

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

**CONTENTS**

	<b>Page No.</b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	3
Statement of Activities	4-5
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities	9
Statement of Fund Net Position - Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Statement of Fiduciary Net Position	13
<b>Notes to the Basic Financial Statements</b>	14-25
<b>Other Supplementary Information:</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	26-28
Notes to Required Supplemental Information	29
Combining Balance Sheet – Non-Major Governmental Funds	30-31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	32-33
Schedule of Expenditures of Federal Awards	34

**CITY OF PAWHUSKA  
Pawhuska, Oklahoma**

**CONTENTS**

**Page No.**

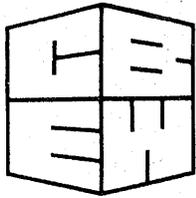
**Report Required by *Government Auditing Standards*:**

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*

35-36

**Schedule of Findings and Responses**

37



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## INDEPENDENT AUDITOR'S REPORT

October 5, 2015

The Honorable City Council  
City of Pawhuska, 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 prepared on a modified cash basis of the City of Pawhuska, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud

### ***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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pawhuska, Oklahoma as of June 30, 2015, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Matters**

*Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are 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.

*Disclaimer of Opinion on Supplementary Information*

The budgetary comparison information on pages 28–30 and notes on page 31, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 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*

CBEW Professional Group, LLP  
Certified Public Accountants  
Cushing, Oklahoma

CITY OF PAWHUSKA  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 443,778	\$ 295,618	\$ 739,396
Investments	1,680,158	-	1,680,158
Due to/from others	-	-	-
Restricted assets:			
Cash, insurance deposit	5,144	-	5,144
Cash and investments (Note 1)	167,383	286,084	453,467
<b>Total assets</b>	<u>2,296,463</u>	<u>581,702</u>	<u>2,878,165</u>
<b>Deferred outflows of resources:</b>			
Total deferred outflows	-	-	-
<b>Liabilities:</b>			
Current liabilities:			
Notes payable (Note 2)	-	90,000	90,000
Long-term liabilities:			
Notes payable (Note 2)	-	780,000	780,000
<b>Total liabilities</b>	<u>-</u>	<u>870,000</u>	<u>870,000</u>
<b>Deferred inflows of resources:</b>			
Total deferred inflows	-	-	-
<b>Net position:</b>			
Net investment in capital assets	-	(870,000)	(870,000)
Restricted	1,566,548	286,084	1,852,632
Unrestricted	729,915	295,618	1,025,533
<b>Total net position</b>	<u>\$ 2,296,463</u>	<u>\$ (288,298)</u>	<u>\$ 2,008,165</u>

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

CITY OF PAWHUSKA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government:				
City clerk	\$ 72,174	\$ -	\$ -	\$ (72,174)
General government	885,331	357,352	-	(527,979)
Total general government	<u>957,505</u>	<u>357,352</u>	<u>-</u>	<u>(600,153)</u>
Public safety and judiciary:				
City attorney	13,163	-	-	(13,163)
Fire department	395,636	1,700	15,484	(378,452)
Municipal court	45,286	80,314	-	35,028
Police	690,003	-	-	(690,003)
Ambulance	428,937	392,962	-	(35,975)
Total public safety and judiciary	<u>1,573,025</u>	<u>474,976</u>	<u>15,484</u>	<u>(1,082,565)</u>
Transportation:				
Airport	4,510	2,400	-	(2,110)
Streets	238,887	-	-	(238,887)
Total transportation	<u>243,397</u>	<u>2,400</u>	<u>-</u>	<u>(240,997)</u>
Cultural, parks and recreation:				
Library	162,195	3,207	11,676	(147,312)
Park	209,777	7,618	-	(202,159)
Lake	7,147	76,765	-	69,618
Cemetery	-	28,885	-	28,885
Total cultural, parks and recreation	<u>379,119</u>	<u>116,475</u>	<u>11,676</u>	<u>(250,968)</u>
<b>Total governmental activities</b>	<u>3,153,046</u>	<u>951,203</u>	<u>27,160</u>	<u>(2,174,683)</u>
<b>Business-type activities</b>				
General and administrative	60,000	-	-	(60,000)
Electric service	4,095,781	4,382,358	-	286,577
Water	563,454	932,809	-	369,355
Wasterwater	253,044	-	-	(253,044)
Sanitation service	424,644	488,639	-	63,995
Educational facilities	-	2,228	-	2,228
Financing costs	23,156	-	-	(23,156)
<b>Total business-type activities</b>	<u>5,420,079</u>	<u>5,806,034</u>	<u>-</u>	<u>385,955</u>
<b>Total</b>	<u>\$ 8,573,125</u>	<u>\$ 6,757,237</u>	<u>\$ 27,160</u>	<u>\$ (1,788,728)</u>

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

**CITY OF PAWHUSKA  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
Year Ended June 30, 2015**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Net (expense)/revenue</b>	(2,174,683)	385,955	(1,788,728)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	1,073,188	-	1,073,188
Franchise taxes	51,829	-	51,829
Cigarette taxes	11,995	-	11,995
Intergovernmental	125,232	-	125,232
Penalties	-	153,406	153,406
Investment earnings	24,982	1,956	26,938
Miscellaneous	73,751	197,735	271,486
Rental income	33,119	-	33,119
Transfers	1,197,000	(1,197,000)	-
<b>Total general revenues and transfers</b>	<u>2,591,096</u>	<u>(843,903)</u>	<u>1,747,193</u>
<b>Change in net position</b>	416,413	(457,948)	(41,535)
<b>Net position - beginning of year</b>	<u>1,880,050</u>	<u>169,650</u>	<u>2,049,700</u>
<b>Net position - end of year</b>	<u>\$ 2,296,463</u>	<u>\$ (288,298)</u>	<u>\$ 2,008,165</u>

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

CITY OF PAWHUSKA  
BALANCE SHEET  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
June 30, 2015

	General Fund	Capital Projects 1999 Sales Tax Improve	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and investments:				
Cash & cash equivalents	\$ 69,611	\$ 37,078	\$ 337,089	\$ 443,778
Investments	653,896	300,000	726,262	1,680,158
Due from others	1,264	-	-	1,264
Restricted assets:				
Cash, insurance deposit	5,144	-	-	5,144
Cash and investments	-	-	167,383	167,383
<b>Total assets</b>	<b>\$ 729,915</b>	<b>\$ 337,078</b>	<b>\$ 1,230,734</b>	<b>\$ 2,297,727</b>
<b>Liabilities:</b>				
Due to others	-	-	1,264	1,264
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,264</b>	<b>1,264</b>
<b>Fund balance:</b>				
<b>Restricted for:</b>				
Capital Improvement	-	337,078	494,374	831,452
Cemetery	-	-	167,383	167,383
Economic Development	-	-	77,305	77,305
Library	-	-	202,826	202,826
Public Safety	-	-	2,223	2,223
Streets	-	-	119,305	119,305
Other purposes	-	-	166,054	166,054
<b>Unassigned</b>	<b>729,915</b>	<b>-</b>	<b>-</b>	<b>729,915</b>
<b>Total fund balance</b>	<b>729,915</b>	<b>337,078</b>	<b>1,229,470</b>	<b>2,296,463</b>
<b>Total liabilities &amp; fund balance</b>	<b>\$ 729,915</b>	<b>\$ 337,078</b>	<b>\$ 1,230,734</b>	<b>\$ 2,297,727</b>

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

**CITY OF PAWHUSKA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT**  
**OF NET POSITION**  
**MODIFIED CASH BASIS**  
**June 30, 2015**

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 2,296,463</b>
Amounts reported for governmental activities in the statement of net position are different because:	
No differences	<u>                  -</u>
<b>Net position of governmental activities</b>	<b>\$ <u>2,296,463</u></b>

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

CITY OF PAWHUSKA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	General Fund	Capital Projects 1999 Sales Tax Improve	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Charges for services	\$ 835,415	\$ -	\$ 1,702	\$ 837,117
Cigarette taxes	11,995	-	-	11,995
Interest	-	1,862	23,120	24,982
Franchise taxes	51,829	-	-	51,829
Intergovernmental programs	88,710	-	36,522	125,232
Fines and forfeits	79,726	-	588	80,314
Grant revenues	-	-	26,610	26,610
Rental receipts	33,119	-	-	33,119
Cemetery revenues	22,173	-	6,712	28,885
Miscellaneous revenue	73,750	-	-	73,750
Sales and use taxes	716,018	268,297	88,874	1,073,189
Licenses and permits	4,887	-	-	4,887
Donations and other	-	-	549	549
<b>Total revenues</b>	<u>1,917,622</u>	<u>270,159</u>	<u>184,677</u>	<u>2,372,458</u>
<b>Expenditures:</b>				
Current:				
General government	688,750	-	4,897	693,647
Public safety	1,557,651	-	-	1,557,651
Highways and roads	213,003	-	28,894	241,897
Cultural and recreational	359,329	-	14,921	374,250
Capital outlay	70,423	1,500	213,677	285,600
<b>Total expenditures</b>	<u>2,889,156</u>	<u>1,500</u>	<u>262,389</u>	<u>3,153,045</u>
<b>Excess of revenues over (under) expenditures</b>	(971,534)	268,659	(77,712)	(780,587)
<b>Other financing uses:</b>				
Loan proceeds	-	-	-	-
Operating transfers in (out)	1,224,000	-	(27,000)	1,197,000
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	252,466	268,659	(104,712)	416,413
<b>Fund balance - beginning of year</b>	528,660	89,447	1,340,911	1,959,018
<b>Correction of an error</b>	(51,211)	(21,028)	(6,729)	(78,968)
<b>Fund balance - end of year</b>	<u>\$ 729,915</u>	<u>\$ 337,078</u>	<u>\$ 1,229,470</u>	<u>\$ 2,296,463</u>

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

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 416,413</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
No differences	<u>-</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>416,413</u></b>

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

CITY OF PAWHUSKA  
 STATEMENT OF FUND NET POSITION  
 MODIFIED CASH BASIS  
 PROPRIETARY FUNDS  
 June 30, 2015

	Business-type Activities - Enterprise Funds			Totals
	Pawhuska Public Works Authority (Major)	Pawhuska Educational Facilities Authority (Non-major)	Pawhuska Municipal Trust Authority (Non-major)	
<b>Assets:</b>				
Cash and investments:				
Cash & cash equivalents (Note 1)	\$ 263,329	\$ 15,892	\$ 16,397	\$ 295,618
Due from others	-	-	-	-
Restricted assets:				
Cash and investments (Note 1)	286,084	-	-	286,084
<b>Total assets</b>	<b>\$ 549,413</b>	<b>\$ 15,892</b>	<b>\$ 16,397</b>	<b>\$ 581,702</b>
<b>Liabilities:</b>				
Current liabilities:				
Due to others	\$ -	\$ -	\$ -	\$ -
Notes payable (Note 2)	90,000	-	-	90,000
Long-term liabilities:				
Notes payable (Note 2)	780,000	-	-	780,000
<b>Total liabilities</b>	<b>870,000</b>	<b>-</b>	<b>-</b>	<b>870,000</b>
<b>Net position:</b>				
Net investment in capital assets	(870,000)	-	-	(870,000)
Restricted	286,084	-	-	286,084
Unrestricted	263,329	15,892	16,397	295,618
<b>Total net position</b>	<b>\$ (320,587)</b>	<b>\$ 15,892</b>	<b>\$ 16,397</b>	<b>\$ (288,298)</b>

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

CITY OF PAWHUSKA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds			Totals
	Pawhuska Public Works Authority (Major)	Pawhuska Educational Facilities Authority (Non-major)	Pawhuska Municipal Trust Authority (Non-major)	
<b>Revenues:</b>				
Electric revenue	\$ 4,382,358	\$ -	\$ -	\$ 4,382,358
Water revenue	746,682	-	-	746,682
Wastewater revenue	186,127	-	-	186,127
Sanitation revenue	488,639	-	-	488,639
Penalties	153,406	-	-	153,406
Miscellaneous revenue	197,735	-	-	197,735
Charges for service	-	2,228	-	2,228
<b>Total revenues</b>	<b>6,154,947</b>	<b>2,228</b>	<b>-</b>	<b>6,157,175</b>
<b>Operating expenses:</b>				
General and administrative	-	-	60,000	60,000
Electric service	4,095,781	-	-	4,095,781
Water	563,454	-	-	563,454
Wasterwater	253,044	-	-	253,044
Sanitation service	424,644	-	-	424,644
Depreciation expense	-	-	-	-
<b>Total operating expenses</b>	<b>5,336,923</b>	<b>-</b>	<b>60,000</b>	<b>5,396,923</b>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>818,024</b>	<b>2,228</b>	<b>(60,000)</b>	<b>760,252</b>
<b>Non-operating revenues (expenses):</b>				
Interest revenue	1,956	-	-	1,956
Interest expense	(23,156)	-	-	(23,156)
<b>Total</b>	<b>(21,200)</b>	<b>-</b>	<b>-</b>	<b>(21,200)</b>
<b>Income (loss) before operating transfers</b>	<b>796,824</b>	<b>2,228</b>	<b>(60,000)</b>	<b>739,052</b>
<b>Transfers in (out)</b>	<b>(1,272,000)</b>	<b>-</b>	<b>75,000</b>	<b>(1,197,000)</b>
<b>Change in net position</b>	<b>(475,176)</b>	<b>2,228</b>	<b>15,000</b>	<b>(457,948)</b>
<b>Net position at beginning of year</b>	<b>154,589</b>	<b>13,664</b>	<b>1,397</b>	<b>169,650</b>
<b>Net position at end of year</b>	<b>\$ (320,587)</b>	<b>\$ 15,892</b>	<b>\$ 16,397</b>	<b>\$ (288,298)</b>

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

CITY OF PAWHUSKA  
STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds			Totals
	Pawhuska Public Works Authority (Major)	Pawhuska Educational Facilities Authority (Non-major)	Pawhuska Municipal Trust Authority (Non-major)	
<b>Cash flows from operating activities:</b>				
Cash received from customers & service users	\$ 5,957,212	\$ 2,228	\$ -	\$ 5,959,440
Cash payments for goods & services & employees	(5,336,923)	-	(60,000)	(5,396,923)
Other operating revenues	197,735	-	-	197,735
<b>Net cash provided by operating activities</b>	<u>818,024</u>	<u>2,228</u>	<u>(60,000)</u>	<u>760,252</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers out to other funds	(1,272,000)	-	-	(1,272,000)
Operating transfers in from other funds	-	-	75,000	75,000
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(1,272,000)</u>	<u>-</u>	<u>75,000</u>	<u>(1,197,000)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition & construction of capital assets	-	-	-	-
Principal paid on debt	(90,000)	-	-	(90,000)
Interest paid on debt	(23,156)	-	-	(23,156)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(113,156)</u>	<u>-</u>	<u>-</u>	<u>(113,156)</u>
<b>Cash flows from investing activities:</b>				
(Purchase) liquidation of investments	-	-	-	-
Interest on investments	1,956	-	-	1,956
<b>Net cash provided by investing activities</b>	<u>1,956</u>	<u>-</u>	<u>-</u>	<u>1,956</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(565,176)	2,228	15,000	(547,948)
<b>Cash and cash equivalents - beginning of year</b>	<u>828,505</u>	<u>13,664</u>	<u>1,397</u>	<u>843,566</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 263,329</u>	<u>\$ 15,892</u>	<u>\$ 16,397</u>	<u>\$ 295,618</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 818,024	\$ 2,228	\$ (60,000)	\$ 760,252
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation	-	-	-	-
Change in assets and liabilities:				
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) in accrued expenses	-	-	-	-
<b>Total adjustments</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cash provided by operating activities</b>	<u>\$ 818,024</u>	<u>\$ 2,228</u>	<u>\$ (60,000)</u>	<u>\$ 760,252</u>

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

**CITY OF PAWHUSKA  
STATEMENT OF FIDUCIARY NET POSITION  
MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
June 30, 2015**

	<b>Agency Funds</b>
<b>Assets:</b>	
Cash and investments at cost	\$ <u>258,218</u>
<b>Total assets</b>	\$ <u><u>258,218</u></u>
<b>Liabilities:</b>	
Deposits	\$ <u>258,218</u>
<b>Total liabilities</b>	\$ <u><u>258,218</u></u>

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

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pawhuska, Oklahoma (the City) accounting policies conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 the modified cash basis of accounting and used by the City is discussed below.

**A. Reporting Entity**

The City of Pawhuska, Oklahoma is organized under the statutes of the State of Oklahoma in 1906. The City operates under a council form of government and is governed by a five-member board of councilmen. The councilmen elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (police, fire and ambulance), streets, public works (electric, water, sewer, and sanitation), judicial, culture, parks and recreation, public improvements and planning and zoning for the City of Pawhuska, Oklahoma.

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 Pawhuska Public Works Authority (PPWA) was created pursuant to a Trust Indenture for the benefit of the City of Pawhuska, Oklahoma. PPWA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer and electric facilities for the City of Pawhuska. The water, sanitary sewer, electric, and solid waste disposal systems owned by the City have been leased to PPWA until such date that all indebtedness of the Authority is retired or provided for. PPWA 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 identical with the City Council. PPWA is exempt from State and Federal Income taxes. PPWA is reported as an enterprise fund.

The Pawhuska Educational Facilities Authority (PEFA) was created by Trust Indenture dated 2010, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive. The Trust was created generally to promote the development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities which will benefit and strengthen culture and the economy of the City of Pawhuska, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority issued General Obligation Bonds for the purpose of constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites. The City of Pawhuska, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use. PEFA is reported as an enterprise fund.

The Pawhuska Municipal Trust Authority (PMTA) was created pursuant to a Trust Indenture dated October 1, 1986, for the benefit of the City of Pawhuska, Oklahoma. PMTA is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176-180, et seq., and is governed by a board consisting of five trustees identical with the City Council. PMTA is used to provide maintain, construct, set apart, promote, and conduct parks, play grounds, golf courses, recreational centers, social and community centers, and other recreational facilities with and near the territorial limits of the City of Pawhuska. PMTA is exempt from State and Federal Income taxes. PMTA is reported as an enterprise fund.

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

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

**A. Reporting Entity (Continued)**

Other Component Units/Trusts:

There are currently no assets or liabilities of the PMTA and there were no activities during the year. The City of Pawhuska, as beneficiary, has elected to preserve the legal structure of this Authority for any potential future use.

The Pawhuska Municipal Industrial Development Trust Authority (PMIDTA) was created May 6, 1996, for the benefit of the City of Pawhuska, Oklahoma. PMIDTA was created to promote the development of industry and to provide additional employment in the Pawhuska, Oklahoma, area. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176-180, et seq., and is governed by a board consisting of five trustees appointed by the City Council. PMIDTA is exempt from State and Federal Income taxes. There are currently no assets or liabilities of the PMIDTA and there were no activities during the year. The City of Pawhuska, as beneficiary, has elected to preserve the legal structure of this Authority for any potential future use.

The City's 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 normally prepared using the accrual basis of accounting but the City of Pawhuska's presentation is on a modified cash basis.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund 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 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 governmental and business-type activities at year-end on a modified cash basis. 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.

CITY OF PAWHUSKA  
Pawhuska, Oklahoma

NOTES TO THE 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)

**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.

**Governmental Funds** – are used to account for the government's general government activities. The City of Pawhuska presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be 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. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments).

The City of Pawhuska records governmental fund expenditures as they are paid rather than when the obligation is incurred.

Sales and use taxes, cigarette taxes, gasoline excise 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 under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

Entitlements and shared revenues are recorded at the time of receipt. 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.

1999 Sales Tax Improvement Fund – is a 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.

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: Street & Alley, Library, Gerald Ledington Book, Economic Development, CDBG, Juvenile Court, Carl & Virginia Short, Municipal Court, Imprest and INCOG Funds.

CITY OF PAWHUSKA  
Pawhuska, Oklahoma

NOTES TO THE 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)**

Capital Projects Funds – 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 Capital Improvement, Permanent Improvement, Police Permanent Improvement, Fire Department Permanent Improvement, Louise Snyder Park and Water and Sewer Reserve 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 Care Fund.

**Proprietary Funds** – Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally accounted for on the flow of economic resources measurement focus 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. In the City's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld, other withholdings, and accrued compensated absences which the City records as a modification to the cash basis of accounting. The accrual amounts are not material to the financial statement presentation.

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 City's major enterprise funds are:

Pawhuska Public Works Authority – accounts for the operations of providing public works (electric, water, sewer, and sanitation) to the City.

The other enterprise funds of the City do not meet the percentage criteria for major funds but the City has elected to treat the following two non-major funds as though they were major funds for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements.

Pawhuska Educational Facilities Authority – which accounts for the promotion of development of educational, recreational and cultural activities within and near the territorial limits of the City.

Pawhuska Municipal Trust Authority – which accounts for providing maintaining, constructing parks, play grounds, golf courses, recreational centers, community centers and other recreational facilities with and near the territorial limits of the City.

There are no other enterprise funds of the City that are considered non-major funds.

**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 cash basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary fund is an agency fund that is composed of customer deposit funds.

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

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

**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 Pawhuska Public Works Authority has set aside certain resources in debt service and reserve accounts for repayment of loans, in accordance with loan indentures. These funds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants.

**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 statement of net position. 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 requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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 both governmental funds and proprietary 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.

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

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

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

**7. Capital Assets**

Due to the use of the modified cash basis accounting, capital assets and related depreciation are not reported in the financial statements.

**8. Compensated Absences**

It is the City's policy to permit full-time employees to accumulate earned but unused vacation and compensatory time after one year of service. Vacation time is on a use-it-or-lose-it basis which zeros out upon each employees anniversary date. Any full-time employee will receive payment of unused vacation time if they leave the City before their anniversary date. Compensatory time is carried over until the end of the calendar year, in which it is zeroed out at that time. Any full-time employee will receive payment of unused compensatory time if they leave the City before the end of calendar year. Unused sick leave is carried over up to 520 hours. Any full-time employee that has worked at a minimum of 10 years and is of 62 years of age may receive pay for unused sick time at the minimum wage scale. As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

**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 statement of net position. 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 statement of net position. 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.

CITY OF PAWHUSKA  
Pawhuska, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance (Continued)

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).

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.

**CITY OF PAWHUSKA**  
Pawhuska, Oklahoma

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

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2015, the City held deposits of approximately \$3,131,239 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.

*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 cash and investments held at June 30, 2015 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 1,680,158	\$ 1,680,158
Certificate of deposit	6.00	N/A	1,451,081	1,451,081
Total investments			<u>\$ 3,131,239</u>	<u>\$ 3,131,239</u>

Reconciliation to Statement of Net Position	
Governmental activities	\$ 2,291,319
Business-type activities	581,702
Fiduciary funds	258,218
	<u>\$ 3,131,239</u>

**CITY OF PAWHUSKA**  
Pawhuska, Oklahoma

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

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

**A. 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: 54% in Certificates of deposit (\$1,680,158) and 46% in Money Market funds (\$1,451,081).

**B. 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 Business-type long-term debt of the financial reporting entity consisted of the following:

Pawhuska Public Works Authority Sales Tax Revenue Note, Series 2013 original issue \$1,000,000, interest rate 2.47%, due in semi-annual installments of \$40,000 to \$55,000, final payment of \$60,000 due September 1, 2023. Note is secured by a pledge of system revenues.

The City is not obligated in any manner for the debt of its component units or trusts. The water system, including all of the proceeds, revenue, water charges, assessments and income of all kinds and nature together with contract rights, accounts receivable and general intangibles have been pledged as collateral to secure these notes. The note agreements call for monthly payments to be made toward debt retirement.

The following is a summary of long-term debt transactions of the proprietary fund:

	Balance Outstanding 7/1/14	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/15	Current Portion
Pawhuska Public Works Authority:					
2013 Sales Tax Revenue Note	\$ 960,000	\$ -	\$ (90,000)	\$ 870,000	\$ 90,000
Total	<u>\$ 960,000</u>	<u>\$ -</u>	<u>\$ (90,000)</u>	<u>\$ 870,000</u>	<u>\$ 90,000</u>

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

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 90,000	\$ 20,933	\$ 110,933
2017	95,000	18,648	113,648
2018	100,000	16,302	116,302
2019	100,000	13,832	113,832
2020	100,000	11,362	111,362
2021-2023	385,000	19,265	404,265
Total	<u>870,000</u>	<u>100,342</u>	<u>970,342</u>

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

**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 purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for all claims submitted to it during the plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund.

In addition to the Loss Fund, the City maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR), which can be applied against future premium increases and an Escrow Fund made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the City reports the required contribution to the pool, net of refunds, as insurance expense. The balances in the RSR Fund and the Escrow Fund were \$5,144 and \$0, respectively.

**B. Contingent Liabilities**

The City is not aware of any pending or threatened legal actions against it. However, insurance protection has been obtained to cover probable claims.

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.

**C. Employee Retirement System and Plans**

City employees participate in three retirement plans, which are discussed below:

Oklahoma Police Pension and Retirement Fund

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

**3. OTHER INFORMATION (Continued)**

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

The required contribution from the City for these plans was \$35,670 and \$37,251 for 2015 and 2014, respectively. The required contribution was fully contributed. At June 30, 2015 the system held no related-party investments of the City or of its related entities.

Oklahoma Firefighter's Pension and Retirement Fund

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for these plans was \$36,421 and \$33,570 for 2015 and 2014, respectively. The required contribution was fully contributed. At June 30, 2015 the system held no related-party investments of the City or of its related entities.

Oklahoma Municipal Retirement Fund Defined Benefit Plan

The City provides pension benefits for substantially all of its full time employees (excluding firemen who are covered under a separate state retirement system) through a defined benefit cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined benefit plan. An employee includes any person who, if last hired after July 1, 1971, had not reached his 60th birthday at the time of hiring. An employee is eligible to participate in the Plan on the employee's employment commencement date, which means the first day of the first pay period during which the employee receives wages as an employee from which federal taxes are withheld. An employee becomes fully vested after ten years. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

Funding Policy – the required contribution rate for the 2014-2015 plan year was 9.0% (6% City and 3% employee deferral) of each participant's payroll. Employees who are eligible may join the Plan six months after the employee's employment commencement date. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost – the City's annual pension cost was equal to the City's required and actual contributions. The contribution from the City for this plan was \$89,250 and \$87,627 for 2015 and 2014, respectively.

**4. RELATED ORGANIZATIONS**

The Pawhuska City Council is responsible for approving members of the board of other organizations. These related organizations exist as separate legal entities and the City's accountability for these organizations does not extend beyond approving the board appointments. A list of organizations for whom the City approves a majority of the members of their boards includes the following:

- Pawhuska Hospital Authority

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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

**5. CORRECTION OF AN ERROR**

Adjustments were made to correct the financial statements in the General Fund, Economic Development fund and the 1999 Sales Tax Improvement Fund to remove the accrued revenues which are not part of the modified cash basis of accounting. As result, \$78,968 was recorded as income in the current year as collected which had been incorrectly accrued in the prior year. The prior period financial statements were not reissued or restated as a result of this correction of an error.

**6. SUBSEQUENT EVENTS**

The Pawhuska EMS Authority (HEMSA) was approved to be created pursuant to a Trust Indenture, for the benefit of the City of Pawhuska, Oklahoma and will be used for the operation of the ambulance services.

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2015**

**CITY OF PAWHUSKA  
SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED CASH BASIS) AND ACTUAL**

**GOVERNMENTAL FUNDS  
Year Ended June 30, 2015  
(Unaudited)**

**GENERAL FUND**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Charges for services	\$ 409,800	\$ 409,800	\$ 835,415	\$ 425,615
Cigarette taxes	-	-	11,995	11,995
Interest	-	-	-	-
Franchise taxes	60,000	60,000	51,829	(8,171)
Intergovernmental programs	80,000	80,000	88,710	8,710
Fines and forfeits	53,000	53,000	79,726	26,726
Grant revenues	-	-	-	-
Rental receipts	17,500	17,500	33,119	15,619
Cemetery revenues	16,000	16,000	22,173	6,173
Miscellaneous revenue	27,000	27,000	73,750	46,750
Sales and use taxes	770,000	770,000	716,018	(53,982)
Licenses and permits	6,000	6,000	4,887	(1,113)
Donations and other	-	-	-	-
<b>Total revenues</b>	<u>1,439,300</u>	<u>1,439,300</u>	<u>1,917,622</u>	<u>478,322</u>
<b>Expenditures:</b>				
General government	756,100	756,100	688,750	67,350
Public safety	1,560,600	1,560,600	1,557,651	2,949
Highways and roads	213,100	213,100	213,003	97
Cultural and recreational	367,200	367,200	359,329	7,871
Capital outlay	75,000	75,000	70,423	4,577
<b>Total expenditures</b>	<u>2,972,000</u>	<u>2,972,000</u>	<u>2,889,156</u>	<u>82,844</u>
<b>Excess of revenue over (under) expenditures</b>	(1,532,700)	(1,532,700)	(971,534)	561,166
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>1,274,000</u>	<u>1,274,000</u>	<u>1,224,000</u>	<u>(50,000)</u>
<b>Net changes in fund balance</b>	(258,700)	(258,700)	252,466	511,166
<b>Fund balance at beginning of year</b>	528,660	528,660	528,660	-
<b>Prior period adjustments</b>	<u>-</u>	<u>-</u>	<u>(51,211)</u>	<u>51,211</u>
<b>Fund balance at end of year</b>	<u>\$ 269,960</u>	<u>\$ 269,960</u>	<u>\$ 729,915</u>	<u>\$ 562,377</u>

**CITY OF PAWHUSKA  
SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED CASH BASIS) AND ACTUAL**

**GOVERNMENTAL FUNDS  
Year Ended June 30, 2015  
(Unaudited)  
SPECIAL REVENUE FUNDS**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Intergovernment programs	\$ 31,500	\$ 31,500	\$ 36,522	\$ 5,022
Charges for services	-	-	2	2
Donations	-	-	549	549
Grants	10,000	10,000	11,126	1,126
Interest	2,400	2,400	3,280	880
Sales taxes	90,000	90,000	88,874	(1,126)
<b>Total revenues</b>	<u>133,900</u>	<u>133,900</u>	<u>140,353</u>	<u>6,453</u>
<b>Expenditures:</b>				
General government	5,000	5,000	4,897	103
Highways and roads	35,300	35,300	28,894	6,406
Cultural & recreation	15,300	15,300	14,921	379
Capital outlay	64,000	64,000	32,127	31,873
<b>Total expenditures</b>	<u>119,600</u>	<u>119,600</u>	<u>80,839</u>	<u>38,761</u>
<b>Excess of revenue over (under) expenditures</b>	14,300	14,300	59,514	45,214
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	(75,000)	(75,000)
<b>Net changes in fund balance</b>	14,300	14,300	(15,486)	(29,786)
<b>Fund balance at beginning of year</b>	589,928	589,928	589,928	-
<b>Prior period adjustments</b>	-	-	(6,729)	6,729
<b>Fund balance at end of year</b>	<u>\$ 604,228</u>	<u>\$ 604,228</u>	<u>\$ 567,713</u>	<u>\$ (23,057)</u>

**CITY OF PAWHUSKA  
SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED CASH BASIS) AND ACTUAL**

**GOVERNMENTAL FUNDS  
Year Ended June 30, 2015  
(Unaudited)  
CAPITAL PROJECTS FUND**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Charges for services	\$ 600	\$ 600	\$ 1,700	\$ 1,100
Court fines	1,000	1,000	588	(412)
Grants	500	500	15,484	14,984
Interest	26,200	26,200	20,956	(5,244)
Sales taxes	280,000	280,000	268,297	(11,703)
<b>Total revenues</b>	<u>308,300</u>	<u>308,300</u>	<u>307,025</u>	<u>(1,275)</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Capital outlay	205,000	205,000	183,050	21,950
<b>Total expenditures</b>	<u>205,000</u>	<u>205,000</u>	<u>183,050</u>	<u>21,950</u>
<b>Excess of revenue over (under) expenditures</b>	103,300	103,300	123,975	20,675
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	24,000	24,000	48,000	24,000
<b>Net changes in fund balance</b>	127,300	127,300	171,975	44,675
<b>Fund balance at beginning of year</b>	680,505	680,505	680,505	-
<b>Prior period adjustments</b>	-	-	(21,028)	21,028
<b>Fund balance at end of year</b>	<u>\$ 807,805</u>	<u>\$ 807,805</u>	<u>\$ 831,452</u>	<u>\$ 65,703</u>

**CITY OF PAWHUSKA**  
**Pawhuska, 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 Administrator (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 PAWHUSKA**  
**COMBINING BALANCE SHEET**  
**MODIFIED CASH BASIS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 June 30, 2015

	Street & Alley	Special Revenue							Imprest	INCOG
		Library	Gerald Leding-ton Book	Economic Development	Juvenile Court	Carl & Virginia Short	Municipal Court			
<b>Assets:</b>										
Cash & equivalents	\$ 19,305	\$ 2,962	\$ 24,073	\$ 27,305	\$ 2,223	\$ 13,938	\$ 1,264	\$ 1,645	\$ -	
Investments	100,000	90,445	85,346	50,000	-	150,471	-	-	-	
Restricted cash:										
Cash & investments	-	-	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>\$ 119,305</b>	<b>\$ 93,407</b>	<b>\$ 109,419</b>	<b>\$ 77,305</b>	<b>\$ 2,223</b>	<b>\$ 164,409</b>	<b>\$ 1,264</b>	<b>\$ 1,645</b>	<b>\$ -</b>	
<b>Liabilities:</b>										
Due to others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,264	\$ -	\$ -	
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,264</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fund balances:</b>										
Restricted	119,305	93,407	109,419	77,305	2,223	164,409	-	1,645	-	
<b>Total fund balances</b>	<b>119,305</b>	<b>93,407</b>	<b>109,419</b>	<b>77,305</b>	<b>2,223</b>	<b>164,409</b>	<b>-</b>	<b>1,645</b>	<b>-</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 119,305</b>	<b>\$ 93,407</b>	<b>\$ 109,419</b>	<b>\$ 77,305</b>	<b>\$ 2,223</b>	<b>\$ 164,409</b>	<b>\$ 1,264</b>	<b>\$ 1,645</b>	<b>\$ -</b>	

CITY OF PAWHUSKA  
 COMBINING BALANCE SHEET  
 MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

	Capital Projects							Permanent Funds Cemetery Care	Total Non-Major Governmental Funds
	Capital Improvement	Police Perm Improve	Fire Perm Improve	Louise Snyder Park	Water & Sewer Reserve	Permanent Improvement	Water & Sewer Reserve		
<b>Assets:</b>									
Cash & equivalents	\$ 2,578	\$ 9,459	\$ 25,200	\$ 897	\$ 163,917	\$ 42,323	\$ -	\$ -	\$ 337,089
Investments	100,000	-	-	-	-	150,000	-	-	726,262
Restricted cash:									
Cash & investments	-	-	-	-	-	-	167,383	-	167,383
<b>Total assets</b>	<b>\$ 102,578</b>	<b>\$ 9,459</b>	<b>\$ 25,200</b>	<b>\$ 897</b>	<b>\$ 163,917</b>	<b>\$ 192,323</b>	<b>\$ 167,383</b>	<b>\$ -</b>	<b>\$ 1,230,734</b>
<b>Liabilities:</b>									
Due to others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,264
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,264</b>
<b>Fund balances:</b>									
Restricted	102,578	9,459	25,200	897	163,917	192,323	167,383	167,383	1,229,470
<b>Total fund balances</b>	<b>102,578</b>	<b>9,459</b>	<b>25,200</b>	<b>897</b>	<b>163,917</b>	<b>192,323</b>	<b>167,383</b>	<b>167,383</b>	<b>1,229,470</b>
<b>Total liabilities and fund balances</b>	<b>\$ 102,578</b>	<b>\$ 9,459</b>	<b>\$ 25,200</b>	<b>\$ 897</b>	<b>\$ 163,917</b>	<b>\$ 192,323</b>	<b>\$ 167,383</b>	<b>\$ -</b>	<b>\$ 1,230,734</b>

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

	Street & Alley	Library	Gerald Ledington Book	Special Revenue					Imprest	INCOG
				Economic Development	Juvenile Court	Carl & Virginia Short	Municipal Court			
<b>Revenues:</b>										
Intergovernmental programs	\$ 36,522	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
Charges for services	-	2	-	-	-	-	-	-	-	-
Court fines	-	-	-	-	-	-	-	-	-	-
Donations	-	-	549	-	-	-	-	-	-	-
Grants	-	11,126	-	-	-	-	-	-	-	-
Interest	-	44	1,722	-	-	1,369	-	-	145	-
Sales taxes	-	-	-	88,874	-	-	-	-	-	-
Cemetery revenues	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>\$ 36,522</b>	<b>\$ 11,172</b>	<b>\$ 2,271</b>	<b>\$ 88,874</b>	<b>\$ -</b>	<b>\$ 1,369</b>	<b>\$ -</b>	<b>\$ 145</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenditures:</b>										
General government	\$ -	-	\$ -	2,469	\$ -	\$ -	\$ -	\$ -	-	\$ 2,428
Highways and roads	28,894	-	-	-	-	-	-	-	-	-
Cultural & recreation	-	14,921	-	-	-	-	-	-	-	-
Capital outlay	-	-	4,869	27,258	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 28,894</b>	<b>\$ 14,921</b>	<b>\$ 4,869</b>	<b>\$ 29,727</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,428</b>
<b>Excess of revenues over (under) expenditures</b>	<b>7,628</b>	<b>(3,749)</b>	<b>(2,598)</b>	<b>59,147</b>	<b>-</b>	<b>1,369</b>	<b>-</b>	<b>145</b>	<b>(2,428)</b>	<b>-</b>
<b>Other financing uses:</b>										
Operating transfers in (out)	-	-	-	(75,000)	-	-	-	-	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>7,628</b>	<b>(3,749)</b>	<b>(2,598)</b>	<b>(15,853)</b>	<b>-</b>	<b>1,369</b>	<b>-</b>	<b>145</b>	<b>(2,428)</b>	<b>-</b>
<b>Fund balance-beginning of year</b>	<b>111,677</b>	<b>97,156</b>	<b>112,017</b>	<b>99,887</b>	<b>2,223</b>	<b>163,040</b>	<b>-</b>	<b>1,500</b>	<b>2,428</b>	<b>-</b>
<b>Prior period adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,729)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 119,305</b>	<b>\$ 93,407</b>	<b>\$ 109,419</b>	<b>\$ 77,305</b>	<b>\$ 2,223</b>	<b>\$ 164,409</b>	<b>\$ -</b>	<b>\$ 1,645</b>	<b>\$ -</b>	<b>\$ -</b>

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

	Capital Projects							Permanent Funds Cemetery Care	Total Non-Major Governmental Funds
	Capital Improvement	Police Perm Improve	Fire Perm Improve	Louise Snyder Park	Water & Sewer Reserve	Permanent Improvement	Permanent Funds		
<b>Revenues:</b>									
Intergovernmental programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,522	
Charges for services	-	-	1,700	-	-	-	-	1,702	
Court fines	-	588	-	-	-	-	-	588	
Donations	-	-	-	-	-	-	-	549	
Grants	-	-	15,484	-	-	-	-	26,610	
Interest	19,094	-	-	-	-	-	746	23,120	
Sales taxes	-	-	-	-	-	-	-	88,874	
Cemetery revenues	-	-	-	-	-	-	6,712	6,712	
<b>Total revenues</b>	<b>\$ 19,094</b>	<b>\$ 588</b>	<b>\$ 17,184</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,458</b>	<b>\$ 184,677</b>	
<b>Expenditures:</b>									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,897	
Highways and roads	-	-	-	-	-	-	-	28,894	
Cultural & recreation	-	-	-	-	-	-	-	14,921	
Capital outlay	134,623	-	15,373	-	20,638	10,916	-	213,677	
<b>Total expenditures</b>	<b>134,623</b>	<b>-</b>	<b>15,373</b>	<b>-</b>	<b>20,638</b>	<b>10,916</b>	<b>-</b>	<b>262,389</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>(115,529)</b>	<b>588</b>	<b>1,811</b>	<b>-</b>	<b>(20,638)</b>	<b>(10,916)</b>	<b>7,458</b>	<b>(77,712)</b>	
<b>Other financing uses:</b>									
Operating transfers in (out)	-	-	-	-	24,000	24,000	-	(27,000)	
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(115,529)</b>	<b>588</b>	<b>1,811</b>	<b>-</b>	<b>3,362</b>	<b>13,084</b>	<b>7,458</b>	<b>(104,712)</b>	
Fund balance-beginning of year	218,107	8,871	23,389	897	160,555	179,239	159,925	1,340,911	
Prior period adjustments	-	-	-	-	-	-	-	(6,729)	
<b>Fund balance - end of year</b>	<b>\$ 102,578</b>	<b>\$ 9,459</b>	<b>\$ 25,200</b>	<b>\$ 897</b>	<b>\$ 163,917</b>	<b>\$ 192,323</b>	<b>\$ 167,383</b>	<b>\$ 1,229,470</b>	

**CITY OF PAWHUSKA  
Pawhuska, Oklahoma**

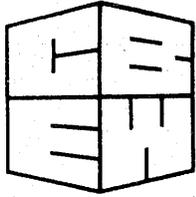
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015**

<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 Expenditures</u>
<b><u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u></b>				
<b><u>Passed through the Oklahoma Department of Libraries:</u></b>				
State Library Program	45.310	<u>11,126</u>	<u>11,126</u>	<u>11,126</u>
<b>Total of Expenditures of Federal Awards</b>		<b>\$ <u>11,126</u></b>	<b>\$ <u>11,126</u></b>	<b>\$ <u>11,126</u></b>

Note A - This schedule was prepared on the modified cash basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF PAWHUSKA**  
**Pawhuska, Oklahoma**

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



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

WALTER H. WEBB, CPA  
JANE FRAZIER, CPA  
CHARLES E. CROOKS, CPA  
TRISHA J. RIEMAN, CPA  
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206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

**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**

October 5, 2015

Honorable Board of City Commissioners  
City of Pawhuska  
Pawhuska, 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 Pawhuska, 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 Pawhuska, Oklahoma's financial statements, and have issued our report thereon dated October 5, 2015. The City's financial statements are presented on a modified cash basis of accounting.

**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.

City of Pawhuska  
October 5, 2015

### **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  
Cushing, Oklahoma

**CITY OF PAWHUSKA  
Pawhuska, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2015**

None.