture, for the benefit of the City of Muskogee, Oklahoma. MSFA was created to operate the fairgrounds owned by City and leased to the MSFA. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of nine trustees appointed by the City Council. MSFA is exempt from State and Federal Income taxes. MSFA is reported as an enterprise fund.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

The Muskogee War Memorial Park Authority (MWMPA) was created pursuant to a Trust Indenture date April 9, 1973 and subsequently amended December 6, 1990, for the benefit of the City of Muskogee, Oklahoma. MWMPA was created to operate a military theme museum and memorial park in Muskogee, Oklahoma. The MWMPA maintains a World War II vintage submarine, the USS Batfish, along with other historical military artifacts. Ownership of the USS Batfish ultimately vests with the U.S. Department of Navy. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. MWMPA is exempt from State and Federal Income taxes. MWMPA is reported as an enterprise fund.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

**Government-wide Financial Statements** – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

**Governmental Funds** – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales and use taxes, gasoline excise taxes, cigarette taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the main operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Police Capital Outlay, Fire Capital Outlay, Non-Uniform Capital Outlay, Community Clean Up, Street and Alley, Solid Waste, Sales Tax Capital Outlay, Home Grants, Park Developmental Grant, Emergency Management Grants, Police Equipment Grants, Drug Forfeiture Revenue, Drug Forfeiture Federal, Emergency 911, City-County 911 Trust, CDBG Grants, Park Development, Repair and Replacement, Job Incentive, Sales Tax Non-Uniform Benefit, Sales Tax Police Benefit, Sales Tax Fire Benefit, Animal Control, Animal Control Adoption Fees, Community Development, Weed and Seed Program, Department of Energy Grants, Youth Alcohol Prevention, Youth Fines, Equipment Maintenance Division, Convention and Tourism and Multicultural.

Capital Projects Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Civic Center Improvement, 75 Limited Access B, 98 Sales Tax Improvement, Street Maintenance Installation, Sewer Rehabilitation, 2009 Capital Improvement, Chandler Road Detention, Sales Tax Economic Development, Water/Sewer Improvement, Local Law Enforcement Block Grant, 2014 Sewer Rehabilitation, 2014 Capital Improvements and Spaulding Park Funds.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding. Debt Service Funds of the City include the Debt Service, Capital Lease and Tax Increment Funds.

Permanent Funds – accounts for in the same manner as governmental funds, such as the General Fund. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent fund is the Cemetery Perpetual Care Fund.

**Proprietary Funds** – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following are the City's major enterprise funds: Muskogee Municipal Authority – accounts for the revenue from water and sanitary sewer operations.

Other enterprise funds of the City that are considered non-major funds include:

Solid Waste – accounts for the revenue from solid waste operations.

Stormwater – accounts for the revenue from stormwater operations.

Civic Center & Concessions – accounts for the operations of the Civic Center and concessions.

Muskogee Parking Authority – accounts for the operations of parking meters and lots.

Airport – accounts for the airport rental operation.

Roxy Theater – accounts for the operations of the Roxy.

Hatbox – accounts for the operations of the Hatbox.

Swim & Fitness – accounts for the operations of the Swim and Fitness Center.

Muskogee War Memorial Park Authority – accounts for the operations of the U.S.S. Batfish.

Muskogee State Fair Authority – accounts for the operations of state fairgrounds.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

**Fiduciary Funds** – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's fiduciary funds: Trust funds – Employee Benefit Trust and Private Purpose Trust; Agency funds – Meter Deposit and Escrow Fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held at the Bank of Oklahoma Trust in Escrow, Debt Service, Reserve and Construction Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**5. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

**6. Inventories**

Inventories in governmental funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds consist primarily of water meters, other materials held for subsequent use and concession supplies. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

**7. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for the governmental and proprietary funds.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25 - 40 years	25 - 40 years
Building improvements	10 - 25 years	10 - 25 years
Machinery and equipment	3 - 20 years	3 - 20 years
Infrastructure - parks/cemetery	10 years	10 years
Infrastructure - water/sewer	10 - 40 years	10 - 40 years
Infrastructure - streets	15 - 25 years	15 - 25 years

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Compensated Absences

It is the City's policy to permit full-time, permanent employees to accumulate earned but unused vacation time after one year of service. Sick leave is earned by full-time, permanent employees upon hire. Salaried employees are awarded compensatory time for work performed in excess of forty hours per week. All City employees are entitled to payment for accrued vacation benefits upon termination with no specified maximums. Uniformed employees are entitled to payment for accrued sick leave upon termination after twenty years of services regardless of age, while non-uniformed employees vest sick leave at ten years of service and at reaching age fifty-five.

Vacation and compensatory time is recorded when incurred and sick leave is recorded when vested. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit. The liability is computed based on pay rates in effect as of June 30, 2015.

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance (Continued)

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

**Assigned** fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

11. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

*Custodial Credit Risk*

At June 30, 2015, the City held deposits of approximately \$28,426,154 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

*Investment Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

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

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

The investments held at June 30, 2015 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
Investments			
Money Market	N/A	\$ 24,907,044	\$ 24,907,044
Government agency	N/A	213	213
Certificates of deposit	7.11	3,518,897	3,518,897
Total investments		<u>\$ 28,426,154</u>	<u>\$ 28,426,154</u>

Reconciliation to Statement of Net Position

Governmental activities	\$ 15,976,089
Business-type activities	11,210,446
Fiduciary activities	1,239,619
	<u>\$ 28,426,154</u>

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Deposits and Investments (Continued)**

*Concentration of Investment Credit Risk*

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 87.620% in Money Market funds (\$24,907,043), 0.001% in Government agencies (\$213) and 12.379% in Certificate of Deposits (\$3,518,897).

**B. Uncollectible Accounts**

The City's estimate of uncollectible accounts receivable by fund and activity is as follows:

	General Fund	Muskogee Municipal Authority	Muskogee Solid Waste	Muskogee Stormwater
Court fines	\$ 3,713,363	\$ -	\$ -	\$ -
Water	-	550,856	-	-
Refuse	-	-	97,622	-
Stormwater	-	-	-	20,149
Total	<u>\$ 3,713,363</u>	<u>\$ 550,856</u>	<u>\$ 97,622</u>	<u>\$ 20,149</u>

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Capital Assets**

Primary Government capital asset activity for the year ended is as follows:

<b>Governmental Activities:</b>	Balance 6/30/14	Additions	Disposals	Balance 6/30/15
<b>Non-depreciable assets:</b>				
Land	\$ 3,356,949	\$ 237,406	\$ -	\$ 3,594,355
Construction in progress	-	-	-	-
Total non-depreciable assets	<u>3,356,949</u>	<u>237,406</u>	<u>-</u>	<u>3,594,355</u>
<b>Depreciable assets:</b>				
Buildings and improvements	21,642,372	1,311,776	-	22,954,148
Furniture, fixtures and equipment	23,209,899	559,655	-	23,769,554
Infrastructure - parks	3,834,176	938,615	-	4,772,791
Infrastructure - water/sewer	13,826,480	3,204,924	-	17,031,404
Infrastructure - streets	374,273,725	1,420,114	-	375,693,839
Infrastructure - public services	38,165	-	-	38,165
Total depreciable assets	<u>436,824,817</u>	<u>7,435,084</u>	<u>-</u>	<u>444,259,901</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(17,582,497)	(179,266)	-	(17,761,763)
Furniture, fixtures and equipment	(15,962,774)	(1,144,478)	-	(17,107,252)
Infrastructure - parks	(622,603)	(179,760)	-	(802,363)
Infrastructure - water/sewer	(3,255,583)	(330,553)	-	(3,586,136)
Infrastructure - streets	(217,089,504)	(4,100,393)	-	(221,189,897)
Infrastructure - public services	(37,211)	(954)	-	(38,165)
Total accumulated depreciation	<u>(254,550,172)</u>	<u>(5,935,404)</u>	<u>-</u>	<u>(260,485,576)</u>
Net depreciable assets	<u>182,274,645</u>	<u>1,499,680</u>	<u>-</u>	<u>183,774,325</u>
Net governmental activities capital assets	<u>\$ 185,631,594</u>	<u>\$ 1,737,086</u>	<u>\$ -</u>	<u>\$ 187,368,680</u>

**CITY OF MUSKOGEE**  
Muskogee, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2015

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Capital Assets (Continued)**

<b>Business-Type Activities:</b>	Balance 6/30/14	Additions	Disposals	Balance 6/30/15
<b>Non-depreciable assets:</b>				
Land	\$ 2,416,597	\$ -	\$ -	\$ 2,416,597
Construction in progress	-	-	-	-
Total non-depreciable assets	<u>2,416,597</u>	<u>-</u>	<u>-</u>	<u>2,416,597</u>
<b>Depreciable assets:</b>				
Buildings and improvements - Hatbox	3,115,248	-	-	3,115,248
Buildings and improvements - Civic Center	7,071,714	-	-	7,071,714
Buildings and improvements - Airport	930,910	-	-	930,910
Buildings and improvements - Parking	360,954	-	-	360,954
Furniture, fixtures and equipment	13,330,169	1,474,743	-	14,804,912
State fair assets	902,815	-	-	902,815
War memorial assets	253,041	4,395	-	257,436
Infrastructure - water/sewer	101,146,091	4,562,527	-	105,708,618
Infrastructure - parking	589,533	60,393	-	649,926
Infrastructure - sports complex	698,724	-	-	698,724
Infrastructure - swim & fitness	632,269	37,208	-	669,477
Infrastructure - airport	4,798,410	42,888	-	4,841,298
Total depreciable assets	<u>133,829,878</u>	<u>6,182,154</u>	<u>-</u>	<u>140,012,032</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements - Hatbox	(1,699,777)	(119,321)	-	(1,819,098)
Buildings and improvements - Civic Center	(1,232,710)	(178,017)	-	(1,410,727)
Buildings and improvements - Airport	(405,608)	(46,546)	-	(452,154)
Buildings and improvements - Parking	(215,792)	(4,399)	-	(220,191)
Furniture, fixtures and equipment	(3,547,970)	(408,500)	-	(3,956,470)
State fair assets	(639,523)	(17,155)	-	(656,678)
War memorial assets	(166,747)	(5,082)	-	(171,829)
Infrastructure - water/sewer	(37,927,616)	(2,544,858)	-	(40,472,474)
Infrastructure - parking	(111,557)	(12,075)	-	(123,632)
Infrastructure - sports complex	(489,107)	(34,936)	-	(524,043)
Infrastructure - swim & fitness	(98,101)	(19,141)	-	(117,242)
Infrastructure - airport	(946,937)	(166,245)	-	(1,113,182)
Total accumulated depreciation	<u>(47,481,445)</u>	<u>(3,556,275)</u>	<u>-</u>	<u>(51,037,720)</u>
Net depreciable assets	<u>86,348,433</u>	<u>2,625,879</u>	<u>-</u>	<u>88,974,312</u>
Net business-type activities capital assets	<u>\$ 88,765,030</u>	<u>\$ 2,625,879</u>	<u>\$ -</u>	<u>\$ 91,390,909</u>

Depreciation expense was charged as a direct expense of the various programs.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**D. Inter-fund Receivables and Payables**

The following schedule reflects the City's inter-fund due from and due to other governmental funds, which have been eliminated in the statement of net position presentation in accordance with GASB 34. There were no due to/from accounts at the end of the year.

**E. Capitalized Leases**

The City has entered into a capitalized lease for the acquisition of a fire truck. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10, Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

The capital leases are described below.

- (1) Lease payable to Motorola Credit Corporation for the shared lease purchase of a communications network. Annual payments of \$117,399 plus interest at 4.11% are due on January 1, 2011 through January 1, 2020, to be repaid from the Emergency 911 Fund.

	<u>519,918</u>
Total	<u>\$ 519,918</u>

The following is a summary of capitalized lease transactions for the year:

	Balance July 1, 2014	Additions	Payments and Cancellations	Balance June 30, 2015
Capital lease obligations	\$ <u>611,917</u>	\$ -	\$ <u>91,999</u>	\$ <u>519,918</u>

The annual debt service requirements to maturity, including principal and interest, for leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 95,780	\$ 21,619	\$ 117,399
2017	99,717	17,682	117,399
2018	103,815	13,584	117,399
2019	108,082	9,317	117,399
2020	112,524	4,875	117,399
Total	\$ <u>519,918</u>	\$ <u>67,077</u>	\$ <u>586,995</u>

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The governmental long-term debt of the financial reporting entity consisted of the following:

A Utility relocation contract payable to the Oklahoma Department of Transportation (ODOT) was issued November 8, 2004 to refinance the relocation costs of the water and sewer lines within the U.S. Highway 69 relocation which totaled \$985,730. It is payable with no interest in monthly installments equal to 1/120<sup>th</sup> of the original balance due beginning within 60 days from the date of receipt by ODOT of the final billing which was dated May 27, 2005. APB-21 excludes payables whose interest rate is determined by a government agency from the requirements to impute interest, and no interest has been imputed. Payments began July 30, 2010, which are to be provided by the Street and Alley Fund.

Judgments payable are various court-assessed judgments against the City, each judgment payable in three annual installments plus interest at the statutory rate set by the Oklahoma State Treasurer which was 9.25% for the calendar year 2013, to be repaid from property tax levy.

A note payable from the City was issued to the First National Bank and Trust Company for the purchase of a fire truck in the amount \$789,836. The note is payable in five annual installments of \$174,705 plus interest at 3.45%. This note was paid off in current year.

A note payable from the City was issued to the First National Bank and Trust Company for the purchase of a fire truck in the amount \$564,940. The note is payable in five annual installments of \$124,960 plus interest at 3.45%.

A note payable from the City was issued to the Bancfirst for the purchase of police cars in the amount \$738,000. The note is payable in monthly installments of \$13,125 plus interest at 2.5%.

The following is a summary of long-term debt transactions of the Governmental Activities of the City:

	Balance Outstanding 7/1/14	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/15	Current Portion
Governmental Activities:					
ODOT contract payable	\$ 591,438	\$ -	\$ (98,573)	\$ 492,865	\$ 98,573
FNB note payable	349,416	-	(111,531)	237,885	116,765
FNB note payable	488,515	-	(488,515)	-	-
Bancfirst note payable	655,523	-	(142,511)	513,012	146,047
Judgments payable	497,877	70,823	(185,572)	383,128	206,523
Total	<u>\$ 2,582,769</u>	<u>\$ 70,823</u>	<u>\$ (1,026,702)</u>	<u>\$ 1,626,890</u>	<u>\$ 567,908</u>

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**F. Long-term Debt (Continued)**

The business-type long-term debt of the financial reporting entity consisted of the following:

Several promissory notes payable were issued by the Municipal Authority of the City of Muskogee to the Oklahoma Water Resources Board. These notes, although listed individually, were a part of an overall loan agreement that included both zero interest loans and below market interest loans. The aggregate interest rates of the overall loan agreement would not be considered "inappropriate" pursuant to APB No. 21 and consequently no interest has been imputed on the zero interest loans.

The Oklahoma Water Resources Board notes are secured by a pledge and assignment of revenues derived by the Authority from its operation of the water and sewer systems serving the City of Muskogee. The notes are subject to the terms and provisions of the Loan Agreement dated September 1, 1994, between the Oklahoma Water Resources Board and the Muskogee Municipal Authority. The terms of this agreement include (1) a rate covenant and (2) the establishment and funding of debt service funds held by a local trustee. For the year ended June 30, 2015, the City complied, in all material respects, with these covenants.

The following were the Oklahoma Water Resources Board notes outstanding at June 30, 2015:

Series 1994A SRF Promissory Note in the original amount of \$2,479,231 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing February 15, 1997, and on or before the 15<sup>th</sup> day of February and August thereafter up to and including August 15, 2014. This note was paid off in the current year.

Series 1998A SRF Promissory Note in the original amount of \$3,480,000 payable without interest together with an administrative fee of 0.5% per annum in consecutive semiannual installments commencing February 15, 1999, and on or before the 15<sup>th</sup> day of February and August thereafter up to and including August 15, 2018.

Series 1999A SRF Promissory Note in the original amount of \$1,970,766 payable at an average interest rate of 0.5% per annum in consecutive semiannual installments commencing February 15, 2000, and on or before the 15<sup>th</sup> day of February and August thereafter up to and including February 15, 2019.

Series 2008 SRF Promissory Note in the original amount of \$30,410,000 payable at an average interest rate of 3.96% per annum in consecutive semiannual interest installments commencing September 15, 2009 and principal installments commencing September 15, 2012, and on or before the 15<sup>th</sup> day of March and September thereafter up to and including March 15, 2032. Only draws on the loan have been taken at this time so the full amount has not been reached.

Series 2009 Clean Water SRF Promissory Note in the original amount of \$1,435,000 payable at an average interest rate of 2.36% per annum in consecutive semiannual installments commencing March 15, 2011, and on or before the 15<sup>th</sup> day of September and March thereafter up to and including March 15, 2030.

Series 2010 SRF Promissory Note in the original amount of \$6,565,000 payable at an average interest rate of 2.4% per annum in consecutive semiannual installments commencing December 1, 2010, and on or before the 1<sup>st</sup> day of June and December thereafter up to and including December 1, 2014. This note was paid off in the current year.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Long-term Debt (Continued)

Series 2010A SRF Promissory Note in the original amount of \$4,215,000 payable at an average interest rate of 3.25% per annum in consecutive semiannual installments commencing March 1, 2011, and on or before the 1<sup>st</sup> day of March and September thereafter up to and including September 1, 2017.

Series 2011 SRF Promissory Note in the original amount of \$12,775,000 payable at an average interest rate of 2.27% per annum in consecutive semiannual interest installments commencing September 15, 2011 and principal installments commencing September 15, 2015, and on or before the 1<sup>st</sup> day of September and March thereafter up to and including September 15, 2034. Only draws on the loan have been taken at this time so the full amount has not been reached.

Series 2012 SRF Promissory Note in the original amount of \$10,645,000 payable at an average interest rate of 2.55% per annum in consecutive semiannual interest installments commencing February 1, 2011 and principal installments commencing February 1, 2013, and on or before the 1<sup>st</sup> day of August and February thereafter up to and including August 1, 2027.

Series 2013 SRF Promissory Note in the original amount of \$7,300,000 payable at an average interest rate of 2.4% per annum in consecutive semiannual interest installments commencing September 15, 2014 and principal installments commencing March 1, 2015, and on or before the 1<sup>st</sup> day of September and March thereafter up to and including March 1, 2036.

A note payable from Muskogee Municipal Authority was issued to the City of Muskogee Foundation for the construction of the Port Place roads in the amount \$1,200,000. The note is payable in ten semiannual installments of \$126,698 plus interest at 2% and are due June 1, 2010 to December 1, 2014. This note was paid off in current year.

A note payable from the Muskogee Municipal Authority was refinanced to Bank of Oklahoma for the purchase of a new water meter system and City Hall's new heat & air system in the amount of \$8,179,000. The note is payable in twenty semi-annual installments plus interest at 2.2% and are due July 2012 to January 2022.

On October 9, 2013, the MMA issued its \$3,745,000 Muskogee Municipal Authority Sales Tax Revenue Note, Series 2013. Proceeds from this bond issue were used to financing certain storm water drainage system improvements. Interest on the note is payable semi-annually on April 1 and October 1 of each fiscal year until the note is paid. Note payments began April 1, 2014, with final maturity on October 1, 2020. The gross revenues of the MMA have been pledged to secure the note.

**CITY OF MUSKOGEE**  
Muskogee, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2015

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**F. Long-term Debt (Continued)**

The City is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trusts of the City:

	Balance Outstanding 7/1/14	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/15	Current Portion
Muskogee Municipal Authority:					
OWRB - 1994A SRF	\$ 61,981	\$ -	\$ (61,981)	\$ -	\$ -
OWRB - 1998A SRF	783,000	-	(174,000)	609,000	174,000
OWRB - 1999A SRF	505,324	-	(101,065)	404,259	101,065
OWRB - 2008 SRF	22,142,109	123,776	(100,000)	22,165,885	-
OWRB - 2009 SRF	843,872	-	(42,138)	801,734	43,307
OWRB - 2010 SRF	835,000	-	(835,000)	-	-
OWRB - 2010A SRF	2,395,000	-	(660,000)	1,735,000	675,000
OWRB - 2011 SRF	2,203,365	5,379,594	(290,000)	7,292,959	-
OWRB - 2012 SRF	9,770,000	-	(615,000)	9,155,000	630,000
OWRB - 2013 SRF	151,000	2,852,865	-	3,003,865	-
Sales tax note payable	3,500,000	-	(505,000)	2,995,000	515,000
Muskogee Foundation	114,904	-	(114,904)	-	-
Honeywell - BOK	6,630,000	-	(784,000)	5,846,000	801,000
Total	<u>\$ 49,935,555</u>	<u>\$ 8,356,235</u>	<u>\$ (4,283,088)</u>	<u>\$ 54,008,702</u>	<u>\$ 2,939,372</u>

The annual debt service requirements to maturity, including principal, interest and administrative fees, for long-term debt are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 567,908	\$ 48,689	\$ 616,597
2017	522,512	33,371	555,883
2018	275,844	7,156	283,000
2019	162,054	2,144	164,198
2020	98,572	-	98,572
Total	<u>\$ 1,626,890</u>	<u>\$ 91,360</u>	<u>\$ 1,718,250</u>

**CITY OF MUSKOGEE  
Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**F. Long-term Debt (Continued)**

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 2,939,372	\$ 512,877	\$ 3,452,249
2017	3,003,698	456,500	3,460,198
2018	2,733,002	410,460	3,143,462
2019	2,326,344	352,015	2,678,359
2020	2,182,612	291,211	2,473,823
2021-2025	5,984,427	799,923	6,784,350
2026-2030	2,376,538	175,710	2,552,248
Total	<u>21,545,993</u>	<u>2,998,696</u>	<u>24,544,689</u>

**3. OTHER INFORMATION**

**A. Risk Management**

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

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchased Insurance with Oklahoma Municipal Assurance Group.	See (1) below
Injuries to employees	Self-insured.	See (2) below
Physical property loss and Natural disasters	Purchased commercial insurance with \$1,000 to \$50,000 deductibles.	None
Health	Self-insured.	See (3) below

(1) *Liability Protection Plan* – The basic insurance agreements with the Oklahoma Municipal Assurance Group cover claims against municipalities for all government functions, utilities and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws. All public officials, employees, services and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan is vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the group in equal shares. Each participating City pays all costs, premiums or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the re-insurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

**3. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

- (2) *Workers Compensation* – The City has established a Workers Compensation Trust Fund. Claims settled without adjudication or arbitration are paid from the Trust Fund. Since claims for Joint Petition Settlements, Form 14 Settlements and adjudicated final orders of the Workers' Compensation Court pertaining to permanent and temporarily disability awards and medical treatment claims are paid through the City's sinking fund by property taxes assessed and collected annually specifically for this purpose, the risk retained by the City is limited to payments for undisputed temporary disability and medical treatment payments. The City has excess insurance with retention of \$350,000 per accident for police and firemen and \$300,000 for non-uniform employees. No liability for reported claims or for incurred but not reported claims has been accrued at June 30, 2015. The City's contributions to this fund were \$599,481 in the year ended June 30, 2015. At June 30, 2015, this fund had been fully funded by contributions from the City and this fund had a fund balance of \$0.
- (3) *Health Benefits* – The City has established a trust fund for providing health benefits to its employees and covered dependents. Health benefits were self-insured up to a specific stop loss amount of \$125,000 per individual claim and an aggregate stop loss of approximately \$3,000,000 for 2015. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. No liabilities for reported claims or for claims incurred but not reported have been accrued at June 30, 2015. Management believes such coverage is sufficient to preclude any significant losses to the City.

All operating funds of the City participate in the program and make payments to the Life and Medical Trust Fund. Contributions to the fund are based on actuarial estimates of the amounts need to pay prior and current year claims. The contributions made by the City (as employer) were \$4,956,891 and by employees were \$0 for 2015. At June 30, 2015, this fund had a fund balance of \$1,599,901.

**B. Contingent Liabilities**

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans

The City participates in three employee pension systems as follows:

Oklahoma Police Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Contribution Plans

**Oklahoma Police Pension and Retirement Plan**

**Plan description** – The City of Mannford, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

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

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

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

**Contributions** – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$534,154. The State of Oklahoma also made on behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$512,596. These on-behalf payments did not meet the criteria of a special funding situation.

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2015, the City reported an asset of \$510,139 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 1.5152%.

For the year ended June 30, 2015, the City recognized pension expense of \$186,986. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ -	\$ 229,190
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,793,055
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	534,154	-
Total	<u>\$ 534,154</u>	<u>\$ 2,022,245</u>

\$534,154 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	495,450
2017		495,450
2018		495,450
2019		495,450
2020		40,445
		<u>\$ 2,022,245</u>

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**3. OTHER INFORMATION (Continued)**

**C. Employee Retirement System and Other Benefit Plans (Continued)**

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

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

Active employees (post-retirement) and nondisabled pensioners:  
 RP-2000 Blue Collar Healthy Combined table with fully generational  
 Improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined  
 table with age set forward 4 years with fully generational  
 improvement using Scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

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

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$3,045,245	(\$510,139)	(\$3,498,108)

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Oklahoma Firefighters Pension & Retirement Plan**

**Plan Description** – The City of Mannford, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Benefits provided** – FPRS provides retirement, disability and death benefits to members of the plan.

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

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

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

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

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

**Contributions** – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$656,169 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2015, the City reported a liability of \$17,438,537 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information the City's proportion was 1.6958%.

For the year ended June 30, 2015, the City recognized pension expense of \$1,566,211. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 415,498	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,639,717
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	656,169	-
Total	<u>\$ 1,071,667</u>	<u>\$ 2,639,717</u>

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

\$656,169 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	580,984
2017		580,984
2018		580,984
2019		580,984
2020		(78,945)
Thereafter		(20,772)
		\$ 2,224,219

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014, are summarized in the following table:

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

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

3 OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$22,771,289	\$17,438,537	\$12,967,953

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Oklahoma Municipal Retirement Fund Defined Contribution Plans**

The City has also provided effective March 1, 1992, a defined contribution plan with the Oklahoma Municipal Retirement Fund. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 7 years of service. The City is currently contributing to two types of defined contribution plans. Under the Trust Money Purchase Pension plan, the participants are required to contribute from 7.428% of their compensation and the city is required to match 100% of the mandatory employee contribution. This percentage can vary from year to year. Participants are permitted to make voluntary deductible contributions to the plan.

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

Payroll for covered employees	\$9,208,697
Employer (City) contributions made	\$684,022

CITY OF MUSKOGEE  
Muskogee, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2015

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits

*Plan Description:* City provides post-employment benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The provisions for these benefits are not formalized in a contract or plan document but are referenced only in a few sentences in the administrative policy manual. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-employment benefits if they reach normal retirement age while working for the City. As of June 30, 2015, approximately 40 retired employees are receiving benefits under this plan.

*Funding Policy.* The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2015, the City contributed to the plan. Plan members receiving benefits contributed \$320,452, or approximately 100 percent of the total premiums, through their required contribution of \$544.91 per month for retiree-only coverage and \$879.18 for retiree and spouse medical coverage, these amounts include dental and vision coverage.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following shows the components of the City's annual OPEB cost and the City's net OPEB obligation for the year ended June 30, 2014:

Current Service Cost (\$320,452) + Amortization Amount (\$413,606) = Total Contribution (\$734,058).  
OPEB obligation for retired employees as determined by Actuarial is \$6,974,201.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**3. OTHER INFORMATION (Continued)**

**D. Other Post-Employment Benefits (Continued)**

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
06/30/14	\$ -	Actuarial	\$ 6,974,201	\$ 6,974,201	0.0%

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2014, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 4.5% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2015, was twenty-six years.

**4. OTHER INTERFUND TRANSACTIONS**

The Muskogee Municipal Authority entered a lease agreement dated October 1, 1976 with the City of Muskogee. The property leased from the City includes the presently existing and hereafter acquired water and sanitary sewer systems. The leased property and the gross revenues derived there from are referred to collectively as the Trust Estate in the lease which was amended May 1, 1992. The term of the lease is to September 30, 1998, or until such date as all indebtedness incurred by the Authority and secured by the Trust Estate or any part thereof is paid.

The Muskogee Municipal Authority provided water and sewer services during the current fiscal year to the following users at no charge: City of Muskogee Departments, Muskogee State Fair Authority and Muskogee City-County Health Department.

**5. LEASE AGREEMENTS**

The City of Muskogee leases unimproved land at the Muskogee Davis Field Airport to various lessees for the purpose of constructing, operating and maintaining airplane hangars. The initial term of these leases is twenty years, with right of first refusal to negotiate a new lease at the termination of the initial twenty-year lease. The rental charge is \$0.13 per square foot per year due annually, with limits for increases to rental charges over the twenty-year term. The annual rental payment for each parcel leased for hangar construction is approximately \$600. At June 30, 2014, there were five such leases in effect. Since the leases are for unimproved realty, there is no depreciation or other direct expense related to the assets subject to the leases.

The Muskogee War Memorial Park Authority subleases a portion of its museum to an American Legion Post under the terms of a sublease agreement dated May 14, 1984. The sublease agreement provided a primary sublease term of 15 years (through 1999) and was renewable by the American Legion Post for an additional 25-year term. At the inception of the primary lease term, a \$13,065 lump-sum payment was received by the MWMPA in full payment of both the primary and renewal sublease periods. The lump-sum sublease prepayment is being amortized to income over a 40-year period at a rate of \$327 per year and, at June 30, 2015, has a remaining unamortized balance of \$3,527. The unamortized balance is included as deferred revenue.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**6. RELATED ORGANIZATIONS**

The Muskogee City Council is responsible for appointing members of the board of other organizations. Additionally, the City of Muskogee, in conjunction with the Muskogee County Commissioners, has created jointly-governed organizations whose boards are composed of or appointed by the City Council and the County Commissioners. These related organizations exist as separate legal entities and the City's accountability for these organizations does not extend beyond making the board appointments. A list of organizations for whom the City and/or County appoints a majority of the members of their boards includes the following:

- A More Beautiful Muskogee
- Muskogee Housing Authority
- Muskogee City-County Port Authority
- Muskogee County Transit Authority
- Muskogee Industrial Trust
- Muskogee Medical Center Authority
- Urban Renewal Authority
- Muskogee Redevelopment Authority

**5. RESTATEMENT OF BEGINNING NET POSITION**

Net position of the Government-Wide Governmental Activities financial statements has been restated to include the pension liability at the beginning of the period in accordance with GASB 68. As a result of the restatement, total beginning net position has decreased by \$18,907,169. The prior period financial statements were not reissued or restated as a result of this change in accounting principle.

**CITY OF MUSKOGEE  
Muskogee, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2015**

CITY OF MUSKOGEE  
Muskogee, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION  
Year Ended June 30, 2015

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

**Defined Benefit Cost Sharing Plans:**

***Police***

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

***Fire***

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

**Budgetary Comparison Schedule – General, Special Revenue & Capital Projects Funds**

**CITY OF MUSKOGEE  
Muskogee, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION  
ON PENSION PLAN FUNDING PROGRESS  
Year Ended June 30, 2015**

**Exhibit 1  
Schedule of the City of Muskogee Proportionate Share of the Net Pension Liability (Asset)  
Oklahoma Police Pension & Retirement System  
Last 10 Fiscal Years\***

	<b>2014</b>
City's proportion of the net pension liability(asset)	1.5152%
City's proportionate share of the net pension liability (asset)	(\$510,139)
City's covered-employee payroll	\$4,108,878
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(12.42%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

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

**Exhibit 2  
Schedule of City Contributions  
Oklahoma Police Pension & Retirement System  
Last 10 Fiscal Years**

	<b>2014</b>
Statutorily required contribution	\$534,154
Contributions in relation to the statutorily required contribution	534,154
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$4,108,878
Contributions as a percentage of covered-employee payroll	13.0%

**Notes to Schedule:**

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

CITY OF MUSKOGEE  
Muskogee, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION  
ON PENSION PLAN FUNDING PROGRESS  
Year Ended June 30, 2015

**Exhibit 3**  
**Schedule of the City of Muskogee's Proportionate Share of the Net Pension Liability (Asset)**  
**Oklahoma Firefighters Pension & Retirement System**  
**Last 10 Fiscal Years\***

	<u>2014</u>
City's proportion of the net pension liability	0.3619%
City's proportionate share of the net pension liability	\$17,438,537
City's covered-employee payroll	\$ 4,686,921
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	372.07%
Plan fiduciary net position as a percentage of the total pension liability	68.12%

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

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

**Exhibit 4**  
**Schedule of City Contributions**  
**Oklahoma Firefighters Pension & Retirement System**  
**Last 10 Fiscal Years**

	<u>2014</u>
Statutorily required contribution	\$ 656,169
Contributions in relation to the statutorily required contribution	<u>656,169</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 4,686,921
Contributions as a percentage of covered-employee payroll	14.0%

**Notes to Schedule:**

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

CITY OF MUSKOGEE  
 REQUIRED SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015  
 (Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Taxes	\$ 15,296,109	\$ 15,296,109	\$ 15,947,237	\$ 651,128
Franchise fees	2,250,000	2,250,000	2,236,581	(13,419)
Intergovernmental programs	25,000	25,000	17,000	(8,000)
Fines and forfeits	970,000	970,000	1,058,745	88,745
Donations	76,878	76,878	82,878	6,000
Licenses and permits	250,000	250,000	278,668	28,668
Interest	40,000	40,000	191,196	151,196
Rental receipts	4,025	4,025	163,665	159,640
Cemetery collections	85,000	85,000	87,995	2,995
Miscellaneous revenue	221,000	221,000	100,344	(120,656)
Sale of property	35,000	35,000	27,927	(7,073)
<b>Total revenues</b>	<u>19,253,012</u>	<u>19,253,012</u>	<u>20,192,236</u>	<u>939,224</u>
<b>Expenditures:</b>				
Current:				
General government	9,153,215	9,153,215	4,840,939	4,312,276
Public safety and judiciary	13,045,716	13,045,716	13,211,416	(165,700)
Streets	1,629,486	1,629,486	1,617,755	11,731
Cultural and recreational	2,198,959	2,198,959	2,074,854	124,105
Utilities	6,307,468	6,307,468	5,505,781	801,687
Capital outlay	-	-	-	-
Other public services	170,000	170,000	169,258	742
<b>Total expenditures</b>	<u>32,504,844</u>	<u>32,504,844</u>	<u>27,420,003</u>	<u>5,084,841</u>
<b>Excess of revenue over (under) expenditures</b>	(13,251,832)	(13,251,832)	(7,227,767)	6,024,065
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	10,834,000	10,834,000	6,324,758	(4,509,242)
<b>Net changes in fund balance</b>	(2,417,832)	(2,417,832)	(903,009)	1,514,823
<b>Net assets - beginning of year</b>	<u>9,201,342</u>	<u>9,201,342</u>	<u>9,201,342</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 6,783,510</u>	<u>\$ 6,783,510</u>	<u>\$ 8,298,333</u>	<u>\$ 1,514,823</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF MUSKOGEE  
 REQUIRED SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015  
 (Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Taxes	\$ 6,202,651	\$ 6,202,651	\$ 6,382,608	\$ (179,957)
Intergovernmental programs	385,000	385,000	1,331,091	(946,091)
Donations	800,000	800,000	732,665	67,335
Fines and forfeitures	-	-	82,818	(82,818)
Interest	440	440	2,634	(2,194)
Sale of property	35,000	35,000	64,070	(29,070)
Rental receipts	-	-	41,343	(41,343)
Admissions & concessions	376,085	376,085	41,694	334,391
Licenses and permits	12,000	12,000	13,524	(1,524)
Judgements	-	-	18,984	(18,984)
Miscellaneous	22,900	22,900	174,774	(151,874)
<b>Total revenues</b>	<u>7,834,076</u>	<u>7,834,076</u>	<u>8,886,205</u>	<u>(1,052,129)</u>
<b>Expenditures:</b>				
Economic development	1,410,000	1,410,000	1,253,643	156,357
General government	3,644,376	3,644,376	3,288,970	355,406
Public safety and judiciary	3,253,884	3,253,884	3,224,989	28,895
Streets	518,000	518,000	515,956	2,044
Cultural & recreation	961,300	961,300	836,558	124,742
Water and sewer	366,100	366,100	416,288	(50,188)
Solid waste	368,000	368,000	251,781	116,219
Other public services	1,030,000	1,030,000	1,026,435	3,565
Capital outlay	1,517,898	1,517,898	1,380,048	137,850
Debt service:				
Principal	454,386	454,386	444,613	9,773
Interest expense	50,000	50,000	48,839	1,161
<b>Total expenditures</b>	<u>13,573,944</u>	<u>13,573,944</u>	<u>12,688,120</u>	<u>885,824</u>
<b>Excess of revenue over (under) expenditures</b>	<u>(5,739,868)</u>	<u>(5,739,868)</u>	<u>(3,801,915)</u>	<u>(166,305)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	4,061,884	4,061,884	4,230,945	169,061
<b>Net changes in fund balance</b>	<u>(1,677,984)</u>	<u>(1,677,984)</u>	<u>429,030</u>	<u>2,756</u>
<b>Fund balance at beginning of year</b>	<u>4,667,778</u>	<u>4,667,778</u>	<u>4,667,778</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 2,989,794</u>	<u>\$ 2,989,794</u>	<u>\$ 5,096,808</u>	<u>\$ 2,756</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF MUSKOGEE  
 REQUIRED SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015  
 (Unaudited)

CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Taxes	\$ 4,158,652	\$ 4,158,652	\$ 4,506,237	\$ (347,585)
Intergovernmental programs	200,000	200,000	200,000	-
Donations	500,000	500,000	538,811	(38,811)
Interest	200	200	205	(5)
Lease proceeds	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>4,858,852</u>	<u>4,858,852</u>	<u>5,245,253</u>	<u>(386,401)</u>
<b>Expenditures:</b>				
Economic development	-	-	-	-
General government	-	-	-	-
Public safety and judiciary	-	-	-	-
Streets	5,000	5,000	4,875	125
Cultural & recreation	135,000	135,000	132,269	2,731
Utilities	110,000	110,000	107,253	2,747
Capital outlay	6,762,952	6,762,952	5,959,762	803,190
Debt service:				
Principal	500,000	500,000	488,515	11,485
Interest expense	20,000	20,000	18,870	1,130
<b>Total expenditures</b>	<u>7,532,952</u>	<u>7,532,952</u>	<u>6,711,544</u>	<u>821,408</u>
<b>Excess of revenue over (under) expenditures</b>	(2,674,100)	(2,674,100)	(1,466,291)	435,007
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	2,935,229	2,935,229
<b>Net changes in fund balance</b>	(2,674,100)	(2,674,100)	1,468,938	3,370,236
<b>Fund balance at beginning of year</b>	<u>3,846,591</u>	<u>3,846,591</u>	<u>3,846,591</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 1,172,491</u>	<u>\$ 1,172,491</u>	<u>\$ 5,315,529</u>	<u>\$ 3,370,236</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**Year Ended June 30, 2015**  
**(Unaudited)**

**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**CITY OF MUSKOGEE  
Muskogee, Oklahoma**

**OTHER SUPPLEMENTARY INFORMATION  
June 30, 2015**

CITY OF MUSKOGEE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

	Special Revenue							
	Capital Outlay Police	Capital Outlay Fire	Capital Outlay Non-uniform	Community Clean Up	Street & Alley	Solid Waste	Sales Tax Capital Outlay	Home Grants
<b>Assets:</b>								
Cash and equivalents	\$ 55,714	\$ 202,207	\$ 292,296	\$ 17,960	\$ 322,608	\$ 247,622	\$ 829,518	\$ 314
Investments at cost	-	-	-	-	-	213	-	-
Accounts receivable, net	-	-	-	-	-	131	-	-
Grants receivable	-	-	-	-	-	-	-	-
Taxes receivable	25,440	25,440	25,440	-	211,722	-	203,517	-
Interest receivable	-	-	-	-	-	-	-	-
Restricted assets:								
Cash & investments	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 81,154</b>	<b>\$ 227,647</b>	<b>\$ 317,736</b>	<b>\$ 17,960</b>	<b>\$ 534,330</b>	<b>\$ 247,966</b>	<b>\$ 1,033,035</b>	<b>\$ 314</b>
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ -	\$ 40	\$ -	\$ 47,056	\$ 88,077	\$ 153,826	\$ -
Cash overdraft	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40</b>	<b>\$ -</b>	<b>\$ 47,056</b>	<b>\$ 88,077</b>	<b>\$ 153,826</b>	<b>\$ -</b>
<b>Fund balances:</b>								
Restricted	80,532	226,923	316,280	17,955	486,747	159,728	875,217	281
Committed	622	724	1,416	5	527	161	3,992	33
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>\$ 81,154</b>	<b>\$ 227,647</b>	<b>\$ 317,696</b>	<b>\$ 17,960</b>	<b>\$ 487,274</b>	<b>\$ 159,889</b>	<b>\$ 879,209</b>	<b>\$ 314</b>
<b>Total liabilities and fund balances</b>	<b>\$ 81,154</b>	<b>\$ 227,647</b>	<b>\$ 317,736</b>	<b>\$ 17,960.00</b>	<b>\$ 534,330</b>	<b>\$ 247,966</b>	<b>\$ 1,033,035</b>	<b>\$ 314</b>

CITY OF MUSKOGEE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

Special Revenue

(Continued) Assets:	Special Revenue							
	Park Development Grant	Emergency Management Grants	Police Equipment Grants	Drug Forfeiture Revenue	Drug Forfeiture Federal	Emergency 911	City- County 911	CDBG Grants
Cash and equivalents	\$ 54,543	\$ 94	\$ 22,207	\$ 6,386	\$ 6,231	\$ 65,279	\$ 15,198	\$ 183,854
Investments at cost	-	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Restricted assets:	-	-	-	-	-	-	-	-
Cash & investments	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 54,543</b>	<b>\$ 94</b>	<b>\$ 22,207</b>	<b>\$ 6,386</b>	<b>\$ 6,231</b>	<b>\$ 65,279</b>	<b>\$ 15,198</b>	<b>\$ 183,854</b>
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ -	\$ 21,948	\$ -	\$ -	\$ -	\$ -	\$ 12,720
Cash overdraft	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>\$ 21,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 12,720</b>
<b>Fund balances:</b>								
Restricted	54,543	93	251	6,286	6,231	65,279	15,198	169,797
Committed	-	1	8	100	-	-	-	1,337
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>\$ 54,543</b>	<b>\$ 94</b>	<b>\$ 259</b>	<b>\$ 6,386</b>	<b>\$ 6,231</b>	<b>\$ 65,279</b>	<b>\$ 15,198</b>	<b>\$ 171,134</b>
<b>Total liabilities and fund balances</b>	<b>\$ 54,543</b>	<b>\$ 94</b>	<b>\$ 22,207</b>	<b>\$ 6,386</b>	<b>\$ 6,231</b>	<b>\$ 65,279</b>	<b>\$ 15,198</b>	<b>\$ 183,854</b>

CITY OF MUSKOGEE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2015

Special Revenue

(Continued) Assets:	Park Development	Repair and Replacement	Job Incentives	Sales Tax Non Uniform Benefit	Sales Tax Police Benefit	Sales Tax Fire Benefit	Animal Control	Animal Adopt Fees	Special Revenue	
Cash and equivalents	\$ 196,853	\$ 85,724	\$ 546,628	\$ 221,464	\$ 130,423	\$ 514,437	\$ 39,583	\$ 83,308		
Investments at cost	-	-	-	-	-	-	-	-		
Accounts receivable, net	-	1,353	-	-	-	-	174	-		
Grants receivable	17,000	-	-	-	-	-	-	-		
Taxes receivable	-	-	-	203,517	203,517	203,517	-	-		
Interest receivable	-	-	-	-	-	-	-	-		
Restricted assets:	-	-	-	-	-	-	-	-		
Cash & investments	-	-	-	-	-	-	-	-		
<b>Total assets</b>	<b>\$ 213,853</b>	<b>\$ 87,077</b>	<b>\$ 546,628</b>	<b>\$ 424,981</b>	<b>\$ 333,940</b>	<b>\$ 717,954</b>	<b>\$ 39,757</b>	<b>\$ 83,308</b>		
<b>Liabilities:</b>										
Accounts payable	\$ 30,363	\$ 1,262	\$ 24,213	\$ -	\$ -	\$ -	\$ 60	\$ 1,289		
Cash overdraft	-	-	-	-	-	-	-	-		
Due to other funds	-	-	-	-	-	-	-	-		
Accrued payroll	1,907	-	-	31,952	33,043	31,076	-	-		
<b>Total liabilities</b>	<b>\$ 32,270</b>	<b>\$ 1,262</b>	<b>\$ 24,213</b>	<b>\$ 31,952</b>	<b>\$ 33,043</b>	<b>\$ 31,076</b>	<b>\$ 60</b>	<b>\$ 1,289</b>		
<b>Fund balances:</b>										
Restricted	179,821	85,565	521,360	392,042	300,099	685,230	39,524	82,019		
Committed	1,762	250	1,055	987	798	1,648	173	-		
Unassigned	-	-	-	-	-	-	-	-		
<b>Total fund balances</b>	<b>\$ 181,583</b>	<b>\$ 85,815</b>	<b>\$ 522,415</b>	<b>\$ 393,029</b>	<b>\$ 300,897</b>	<b>\$ 686,878</b>	<b>\$ 39,697</b>	<b>\$ 82,019</b>		
<b>Total liabilities and fund balances</b>	<b>\$ 213,853</b>	<b>\$ 87,077</b>	<b>\$ 546,628</b>	<b>\$ 424,981</b>	<b>\$ 333,940</b>	<b>\$ 717,954</b>	<b>\$ 39,757</b>	<b>\$ 83,308</b>		

CITY OF MUSKOGEE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

	Special Revenue						
	Weed & Seed Program	Youth Alcohol Prevention	Community Development	Equipment Maintenance	Youth Fines	Convention and Tourism	Multi-cultural
<b>(Continued)</b>							
<b>Assets:</b>							
Cash and equivalents	47,736 \$	159,198 \$	(270,452) \$	31,028 \$	42,197 \$	145,436 \$	-
Investments at cost	-	-	-	-	-	-	-
Accounts receivable, net	-	-	273,746	-	-	28,431	-
Grants receivable	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	129,929	-
Interest receivable	-	-	-	-	-	-	-
Restricted assets:							
Cash & investments	-	-	-	-	-	-	-
<b>Total assets</b>	<b>47,736 \$</b>	<b>159,198 \$</b>	<b>3,294 \$</b>	<b>31,028 \$</b>	<b>42,197 \$</b>	<b>303,796 \$</b>	<b>-</b>
<b>Liabilities:</b>							
Accounts payable	-	-	18,356 \$	150,406 \$	-	76,193 \$	-
Cash overdraft	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Accrued payroll	-	-	-	455	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>18,356</b>	<b>150,861</b>	<b>-</b>	<b>76,193</b>	<b>-</b>
<b>Fund balances:</b>							
Restricted	47,736	159,198	-	-	42,197	227,166	-
Committed	-	-	-	-	-	437	-
Unassigned	-	-	(15,062)	(119,833)	-	-	-
<b>Total fund balances</b>	<b>47,736</b>	<b>159,198</b>	<b>(15,062)</b>	<b>(119,833)</b>	<b>42,197</b>	<b>227,603</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>47,736 \$</b>	<b>159,198 \$</b>	<b>3,294 \$</b>	<b>31,028 \$</b>	<b>42,197 \$</b>	<b>303,796 \$</b>	<b>-</b>

CITY OF MUSKOGEE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

Capital Projects

	Local Law Enforcement Block Grant	2009 Civic Center Improvement	2009 Sewer Rehabilitation	2009 Capital Improvement	75 Limited Access B		98 Sales Tax Improvement	Chandler Road Detention		Sales Tax Economic Development
					70,643 \$	70,643 \$		113,124 \$	1	
Cash and equivalents	765 \$	16,493 \$	997,385 \$	394,036 \$	70,643 \$			113,124 \$	1	
Investments at cost	-	-	-	-	-	-	-	-	-	
Accounts receivable, net	-	-	-	-	-	-	-	-	-	
Grants receivable	-	-	-	-	-	-	-	-	-	
Taxes receivable	-	-	-	-	-	-	-	-	-	
Interest receivable	-	-	-	-	-	-	-	-	-	
Restricted assets:										
Cash & investments	-	-	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>765 \$</b>	<b>16,493 \$</b>	<b>997,385 \$</b>	<b>394,036 \$</b>	<b>70,643 \$</b>			<b>113,124 \$</b>	<b>1</b>	

**Liabilities:**

Accounts payable	\$ -	2,104 \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
Cash overdraft	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>2,104</b>	<b>-</b>						

**Fund balances:**

Reserved	755	13,737	997,385	393,106	70,353			112,641	1
Committed	10	652	-	930	290			483	-
Unreserved	-	-	-	-	-			-	-
<b>Total fund balances</b>	<b>765</b>	<b>14,389</b>	<b>997,385</b>	<b>394,036</b>	<b>70,643</b>			<b>113,124</b>	<b>1</b>
<b>Total liabilities and fund balances</b>	<b>765 \$</b>	<b>16,493 \$</b>	<b>997,385 \$</b>	<b>394,036 \$</b>	<b>70,643 \$</b>			<b>113,124 \$</b>	<b>1</b>

**CITY OF MUSKOGEE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 June 30, 2015

(Continued)	Capital Projects					Debt Service			Permanent Fund Cemetery Perpetual Care	Total Non-Major Governmental Funds
	Water/Sewer Improvement	2014 Sewer Rehab	2014 Capital Improvement	Street Maintenance Installation	Spaulding Park	Sinking	Tax Increment	Non-Major Governmental Funds		
Assets:										
Cash and equivalents	\$ 5,017	\$ 1,048,317	\$ 240,524	\$ 806,052	\$ 19,743	\$ 28,770	\$ -	\$ 194,373	\$ 8,230,837	
Investments at cost	-	-	-	1,865,000	-	-	-	-	1,865,213	
Accounts receivable, net	-	-	-	-	-	-	-	-	303,835	
Grants receivable	-	-	183,165	-	-	-	-	-	17,000	
Taxes receivable	-	325,627	-	254,396	-	2,697	-	-	1,997,924	
Interest receivable	-	-	-	-	-	-	-	-	-	
Restricted assets:										
Cash & investments	-	-	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>\$ 5,017</b>	<b>\$ 1,373,944</b>	<b>\$ 423,689</b>	<b>\$ 2,925,448</b>	<b>\$ 19,743</b>	<b>\$ 31,467</b>	<b>\$ -</b>	<b>\$ 194,373</b>	<b>\$ 12,414,809</b>	
<b>Liabilities:</b>										
Accounts payable	\$ 2,279	\$ 719,271	\$ 248,760	\$ 47,469	\$ 4,876	\$ -	\$ -	\$ -	\$ 1,650,568	
Cash overdraft	-	-	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	-	-	-	-	-	
Accrued payroll	-	-	-	-	-	-	-	-	98,433	
<b>Total liabilities</b>	<b>2,279</b>	<b>719,271</b>	<b>248,760</b>	<b>47,469</b>	<b>4,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,749,001</b>	
<b>Fund balances:</b>										
Restricted	2,242	654,673	174,929	2,877,979	14,867	30,465	-	192,608	10,779,039	
Committed	496	-	-	-	-	1,002	-	1,765	21,664	
Unassigned	-	-	-	-	-	-	-	-	(134,895)	
<b>Total fund balances</b>	<b>2,738</b>	<b>654,673</b>	<b>174,929</b>	<b>2,877,979</b>	<b>14,867</b>	<b>31,467</b>	<b>-</b>	<b>194,373</b>	<b>10,665,808</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 5,017</b>	<b>\$ 1,373,944</b>	<b>\$ 423,689</b>	<b>\$ 2,925,448</b>	<b>\$ 19,743</b>	<b>\$ 31,467</b>	<b>\$ -</b>	<b>\$ 194,373</b>	<b>\$ 12,414,809</b>	

**CITY OF MUSKOGEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 Year Ended June 30, 2015

	Capital Outlay		Capital Outlay		Special Revenue		Street & Alley		Solid Waste	Sales Tax	
	Police	Fire	Non-uniform	Community Clean Up	Street & Alley	Waste	Capital Outlay	Home Grants			
<b>Revenues:</b>											
Taxes	150,208	150,208	150,208		222,720					1,201,663	
Intergovernmental programs	69,710	-	-	5,050	296,530	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	35,518	-	-	-	-	-	-	-	-	-	-
Interest	35	135	226	3	168	143	-	-	514	-	-
Sale of property	-	-	-	-	-	-	-	-	-	-	-
Rental receipts	-	-	-	-	-	-	-	-	-	-	-
Admissions & concessions	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Judgements	-	-	-	18,984	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	16,360	-	-	-	-	34,068	-
Miscellaneous	-	-	-	11,459	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>255,471</b>	<b>150,343</b>	<b>150,434</b>	<b>35,496</b>	<b>534,778</b>	<b>143</b>	<b>143</b>	<b>143</b>	<b>1,236,245</b>	<b>1,201,663</b>	<b>34,068</b>
<b>Expenditures:</b>											
Economic development	-	-	-	-	-	-	-	-	-	-	402,245
General government	-	-	17,394	-	-	-	-	-	-	-	94,285
Public safety and judiciary	97,777	14,830	-	46,004	335,032	-	-	-	-	-	55,951
Streets	-	-	-	-	-	-	-	-	-	-	71,280
Cultural & recreation	-	-	1,300	-	-	-	-	-	-	-	34,829
Water and sewer	-	-	44,575	-	-	-	-	176,950	-	-	-
Solid waste	-	-	-	-	-	-	-	-	-	-	-
Other public services	-	-	-	-	-	-	-	-	255,825	-	296,847
Capital outlay	-	-	139,050	-	-	-	-	-	-	-	-
Debt service:											
Principal	142,510	111,531	-	-	98,573	-	-	-	-	-	-
Interest expense	14,990	13,429	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>255,277</b>	<b>139,790</b>	<b>202,319</b>	<b>46,004</b>	<b>433,605</b>	<b>432,775</b>	<b>432,775</b>	<b>432,775</b>	<b>955,437</b>	<b>955,437</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures</b>	<b>194</b>	<b>10,553</b>	<b>(51,885)</b>	<b>(10,508)</b>	<b>101,173</b>	<b>(432,632)</b>	<b>(432,632)</b>	<b>(432,632)</b>	<b>280,808</b>	<b>280,808</b>	<b>-</b>
<b>Other financing uses:</b>											
Operating transfers in (out)	60,000	-	-	30,000	-	372,300	-	372,300	(60,000)	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>60,194</b>	<b>10,553</b>	<b>(51,885)</b>	<b>19,492</b>	<b>101,173</b>	<b>(60,332)</b>	<b>(60,332)</b>	<b>(60,332)</b>	<b>220,808</b>	<b>220,808</b>	<b>-</b>
<b>Fund balance - beginning of year</b>	<b>20,960</b>	<b>217,094</b>	<b>369,581</b>	<b>(1,532)</b>	<b>386,101</b>	<b>220,221</b>	<b>220,221</b>	<b>220,221</b>	<b>658,401</b>	<b>658,401</b>	<b>314</b>
<b>Fund balance - end of year</b>	<b>81,154</b>	<b>227,647</b>	<b>317,696</b>	<b>17,960</b>	<b>487,274</b>	<b>159,889</b>	<b>159,889</b>	<b>159,889</b>	<b>879,209</b>	<b>879,209</b>	<b>314</b>

**CITY OF MUSKOGEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 Year Ended June 30, 2015

(Continued) Revenues:	Park Development Grant	Emergency Management Grants	Police Equipment Grants	Special Revenue				City- County 911	CDBG Grants
				Emergency 911	Drug Forfeiture Revenue	Drug Forfeiture Federal	Emergency 911		
Taxes	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Intergovernmental programs	-	-	56,823	-	-	-	-	-	-
Donations	-	-	250	-	6,737	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Interest	41	-	8	-	3	-	-	-	212
Sale of property	-	-	-	-	-	-	-	-	-
Rental receipts	-	-	-	-	-	-	-	-	-
Admissions & concessions	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Judgements	-	-	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	82,284
<b>Total revenues</b>	<b>41</b>	<b>\$ -</b>	<b>57,081</b>	<b>\$ -</b>	<b>6,740</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>82,496</b>
<b>Expenditures:</b>									
Economic development	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
General government	-	-	-	-	-	-	-	-	361,753
Public safety and judiciary	-	-	56,822	-	1,828	8,667	450,908	-	-
Streets	-	-	-	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-	-	-	-
Other public services	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	91,999	-	-
Interest expense	-	-	-	-	-	-	20,420	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>56,822</b>	<b>-</b>	<b>1,828</b>	<b>8,667</b>	<b>563,327</b>	<b>-</b>	<b>361,753</b>
<b>Excess of revenues over (under) expenditures</b>	<b>41</b>	<b>-</b>	<b>259</b>	<b>(8,667)</b>	<b>4,912</b>	<b>(8,667)</b>	<b>(563,327)</b>	<b>-</b>	<b>(279,257)</b>
<b>Other financing uses:</b>									
Operating transfers in (out)	-	-	-	-	-	-	568,884	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>41</b>	<b>-</b>	<b>259</b>	<b>(8,667)</b>	<b>4,912</b>	<b>(8,667)</b>	<b>5,557</b>	<b>-</b>	<b>(279,257)</b>
<b>Fund balance - beginning of year</b>	<b>54,502</b>	<b>94</b>	<b>-</b>	<b>14,898</b>	<b>15,198</b>	<b>15,198</b>	<b>450,391</b>	<b>450,391</b>	<b>450,391</b>
<b>Fund balance - end of year</b>	<b>54,543</b>	<b>94</b>	<b>259</b>	<b>6,231</b>	<b>6,386</b>	<b>6,231</b>	<b>65,279</b>	<b>15,198</b>	<b>171,134</b>

**CITY OF MUSKOGEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2015

	Park Development	Repair and Replacement	Job Incentives	Special Revenue					Animal Control	Animal Adopt Fees
				Sales Tax Non Uniform Benefit	Police Benefit	Sales Tax Benefit	Fire Benefit	Sales Tax		
<b>(Continued)</b>										
<b>Revenues:</b>										
Taxes	\$ -	\$ -	\$ -	\$ 1,201,663	\$ 1,201,663	\$ 1,201,663	\$ 1,201,663	\$ -	\$ -	
Intergovernmental programs	903,978	-	-	-	-	-	-	-	-	-
Donations	284,329	-	-	-	-	-	-	400	-	9,149
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Interest	116	60	260	130	95	329	-	31	-	-
Sale of property	-	64,070	-	-	-	-	-	-	-	-
Rental receipts	41,343	-	-	-	-	-	-	-	-	-
Admissions & concessions	41,694	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	13,524
Judgements	-	-	-	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	-	-	-	-	-	-
Miscellaneous	2,395	19,707	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>\$ 1,273,855</b>	<b>\$ 83,837</b>	<b>\$ 260</b>	<b>\$ 1,201,793</b>	<b>\$ 1,201,758</b>	<b>\$ 1,201,992</b>	<b>\$ 1,201,992</b>	<b>\$ 431</b>	<b>\$ -</b>	<b>\$ 22,673</b>
<b>Expenditures:</b>										
Economic development	\$ -	\$ -	\$ 647,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government	-	-	41,583	300,463	-	-	-	-	-	-
Public safety and judiciary	-	-	-	139,105	1,217,431	1,077,938	-	2,802	-	14,882
Streets	-	-	-	124,973	-	-	-	-	-	-
Cultural & recreation	533,568	-	-	230,410	-	-	-	-	-	-
Water and sewer	-	63,660	-	273,224	-	-	-	-	-	-
Solid waste	-	-	-	74,831	-	-	-	-	-	-
Other public services	-	-	-	-	-	-	-	-	-	-
Capital outlay	688,326	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 1,221,894</b>	<b>\$ 63,660</b>	<b>\$ 689,511</b>	<b>\$ 1,143,006</b>	<b>\$ 1,217,431</b>	<b>\$ 1,077,938</b>	<b>\$ 1,077,938</b>	<b>\$ 2,802</b>	<b>\$ 14,882</b>	<b>\$ 14,882</b>
<b>Excess of revenues over (under) expenditures</b>	<b>51,961</b>	<b>20,177</b>	<b>(689,251)</b>	<b>58,787</b>	<b>(15,673)</b>	<b>124,054</b>	<b>(2,371)</b>	<b>7,791</b>	<b>-</b>	<b>-</b>
<b>Other financing uses:</b>										
Operating transfers in (out)	-	-	900,000	-	-	-	-	-	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>51,961</b>	<b>20,177</b>	<b>210,749</b>	<b>58,787</b>	<b>(15,673)</b>	<b>124,054</b>	<b>(2,371)</b>	<b>7,791</b>	<b>-</b>	<b>7,791</b>
<b>Fund balance - beginning of year</b>	<b>129,622</b>	<b>65,638</b>	<b>311,666</b>	<b>334,242</b>	<b>316,570</b>	<b>562,824</b>	<b>42,068</b>	<b>74,228</b>	<b>-</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 181,583</b>	<b>\$ 85,815</b>	<b>\$ 522,415</b>	<b>\$ 393,029</b>	<b>\$ 300,897</b>	<b>\$ 686,878</b>	<b>\$ 39,697</b>	<b>\$ 82,019</b>	<b>\$ -</b>	<b>\$ 82,019</b>

**CITY OF MUSKOGEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2015

	Special Revenue						
	Weed & Seed Program	Alcohol Prevention	Community Development	Equipment Maintenance	Youth Fines	Convention and Tourism	Multi- cultural
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 930,244	\$ -
Intergovernmental programs	-	-	-	-	-	-	-
Donations	-	-	431,800	-	-	-	-
Fines and forfeits	-	16,358	-	-	30,942	-	-
Interest	-	-	-	-	-	124	-
Sale of property	-	-	-	-	-	-	-
Rental receipts	-	-	-	-	-	-	-
Admissions & concessions	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Judgements	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	-	-	-
Miscellaneous	-	-	3,494	5,007	-	-	-
<b>Total revenues</b>	\$ -	\$ 16,358	\$ 435,294	\$ 5,007	\$ 30,942	\$ 930,368	\$ -
<b>Expenditures:</b>							
Economic development	\$ -	\$ -	605,715	-	\$ -	\$ -	\$ -
General government	-	-	-	2,165,532	-	-	-
Public safety and judiciary	-	1,710	-	-	-	-	-
Streets	-	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-	-
Other public services	-	-	-	-	-	1,026,435	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
<b>Total expenditures</b>	-	\$ 1,710	\$ 605,715	\$ 2,165,532	\$ -	\$ 1,026,435	\$ -
<b>Excess of revenues over (under) expenditures</b>	-	14,648	(170,421)	(2,160,525)	30,942	(96,067)	-
<b>Other financing uses:</b>							
Operating transfers in (out)	-	-	159,761	2,200,000	-	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	-	14,648	(10,660)	39,475	30,942	(96,067)	-
<b>Fund balance - beginning of year</b>	47,736	144,550	(4,402)	(159,308)	11,255	323,670	-
<b>Fund balance - end of year</b>	\$ 47,736	\$ 159,198	\$ (15,062)	\$ (119,833)	\$ 42,197	\$ 227,603	\$ -

**CITY OF MUSKOGEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2015

	Local Law Enforcement Block Grant	Capital Projects							Chandler Road Detention	Sales Tax Economic Development
		2009 Sewer Rehabilitation	2009 Capital Improvement	75 Limited Access B	98 Sales Tax Improvement	2009 Capital Improvement	2009 Sewer Rehabilitation	2009 Civic Center Improvement		
Taxes	-	\$	-	\$	-	\$	-	\$	-	\$
Intergovernmental programs	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Interest	1	23	-	2	54	-	-	87	-	-
Sale of property	-	-	-	-	-	-	-	-	-	-
Rental receipts	-	-	-	-	-	-	-	-	-	-
Admissions & concessions	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Judgements	-	-	-	-	-	-	-	-	-	-
Lease/note proceeds	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	1	\$ 23	\$ 479,009	\$ 469,445	\$ 54	\$	\$	\$ 87	\$	\$
<b>Expenditures:</b>										
Economic development	-	\$	-	\$	-	\$	-	\$	-	\$
General government	-	-	-	-	-	-	-	-	-	-
Public safety and judiciary	-	-	-	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-	2,375	-	-
Cultural & recreation	-	43,931	-	-	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-	-	-	-	-
Other public services	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	640,327	-	-	-	-	-	-
Debt service:										
Principal	-	-	-	488,515	-	-	-	-	-	-
Interest expense	-	-	-	18,870	-	-	-	-	-	-
<b>Total expenditures</b>	-	\$ 43,931	\$ 1,147,712	\$ 1,147,712	\$ 2,375	\$	\$	\$ 2,375	\$	\$
<b>Excess of revenues over (under) expenditures</b>	1	(43,908)	479,009	(678,267)	54	-	-	(2,288)	-	-
<b>Other financing uses:</b>										
Operating transfers in (out)	-	-	(846,000)	-	-	-	-	-	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	1	(43,908)	(366,991)	(678,267)	54	-	-	(2,288)	-	-
<b>Fund balance - beginning of year</b>	764	58,297	1,364,376	1,072,303	70,589	-	-	115,412	-	1
<b>Fund balance - end of year</b>	765	\$ 14,389	\$ 997,385	\$ 394,036	\$ 70,643	\$	\$	\$ 113,124	\$	\$ 1

**CITY OF MUSKOGEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 Year Ended June 30, 2015

	Capital Projects				Debt Service			Perm Fund Cemetery Perptual Care	Total Non-Major Governmental Funds
	Water/ Sewer Improvement	2014 Sewer Rehab	2014 Capital Improvement	Street Maintenance Installation	Spaulding Park	Sinking	Tax Increment		
<b>(Continued)</b>									
Revenues:									
Taxes	\$ -	\$ 1,443,652	\$ 812,054	\$ 1,502,079	\$ -	\$ 210,275	\$ (27)	\$ -	\$ 11,126,725
Intergovernmental programs	-	-	-	-	-	-	-	-	1,531,091
Donations	-	-	237,393	248,682	52,736	-	-	12,938	1,284,414
Fines and forfeits	-	-	-	-	-	-	-	-	82,818
Interest	19	-	-	-	19	31	-	247	3,116
Sale of property	-	-	-	-	-	-	-	-	64,070
Rental receipts	-	-	-	-	-	-	-	-	41,343
Admissions & concessions	-	-	-	-	-	-	-	-	41,694
Licenses and permits	-	-	-	-	-	-	-	-	13,524
Judgements	-	-	-	-	-	-	-	-	18,984
Lease/note proceeds	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	1,680	176,454
<b>Total revenues</b>	<b>19</b>	<b>1,443,652</b>	<b>1,049,447</b>	<b>1,750,761</b>	<b>52,755</b>	<b>210,306</b>	<b>(27)</b>	<b>14,865</b>	<b>14,384,233</b>
<b>Expenditures:</b>									
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,253,643
General government	-	-	-	-	-	-	-	-	3,288,970
Public safety and judiciary	-	-	-	-	-	-	-	-	3,224,989
Streets	-	-	-	2,500	-	-	-	-	520,831
Cultural & recreation	-	-	21,007	-	67,331	-	-	1,015	969,842
Water and sewer	31,028	69,708	6,517	-	-	-	-	-	523,541
Solid waste	-	-	-	-	-	-	-	-	251,781
Other public services	-	-	-	-	-	-	-	-	1,026,435
Capital outlay	-	3,204,924	687,233	1,427,278	-	-	-	-	7,339,810
Debt service:									
Principal	-	-	-	-	-	185,572	-	-	1,118,700
Interest expense	-	-	-	-	-	29,861	-	-	97,570
<b>Total expenditures</b>	<b>31,028</b>	<b>3,274,632</b>	<b>714,757</b>	<b>1,429,778</b>	<b>67,331</b>	<b>215,433</b>	<b>-</b>	<b>1,015</b>	<b>19,616,112</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(31,009)</b>	<b>(1,830,980)</b>	<b>334,690</b>	<b>320,983</b>	<b>(14,576)</b>	<b>(5,127)</b>	<b>(27)</b>	<b>13,850</b>	<b>(5,231,879)</b>
<b>Other financing uses:</b>									
Operating transfers in (out)	-	2,485,653	(159,761)	1,455,337	-	-	-	-	7,166,174
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(31,009)</b>	<b>654,673</b>	<b>174,929</b>	<b>1,776,320</b>	<b>(14,576)</b>	<b>(5,127)</b>	<b>(27)</b>	<b>13,850</b>	<b>1,934,295</b>
<b>Fund balance - beginning of year</b>	<b>33,747</b>	<b>-</b>	<b>-</b>	<b>1,101,659</b>	<b>29,443</b>	<b>36,594</b>	<b>27</b>	<b>180,523</b>	<b>8,731,513</b>
<b>Fund balance - end of year</b>	<b>\$ 2,738</b>	<b>\$ 654,673</b>	<b>\$ 174,929</b>	<b>\$ 2,877,979</b>	<b>\$ 14,867</b>	<b>\$ 31,467</b>	<b>\$ -</b>	<b>\$ 194,373</b>	<b>\$ 10,665,808</b>

CITY OF MUSKOGEE  
 COMBINING STATEMENT OF NET FUND POSITION  
 NON-MAJOR PROPRIETARY FUNDS  
 June 30, 2015

	Muskogee Solid Waste	Stormwater	Muskogee Parking Authority	Airport Fund	Roxy Theater	Concessions
<b>Assets:</b>						
Cash and investments:						
Cash & cash equivalents (Note 3)	\$ 182,672	\$ 1,702,448	\$ 847,192	\$ 397,308	\$ 1,719	454
Investments, at cost	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Accounts receivable	166,327	55,259	2,549	-	-	-
Interest	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	1,150	-
<b>Capital assets:</b>						
Land	-	57,359	1,049,284	3,000	-	-
Construction in progress	-	-	-	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	<u>57,324</u>	<u>2,479,626</u>	<u>666,061</u>	<u>4,212,829</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 406,323</u>	<u>\$ 4,294,692</u>	<u>\$ 2,565,086</u>	<u>\$ 4,613,137</u>	<u>\$ 2,869</u>	<u>\$ 454</u>
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 30,354	\$ -	\$ 2,449	\$ 2,670	-
Due to other funds	-	-	-	-	-	-
Temporary customer deposits	-	-	-	-	-	-
Deferred revenues	-	-	-	3,722	-	-
Accrued compensated absences payable (Note 1)	88,116	1,145	-	1,939	-	-
Accrued payroll	-	1,023	-	2,881	-	-
Notes payable (Note 2)	-	-	-	-	-	-
Non-current liabilities:						
Notes payable (Note 2)	-	-	-	-	-	-
<b>Total liabilities</b>	<u>88,116</u>	<u>32,522</u>	<u>-</u>	<u>10,991</u>	<u>2,670</u>	<u>-</u>
<b>Net position:</b>						
Net investment in capital assets	57,324	2,536,985	1,715,345	4,215,829	-	-
Restricted	-	-	-	-	-	-
Unrestricted	<u>260,883</u>	<u>1,725,185</u>	<u>849,741</u>	<u>386,317</u>	<u>199</u>	<u>454</u>
<b>Total net position</b>	<u>\$ 318,207</u>	<u>\$ 4,262,170</u>	<u>\$ 2,565,086</u>	<u>\$ 4,602,146</u>	<u>\$ 199</u>	<u>\$ 454</u>

CITY OF MUSKOGEE  
 COMBINING STATEMENT OF NET FUND POSITION  
 NON-MAJOR PROPRIETARY FUNDS  
 June 30, 2015

(Continued)	Civic Center	State Fair Authority	Swim & Fitness Center	War Memorial Park	Hatbox	Total Non-Major Enterprise Funds
<b>Assets:</b>						
Cash and investments:						
Cash & cash equivalents (Note 3)	\$ 4,064	\$ 6,985	\$ 278,337	\$ 55,542	\$ 79,058	\$ 3,555,779
Investments, at cost	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Accounts receivable	-	-	-	-	787	224,922
Interest	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Inventories	4,139	-	-	13,100	4,132	22,521
<b>Capital assets:</b>						
Land	-	-	-	-	-	1,109,643
Construction in progress	-	-	-	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	5,671,526	246,136	552,235	85,963	1,470,831	15,442,531
<b>Total assets</b>	<b>\$ 5,679,729</b>	<b>\$ 253,121</b>	<b>\$ 830,572</b>	<b>\$ 154,605</b>	<b>\$ 1,554,808</b>	<b>\$ 20,355,396</b>
<b>Liabilities:</b>						
Accounts payable	\$ 10,758	\$ 1,056	\$ 6,352	\$ 2,530	\$ 36,547	\$ 92,716
Due to other funds	-	-	-	-	-	-
Temporary customer deposits	11,155	-	-	-	-	11,155
Deferred revenues	-	-	-	530	-	4,252
Accrued compensated absences payable (Note 1)	37,618	-	21,382	-	1,458	151,658
Accrued payroll	2,950	-	7,814	-	30,066	44,734
Notes payable (Note 2)	-	-	-	-	-	-
Non-current liabilities:						
Notes payable (Note 2)	-	-	-	-	-	-
<b>Total liabilities</b>	<b>62,481</b>	<b>1,056</b>	<b>35,548</b>	<b>3,060</b>	<b>68,071</b>	<b>304,515</b>
<b>Net position:</b>						
Net investment in capital assets	5,671,526	246,136	552,235	85,963	1,470,831	16,552,174
Restricted	-	-	-	-	-	-
Unrestricted	(54,278)	5,929	242,789	65,582	15,906	3,498,707
<b>Total net position</b>	<b>\$ 5,617,248</b>	<b>\$ 252,065</b>	<b>\$ 795,024</b>	<b>\$ 151,545</b>	<b>\$ 1,486,737</b>	<b>\$ 20,050,881</b>

**CITY OF MUSKOGEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**NON-MAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2015**

	<u>Muskogee Solid Waste</u>	<u>Stormwater</u>	<u>Muskogee Parking Authority</u>	<u>Airport Fund</u>	<u>Roxy Theater</u>	<u>Concessions</u>
<b>Revenues:</b>						
Solid waste revenue	\$ 2,780,348	\$ -	\$ -	\$ -	\$ -	\$ -
Stormwater revenue	-	1,073,830	-	-	-	-
Penalty revenue	82,186	-	-	-	-	-
Parking fees	-	-	64,654	-	-	-
Rental receipts	-	-	-	208,468	4,813	-
Miscellaneous revenue	-	-	-	10,207	-	-
Admissions and concessions	-	-	-	-	10,619	170
Activity fees	-	-	-	-	-	-
Donations	-	-	-	-	5	-
Intergovernmental programs	-	-	-	68,076	-	-
<b>Total revenues</b>	<u>2,862,534</u>	<u>1,073,830</u>	<u>64,654</u>	<u>286,751</u>	<u>15,437</u>	<u>170</u>
<b>Operating expense:</b>						
Cultural and recreational	-	-	-	-	38,190	-
Parking	-	-	508	-	-	-
Planning	-	-	-	-	-	-
Sanitation	6,058	-	-	-	-	-
Stormwater	-	162,306	-	-	-	-
Transportation	-	-	-	150,340	-	-
Depreciation	32,864	52,157	16,474	216,256	-	-
<b>Total operating expenses</b>	<u>38,922</u>	<u>214,463</u>	<u>16,982</u>	<u>366,596</u>	<u>38,190</u>	<u>-</u>
<b>Income before non-operating revenues, expenses and transfers</b>	<u>2,823,612</u>	<u>859,367</u>	<u>47,672</u>	<u>(79,845)</u>	<u>(22,753)</u>	<u>170</u>
<b>Non-operating revenues (expenses):</b>						
Interest revenue	228	1,151	752	261	1	-
<b>Total</b>	<u>228</u>	<u>1,151</u>	<u>752</u>	<u>261</u>	<u>1</u>	<u>-</u>
<b>Income (loss) before operating transfers</b>	<u>2,823,840</u>	<u>860,518</u>	<u>48,424</u>	<u>(79,584)</u>	<u>(22,752)</u>	<u>170</u>
<b>Transfers in (out)</b>	<u>(2,757,778)</u>	<u>1,042,934</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>-</u>
<b>Change in net position</b>	66,062	1,903,452	48,424	(79,584)	(1,752)	170
<b>Net position - beginning of year</b>	<u>252,145</u>	<u>2,358,718</u>	<u>2,516,662</u>	<u>4,681,730</u>	<u>1,951</u>	<u>284</u>
<b>Net position - end of year</b>	<u>\$ 318,207</u>	<u>\$ 4,262,170</u>	<u>\$ 2,565,086</u>	<u>\$ 4,602,146</u>	<u>\$ 199</u>	<u>\$ 454</u>

CITY OF MUSKOGEE  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 NON-MAJOR PROPRIETARY FUNDS  
 Year Ended June 30, 2015

(Continued)	Civic Center	State Fair Authority	Swim & Fitness Center	War Memorial Park	Hatbox	Total Non-Major Enterprise Funds
<b>Revenues:</b>						
Solid waste revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,780,348
Stormwater revenue	-	-	-	-	-	1,073,830
Penalty revenue	-	-	-	-	-	82,186
Parking fees	-	-	-	-	-	64,654
Rental receipts	89,700	150	-	-	4,025	307,156
Miscellaneous revenue	3,163	-	460	-	520	14,350
Admissions and concessions	38,235	-	-	-	541,716	590,740
Activity fees	-	-	554,333	77,521	8,391	640,245
Donations	-	-	-	2,808	-	2,813
Intergovernmental programs	-	-	-	69,959	-	138,035
<b>Total revenues</b>	<u>131,098</u>	<u>150</u>	<u>554,793</u>	<u>150,288</u>	<u>554,652</u>	<u>5,694,357</u>
<b>Operating expense:</b>						
Cultural and recreational	413,896	15,739	486,692	142,332	586,689	1,683,538
Parking	-	-	-	-	-	508
Planning	-	-	-	-	-	-
Sanitation	-	-	-	-	-	6,058
Stormwater	-	-	-	-	-	162,306
Transportation	-	-	-	-	-	150,340
Depreciation	180,884	17,155	19,141	5,083	154,257	694,271
<b>Total operating expenses</b>	<u>594,780</u>	<u>32,894</u>	<u>505,833</u>	<u>147,415</u>	<u>740,946</u>	<u>2,697,021</u>
<b>Income before non-operating revenues, expenses and transfers</b>	<u>(463,682)</u>	<u>(32,744)</u>	<u>48,960</u>	<u>2,873</u>	<u>(186,294)</u>	<u>2,997,336</u>
<b>Non-operating revenues (expenses):</b>						
Interest revenue	12	-	232	-	110	2,747
<b>Total</b>	<u>12</u>	<u>-</u>	<u>232</u>	<u>-</u>	<u>110</u>	<u>2,747</u>
<b>Income (loss) before operating transfers</b>	<u>(463,670)</u>	<u>(32,744)</u>	<u>49,192</u>	<u>2,873</u>	<u>(186,184)</u>	<u>3,000,083</u>
<b>Transfers in (out)</b>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>(1,343,844)</u>
<b>Change in net position</b>	<u>(163,670)</u>	<u>(32,744)</u>	<u>49,192</u>	<u>52,873</u>	<u>(186,184)</u>	<u>1,656,239</u>
<b>Net position - beginning of year</b>	<u>5,780,918</u>	<u>284,809</u>	<u>745,832</u>	<u>98,672</u>	<u>1,672,921</u>	<u>18,394,642</u>
<b>Net position - end of year</b>	<u>\$ 5,617,248</u>	<u>\$ 252,065</u>	<u>\$ 795,024</u>	<u>\$ 151,545</u>	<u>\$ 1,486,737</u>	<u>\$ 20,050,881</u>

CITY OF MUSKOGEE  
 COMBINING STATEMENT OF CASH FLOWS  
 NON-MAJOR PROPRIETARY FUNDS  
 Year Ended June 30, 2015

	Muskogee Solid Waste	Stormwater	Muskogee Parking Authority	Airport Fund	Roxy Theater	Concessions
<b>Cash flows from operating activities:</b>						
Cash received from customers & service users	\$ 2,813,735	\$ 1,066,199	\$ 66,127	\$ 289,360	\$ 15,437	\$ 170
Cash payments for goods & services & employees	(6,058)	(147,673)	(508)	(154,342)	(36,912)	-
Other operating revenues	6,059	(5,763)	-	1,368	-	-
<b>Net cash provided by operating activities</b>	<u>2,813,736</u>	<u>912,763</u>	<u>65,619</u>	<u>136,386</u>	<u>(21,475)</u>	<u>170</u>
<b>Cash flows from noncapital financing activities:</b>						
Net change in inventory	-	-	-	-	-	-
Net change in due to/from accounts	-	-	-	-	-	-
Operating transfers out to other funds	(2,757,778)	(571,078)	-	-	-	-
Operating transfers in from other funds	-	1,614,011	-	-	21,000	-
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(2,757,778)</u>	<u>1,042,933</u>	<u>-</u>	<u>-</u>	<u>21,000</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition & construction of capital assets	-	(1,474,743)	(60,393)	(42,888)	-	-
Loan proceeds	-	-	-	-	-	-
Principal paid on debt	-	-	-	-	-	-
<b>Net cash provided (used) for capital and related financing activities</b>	<u>-</u>	<u>(1,474,743)</u>	<u>(60,393)</u>	<u>(42,888)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>						
(Purchase) liquidation of investments - unrestricted	-	-	694	-	-	-
Interest on investments	228	1,151	752	261	1	-
<b>Net cash provided by investing activities</b>	<u>228</u>	<u>1,151</u>	<u>1,446</u>	<u>261</u>	<u>1</u>	<u>-</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	56,186	482,104	6,672	93,759	(474)	170
<b>Cash and cash equivalents - beginning of year</b>	<u>126,486</u>	<u>1,220,344</u>	<u>840,520</u>	<u>303,549</u>	<u>2,193</u>	<u>284</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 182,672</u>	<u>\$ 1,702,448</u>	<u>\$ 847,192</u>	<u>\$ 397,308</u>	<u>\$ 1,719</u>	<u>\$ 454</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income	\$ 2,823,612	\$ 859,367	\$ 47,672	\$ (79,845)	\$ (22,753)	\$ 170
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>						
Depreciation	32,864	52,157	16,474	216,256	-	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(48,799)	(7,631)	1,473	2,609	-	-
Increase (decrease) in accounts payable	-	14,633	-	(4,002)	1,278	-
Increase (decrease) in accrued expenses	6,059	(5,763)	-	1,368	-	-
<b>Total adjustments</b>	<u>(9,876)</u>	<u>53,396</u>	<u>17,947</u>	<u>216,231</u>	<u>1,278</u>	<u>-</u>
<b>Net cash provided by operating activities</b>	<u>\$ 2,813,736</u>	<u>\$ 912,763</u>	<u>\$ 65,619</u>	<u>\$ 136,386</u>	<u>\$ (21,475)</u>	<u>\$ 170</u>

CITY OF MUSKOGEE  
 COMBINING STATEMENT OF CASH FLOWS  
 NON-MAJOR PROPRIETARY FUNDS  
 Year Ended June 30, 2015

	Civic Center	State Fair Authority	Swim & Fitness Center	War Memorial Park	Hatbox	Total Non-Major Enterprise Funds
<b>Cash flows from operating activities:</b>						
Cash received from customers & service users	\$ 131,098	\$ 150	\$ 554,793	\$ 150,288	\$ 554,652	\$ 5,642,009
Cash payments for goods & services & employees	(429,194)	(17,626)	(498,154)	(143,072)	(624,337)	(2,057,876)
Other operating revenues	-	-	-	-	-	1,664
<b>Net cash provided by operating activities</b>	<u>(298,096)</u>	<u>(17,476)</u>	<u>56,639</u>	<u>7,216</u>	<u>(69,685)</u>	<u>3,585,797</u>
<b>Cash flows from noncapital financing activities:</b>						
Net change in inventory	(4,139)	-	-	(6,031)	5,901	(4,269)
Net change in due to/from accounts	-	-	-	-	-	-
Operating transfers out to other funds	-	-	-	-	-	(3,328,856)
Operating transfers in from other funds	300,000	-	-	50,000	-	1,985,011
<b>Net cash provided (used) for noncapital financing activities</b>	<u>295,861</u>	<u>-</u>	<u>-</u>	<u>43,969</u>	<u>5,901</u>	<u>(1,348,114)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition & construction of capital assets	-	-	(37,208)	(4,395)	-	(1,619,627)
Loan proceeds	-	-	-	-	-	-
Principal paid on debt	-	-	-	-	-	-
<b>Net cash provided (used) for capital and related financing activities</b>	<u>-</u>	<u>-</u>	<u>(37,208)</u>	<u>(4,395)</u>	<u>-</u>	<u>(1,619,627)</u>
<b>Cash flows from investing activities:</b>						
(Purchase) liquidation of investments - unrestricted	-	-	-	-	-	694
Interest on investments	12	-	232	-	110	2,747
<b>Net cash provided by investing activities</b>	<u>12</u>	<u>-</u>	<u>232</u>	<u>-</u>	<u>110</u>	<u>3,441</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(2,223)	(17,476)	19,663	46,790	(63,674)	621,497
<b>Cash and cash equivalents - beginning of year</b>	6,287	24,461	258,674	8,752	142,732	2,934,282
<b>Cash and cash equivalents - end of year</b>	<u>\$ 4,064</u>	<u>\$ 6,985</u>	<u>\$ 278,337</u>	<u>\$ 55,542</u>	<u>\$ 79,058</u>	<u>\$ 3,555,779</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income	\$ (463,682)	\$ (32,744)	\$ 48,960	\$ 2,873	\$ (186,294)	\$ 2,997,336
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>						
Depreciation	180,884	17,155	19,141	5,083	154,257	694,271
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	-	-	-	-	-	(52,348)
Increase (decrease) in accounts payable	(4,617)	(1,887)	(347)	(740)	(38,674)	(34,356)
Increase (decrease) in accrued expenses	(10,681)	-	(11,115)	-	1,026	(19,106)
<b>Total adjustments</b>	<u>165,586</u>	<u>15,268</u>	<u>7,679</u>	<u>4,343</u>	<u>116,609</u>	<u>588,461</u>
<b>Net cash provided by operating activities</b>	<u>\$ (298,096)</u>	<u>\$ (17,476)</u>	<u>\$ 56,639</u>	<u>\$ 7,216</u>	<u>\$ (69,685)</u>	<u>\$ 3,585,797</u>

CITY OF MUSKOGEE  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 AGENCY FUNDS  
 June 30, 2015

	<u>Meter Deposit Fund</u>	<u>Escrow Fund</u>	<u>Total Agency Funds</u>
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 598,635	\$ 257,856	\$ 856,491
Investments, at cost	<u>383,128</u>	<u>-</u>	<u>383,128</u>
<b>Total assets</b>	<b><u>\$ 981,763</u></b>	<b><u>\$ 257,856</u></b>	<b><u>\$ 1,239,619</u></b>
<b>Liabilities:</b>			
Security deposits	981,763	-	981,763
Escrow deposits	<u>-</u>	<u>257,856</u>	<u>257,856</u>
<b>Total liabilities</b>	<b><u>\$ 981,763</u></b>	<b><u>\$ 257,856</u></b>	<b><u>\$ 1,239,619</u></b>

CITY OF MUSKOGEE  
Muskogee, Oklahoma

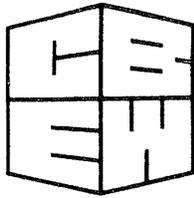
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ending June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<b><u>U.S. Department of Transportation:</u></b>				
Federal Aviation Administration - Airport Improvement Program	20.106	43,425	43,425	31,849
Sub-total U.S. Department of Transportation		43,425	43,425	31,849
<b><u>U.S. Department of Justice:</u></b>				
<b><u>Passed through the Oklahoma Department of Justice:</u></b>				
Edward Byrne Memorial Justice Assistance Grant	16.738	30,885	20,875	20,875
Edward Byrne Memorial Justice Assistance Grant	16.738	36,153	35,948	35,948
Sub-total U.S. Department of Justice		67,038	56,823	56,823
<b><u>U.S. Department of Homeland Security:</u></b>				
<b><u>Passed through the Oklahoma Department of Emergency Management:</u></b>				
Emergency Management Performance Grants	97.042	25,000	12,500	12,500
Sub-total U.S. Department of Homeland Security		25,000	12,500	12,500
<b><u>U.S. Department of the Interior:</u></b>				
<b><u>Passed through the Oklahoma Tourism and Recreation:</u></b>				
State Historic Preservation	15.904	4,500	4,500	4,500
Land and Water Conservation	15.916	-	-	-
Land and Water Conservation	15.916	160,000	17,000	17,000
Sub-total U.S. Department of the Interior		164,500	21,500	21,500
<b>Total of Expenditures of Federal Awards</b>		\$ 299,963	\$ 134,248	\$ 122,672

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF MUSKOGEE**  
**Muskogee, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**June 30, 2015**



**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

WALTER H. WEBB, CPA  
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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**

December 15, 2015

Honorable City Council  
City of Muskogee  
Muskogee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskogee, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Muskogee, Oklahoma's basic financial statements, and have issued our report thereon dated December 15, 2015.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants