

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**CITY OF CUSHING**  
**Cushing, Oklahoma**

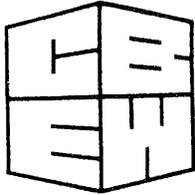
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Cushing, Oklahoma**

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## INDEPENDENT AUDITOR'S REPORT

October 21, 2014

Honorable Board of City Commissioners  
City of Cushing  
Cushing, Oklahoma

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cushing, Oklahoma, (City) as of and for the year ended June 30, 2014, 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 Cushing, Oklahoma, as of June 30, 2014, 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 and budgetary comparison information on pages 3 – 9 and 46 – 48 and the notes on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014, 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



P. O. BOX 311 • CUSHING, OKLAHOMA 74023-0311 • (918) 225-2394

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

As management of the City of Cushing (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

The total net position of the City increased \$4,996,439 this year. Net position of governmental activities increased \$2,920,079 or 7.25% over the fiscal year.

General revenues accounted for \$9,390,678 or 79.50% of total governmental activities revenue. Program specific revenues accounted for \$2,422,218 or 20.50% of total governmental activities revenue.

Governmental activities capital assets, net-decreased \$445,571, included are additions to the airport; construction of the public safety building; 2 police vehicles; air conditioner and heater units for senior citizens center; splash pad; covers for baseball complex; sirens; computers; tractor; fuel pumps; OHI office remodel; ambulance and technical rescue trailer for fire department; ultrasound, phone system and purchase of property for the hospital; and depreciation. Business-type activities capital assets, net-increased \$2,985,223, included are electric improvements, sewer line improvements, computers, bucket truck, water line replacement infiltration system, trucks, Christmas decorations, CEFA school project and depreciation.

The City had \$8,994,391 in expenses related to governmental activities; \$2,422,218 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$6,572,173 were offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of \$9,390,678. An additional transfer from the other funds (primarily the business-type activities) of \$490,655 was needed to offset any additional expenses including capital expenses.

Net position for the business-type activities, which are made up of the Municipal Authority, Educational Facilities Authority and Fountaine Bleu Apartments increased over the fiscal year by \$2,076,360 or 4.63%.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information as well as other supplementary information.

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (fire, ambulance and police), streets, judicial, airport, health and social services, culture, parks and recreation, public improvements and planning and zoning. The business-type activities of the City include public works (electric, water, sewer and refuse) and low-income apartment rentals for the geographical area.

The government-wide financial statements can be found on pages 10–12 of this report.

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories – governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decision. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Hospital Authority funds, all of which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds and Capital Improvement Funds. Budgetary comparison schedules have been provided for the General Fund, Special Revenue Funds and Capital Improvement Funds that adopts a budget to demonstrate compliance with the budget and are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 13–16 of this report.

**Proprietary Funds** – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer and refuse and low-income apartment rental operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management and health and disability programs. Because services accounted for in internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Cushing Municipal Authority and the Cushing Educational Facilities Authority since they are considered to be a major fund of the City. Because Fountain Bleu Apartments is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Government Accounting Standards Board (GASB) Statement No 34. The operations of Fountain Bleu shut down in December of the prior year and the property was sold during the current year.

The basic proprietary fund financial statements can be found on pages 17–20 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 22–44 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparisons and corresponding notes. Required supplementary information can be found on pages 45–48 of this report.

**Other Information** – The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 49–51 of this report.

**Governmental-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cushing, assets exceed liabilities by \$90,144,141 as of June 30, 2014.

A large portion of the City's net position (39.94%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

**City of Cushing's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Current and other assets	\$ 11,536,547	\$ 9,512,113	\$ 47,543,338	\$ 22,234,191	\$ 59,079,885	\$ 31,746,304
Other assets	352,556	352,556	-	-	352,556	352,556
Capital assets	37,200,921	37,646,492	31,061,852	28,076,629	68,262,773	65,723,121
Total assets	<u>49,090,024</u>	<u>47,511,161</u>	<u>78,605,190</u>	<u>50,310,820</u>	<u>127,695,214</u>	<u>97,821,981</u>
Long-term liabilities	1,780,000	2,880,000	30,479,031	5,393,333	32,259,031	8,273,333
Other liabilities	4,108,259	4,349,475	1,183,783	1,051,471	5,292,042	5,400,949
Total liabilities	<u>5,888,259</u>	<u>7,229,475</u>	<u>31,662,814</u>	<u>6,444,804</u>	<u>37,551,073</u>	<u>13,674,282</u>
Net position:						
Invested in capital assets, net of related debt	35,420,921	34,766,492	582,821	22,683,296	36,003,742	57,449,788
Restricted	22,246,726	20,190,270	22,548,362	-	44,795,088	20,190,270
Unrestricted	(14,465,882)	(14,675,076)	23,811,193	22,182,720	9,345,311	7,507,644
Total net position	<u>\$ 43,201,765</u>	<u>\$ 40,281,686</u>	<u>\$ 46,942,376</u>	<u>\$ 44,866,016</u>	<u>\$ 90,144,141</u>	<u>\$ 85,147,702</u>

As of June 30, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for the year ended June 30, 2014 with comparative totals for the year ended June 30, 2013. Governmental activities increased the City of Cushing's net position by \$2,920,079, accounting for 58.44% of the total growth in net position. Business-type activities increased the City's net position by \$2,076,360, accounting for 41.56% of the total growth in net position.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

**City of Cushing's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 2,153,591	\$ 2,411,562	\$ 16,289,524	\$ 15,736,469	\$ 18,443,115	\$ 18,148,031
Operating grants and contributions	114,541	196,390	8,250	-	122,791	196,390
Capital grants and contributions	154,086	3,597	-	-	154,086	3,597
<b>General revenues:</b>						
Sales, use and cigarette taxes	8,246,750	6,877,628	-	-	8,246,750	6,877,628
Hotel/motel taxes	134,799	89,519	-	-	134,799	89,519
Franchise fees	154,714	144,066	-	-	154,714	144,066
Intergovernmental	100,349	95,039	-	-	100,349	95,039
Investment earnings	53,221	55,534	232,010	212,451	285,231	267,985
Miscellaneous	411,768	415,528	542,408	91,362	954,176	506,890
Oil and gas royalty	269,732	289,155	-	-	269,732	289,155
Lease receipts	9,345	8,400	1,500	-	10,845	8,400
Sale of property	10,000	-	(304,931)	95,371	(294,931)	95,371
Workmen's compensation refund	-	56,530	-	-	-	56,530
Change in OPEB liability	(389,081)	-	-	-	(389,081)	-
Late charges	-	-	191,992	187,569	191,992	187,569
<b>Total revenues</b>	<b>11,423,815</b>	<b>10,642,948</b>	<b>16,960,753</b>	<b>16,323,222</b>	<b>28,384,568</b>	<b>26,966,170</b>
<b>Expenses:</b>						
General government	893,413	919,444	-	-	893,413	919,444
Public safety and judiciary	4,071,424	4,028,366	-	-	4,071,424	4,028,366
Transportation	884,942	547,099	-	-	884,942	547,099
Cultural, parks and recreation	1,364,085	1,352,646	-	-	1,364,085	1,352,646
Hospital/economic development	338,115	589,499	-	-	338,115	589,499
Unallocated depreciation	1,442,412	1,354,511	701,306	713,553	2,143,718	2,068,064
Apartment housing	-	-	-	1,750	-	1,750
Utilities	-	-	13,532,049	11,621,228	13,532,049	11,621,228
Financing	-	-	160,383	597,000	160,383	597,000
<b>Total expenses</b>	<b>8,994,391</b>	<b>8,791,565</b>	<b>14,393,738</b>	<b>12,933,531</b>	<b>23,388,129</b>	<b>21,725,096</b>
Increase in net position before transfers	2,429,424	1,851,383	2,567,015	3,389,691	4,996,439	5,241,074
Transfers	490,655	567,500	(490,655)	(567,500)	-	-
Increase in net position	2,920,079	2,418,883	2,076,360	2,822,191	4,996,439	5,241,074
Net position - beginning of year	40,281,686	37,862,803	44,866,016	42,043,825	85,147,702	79,906,628
<b>Net position - end of year</b>	<b>\$ 43,201,765</b>	<b>\$ 40,281,686</b>	<b>\$ 46,942,376</b>	<b>\$ 44,866,016</b>	<b>\$ 90,144,141</b>	<b>\$ 85,147,702</b>

**Financial Analysis of the Government's Funds**

**Governmental funds** – The focus of the City of Cushing's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved net position may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Cushing's governmental funds reported combined ending net position balances of \$24,058,521. Approximately 10.39% of the total amount \$2,580,436 constitutes unreserved net position. The remainder of the net position is reserved to indicate that it is not available for new spending because it has already been committed 1) for hospital reacquisition (\$279,445), 2) for Special Projects (\$3,144,987), 3) for Youth Center (\$51,088), 4) for economic development (\$42,098) and 5) for the Hospital Authority (\$18,729,108).

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

**Proprietary Funds** – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the respective proprietary funds are CMA – \$23,798,924 and apartment rentals – \$12,269.

**Capital Assets**

The City of Cushing's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$68,262,773 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and infrastructure. Major capital asset events during the current fiscal year included the following:

Governmental activities include: additions to the airport; construction of the public safety building; 2 police vehicles; air conditioner and heater units for senior citizens center; splash pad; covers for baseball complex; sirens; computers; tractor; fuel pumps; OHI office remodel; ambulance and technical rescue trailer for fire department; ultrasound, phone system and purchase of property for the hospital.

Business-type activities include: electric improvements, sewer line improvements, computers, bucket truck, water line replacement infiltration system, trucks, Christmas decorations, CEFA school project.

**Capital Assets at Year-end Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Land	\$ 2,937,819	\$ 2,937,819	\$ 768,946	\$ 793,946	\$ 3,706,765	\$ 3,731,765
Construction in process	-	6,487,155	3,310,692	-	3,310,692	6,487,155
Buildings & Improvement	26,574,782	20,526,509	25,591,864	25,853,550	52,166,646	46,380,059
Furniture & Equipment	1,320,284	1,180,022	1,177,360	1,277,664	2,497,644	2,457,686
Vehicles	1,560,991	1,601,334	212,990	151,469	1,773,981	1,752,803
Infrastructure	4,807,045	4,913,653	-	-	4,807,045	4,913,653
Total	<u>\$ 37,200,921</u>	<u>\$ 37,646,492</u>	<u>\$ 31,061,852</u>	<u>\$ 28,076,629</u>	<u>\$ 68,262,773</u>	<u>\$ 65,723,121</u>

Additional information on the City of Cushing's capital assets can be found in note 2 on pages 32–33 of this report.

**Debt Administration**

At the end of the current fiscal year, the City of Cushing had total bonded debt and notes payable of \$6,429,030. Of this amount, \$2,845,000 comprises the bonded debt backed by the full faith and credit of the government, \$3,584,030 represents notes secured solely by CMA revenues.

**Outstanding Debt at Year-end Bonds and Notes Payable**

	Governmental Activities		Business-Type Activities		Total	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenue bonds payable	\$ 1,780,000	\$ 2,880,000	\$ 1,065,000	\$ 1,490,000	\$ 2,845,000	\$ 4,370,000
Notes payable	-	-	3,584,030	3,903,333	3,584,030	3,903,333
Total	<u>\$ 1,780,000</u>	<u>\$ 2,880,000</u>	<u>\$ 4,649,030</u>	<u>\$ 5,393,333</u>	<u>\$ 6,429,030</u>	<u>\$ 8,273,333</u>

Additional information on the City of Cushing's long-term debt can be found in footnote 2 on pages 35-36 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**Economic Factors and Next Year's Budgets and Rates**

In the 2014-15 Budget, General fund revenues and transfers in are budgeted to increase from the 2013-14 budget year with sales taxes making up about 67% of general fund budgeted revenues and transfers in. The City's budgets for all funds have benefited from a strong local economy centered around the expanding oil storage and transportation industry during the past several years, sales tax receipts are expected to remain stable or strong. This revenue source is the most volatile and subject to decline if an economic slowdown happens.

In the 2014-15 Budget, the Municipal Authority is budgeted to operate at a net profit after transfers. This is possible due to recent growth of the economy which allows the Municipal Authority to transfer less funds to the general fund.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact Steve Spears, City Manager, P.O. Box 311, Cushing, OK 74023, or call 918-225-2394.

**CITY OF CUSHING**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 4,476,912	\$ 31,129,402	\$ 35,606,314
Investments, at cost	7,844,619	9,081,584	16,926,203
Receivables (net of allowance for uncollectibles):			
Services	774,406	1,434,878	2,209,284
Unbilled revenues	-	1,110,488	1,110,488
Taxes	1,425,962	-	1,425,962
Interest	1,952	75,658	77,610
Due to/from other funds (Note 2D)	(3,905,637)	3,905,637	-
Notes receivable	150,000	-	150,000
Grants receivable	142,050	-	142,050
Prepaid expenses	-	-	-
Restricted assets:			
Accrued interest receivable on bond funds	363	-	363
Bond fund/cash & investments (Notes 3 & 4)	625,920	805,691	1,431,611
<b>Capital assets:</b>			
Land and work in process	2,937,819	4,079,638	7,017,457
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	34,263,102	26,982,214	61,245,316
<b>Total assets</b>	<b>\$ 48,737,468</b>	<b>\$ 78,605,190</b>	<b>\$ 127,342,658</b>
<b>Deferred outflows of resources:</b>			
Deferred inventory receivable (Note 2)	352,556	-	352,556
<b>Total deferred outflows</b>	<b>352,556</b>	<b>-</b>	<b>352,556</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 315,449	\$ 1,015,530	\$ 1,330,979
Deferred compensation (Note 4)	836,081	-	836,081
Accrued compensated absences payable (Note 1)	254,425	122,570	376,995
Interest payable	72,469	-	72,469
OPEB liability	2,406,277	-	2,406,277
Estimated insurance and unemployment benefits payable	168,744	-	168,744
Payable from restricted assets:			
Interest payable	50,908	45,683	96,591
Appearance bonds	3,906	-	3,906
Notes payable (Note 3)	-	329,316	329,316
Revenue bonds payable (Notes 3 & 4)	1,170,000	430,000	1,600,000
Non-current liabilities:			
Notes payable (Note 3)	-	3,254,715	3,254,715
Revenue bonds payable (Notes 3 & 4)	610,000	26,465,000	27,075,000
<b>Total liabilities</b>	<b>5,888,259</b>	<b>31,662,814</b>	<b>37,551,073</b>
<b>Deferred inflows of resources:</b>			
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position:</b>			
Invested in capital assets, net of related debt	35,420,921	582,821	36,003,742
Restricted	22,246,726	22,548,362	44,795,088
Unrestricted	(14,465,882)	23,811,193	9,345,311
<b>Total net position</b>	<b>\$ 43,201,765</b>	<b>\$ 46,942,376</b>	<b>\$ 90,144,141</b>

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

**CITY OF CUSHING**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
Year Ended June 30, 2014

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	\$ 91,745	\$ -	\$ -	\$ -	\$ (91,745)
City manager	238,358	-	-	-	(238,358)
City treasurer	132,573	-	-	-	(132,573)
General government	430,737	82,801	17,010	-	(330,926)
Total general government	<u>893,413</u>	<u>82,801</u>	<u>17,010</u>	<u>-</u>	<u>(793,602)</u>
Public safety and judiciary:					
City attorney	148,323	-	-	-	(148,323)
Code enforcement	356,860	-	-	-	(356,860)
Fire and ambulance	2,019,707	688,123	11,174	-	(1,320,410)
Municipal court	47,432	111,277	-	-	63,845
Police	1,472,808	534	3,774	-	(1,468,500)
Civil emergency management	26,294	-	10,000	-	(16,294)
Total public safety and judiciary	<u>4,071,424</u>	<u>799,934</u>	<u>24,948</u>	<u>-</u>	<u>(3,246,542)</u>
Transportation:					
Airport	43,255	14,073	-	154,086	124,904
Streets	841,687	-	-	-	(841,687)
Total transportation	<u>884,942</u>	<u>14,073</u>	<u>-</u>	<u>154,086</u>	<u>(716,783)</u>
Cultural, parks and recreation:					
Lake	350	2,944	-	-	2,594
Library/Quadraplex	291,324	2,920	28,358	-	(260,046)
Parks	408,489	-	3,750	-	(404,739)
Senior citizens center	144,261	9	3,013	-	(141,239)
Swimming pool	154,329	112,734	-	-	(41,595)
Youth center	365,332	47,986	-	-	(317,346)
Total cultural, parks and recreation	<u>1,364,085</u>	<u>166,593</u>	<u>35,121</u>	<u>-</u>	<u>(1,162,371)</u>
Hospital/economic development					
Hospital activities	128,389	1,090,190	37,462	-	999,263
Economic development	209,726	-	-	-	(209,726)
Total hospital/economic development	<u>338,115</u>	<u>1,090,190</u>	<u>37,462</u>	<u>-</u>	<u>789,537</u>
Unallocated depreciation*	1,442,412	-	-	-	(1,442,412)
<b>Total governmental activities</b>	<u>8,994,391</u>	<u>2,153,591</u>	<u>114,541</u>	<u>154,086</u>	<u>(6,572,173)</u>
<b>Business-type activities</b>					
CEFA	-	-	-	-	-
Billing & collection	497,913	-	-	-	(497,913)
General operations	171,572	-	8,250	-	(163,322)
General manager	77,884	-	-	-	(77,884)
Electric	10,148,446	11,577,415	-	-	1,428,969
Water	746,323	1,885,510	-	-	1,139,187
Sewer	777,046	1,385,626	-	-	608,580
Sanitation	952,764	1,038,555	-	-	85,791
Financing costs	160,383	-	-	-	(160,383)
Prison	160,101	402,418	-	-	242,317
Unallocated depreciation*	701,306	-	-	-	(701,306)
<b>Total business-type activities</b>	<u>14,393,738</u>	<u>16,289,524</u>	<u>8,250</u>	<u>-</u>	<u>1,904,036</u>
<b>Total</b>	<u>\$ 23,388,129</u>	<u>\$ 18,443,115</u>	<u>\$ 122,791</u>	<u>\$ 154,086</u>	<u>\$ (4,668,137)</u>

\* - This amount does not include the depreciation that is included in the direct expenses of various programs.

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

**CITY OF CUSHING**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
Year Ended June 30, 2014

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(6,572,173)	1,904,036	(4,668,137)
<b>General revenues:</b>			
Taxes:			
Sales, use and cigarette taxes	8,246,750	-	8,246,750
Hotel/motel taxes	134,799	-	134,799
Franchise taxes	154,714	-	154,714
Intergovernmental	100,349	-	100,349
Investment earnings	53,221	232,010	285,231
Miscellaneous	411,768	542,408	954,176
Oil and gas royalty	269,732	-	269,732
Lease receipts	9,345	1,500	10,845
Sale of property	10,000	(304,931)	(294,931)
Late charges	-	191,992	191,992
Workmen's compensation	-	-	-
Change in OPEB liability	(389,081)	-	(389,081)
Transfers	490,655	(490,655)	-
<b>Total general revenues and transfers</b>	<u>9,492,252</u>	<u>172,324</u>	<u>9,664,576</u>
<b>Change in net position</b>	2,920,079	2,076,360	4,996,439
<b>Net position - beginning of year</b>	<u>40,281,686</u>	<u>44,866,016</u>	<u>85,147,702</u>
<b>Net position - end of year</b>	<u>\$ 43,201,765</u>	<u>\$ 46,942,376</u>	<u>\$ 90,144,141</u>

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

**CITY OF CUSHING  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	<u>General Fund</u>	<u>Permanent Fund Hospital Authority</u>	<u>Capital Improvement Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and investments:					
Cash & cash equivalents (Note 3)	\$ 605,652	\$ 1,521,794	\$ 1,299,575	\$ 1,049,891	\$ 4,476,912
Investments, at cost	3,126,157	1,698,000	282,000	2,738,462	7,844,619
Receivables (net of allowance for uncollectibles):					
Accounts receivable	768,473	-	-	5,933	774,406
Taxes	1,425,962	-	-	-	1,425,962
Interest	642	-	574	736	1,952
Due from other funds (Note 2D)	45,806	305,301	240,990	71,981	664,078
Notes receivable	-	-	-	150,000	150,000
Grants receivable	24,025	-	-	118,025	142,050
Prepaid expenses	-	-	-	-	-
Restricted assets:					
Accrued interest receivable on bond funds	-	363	-	-	363
Bond fund/cash & investments (Notes 3 & 4)	-	625,920	-	-	625,920
<b>Capital assets</b>					
Land and construction in progress	-	249,869	-	100,020	349,889
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	-	15,814,818	-	909	15,815,727
<b>Other:</b>					
Deferred inventory receivable (Note 2)	-	352,556	-	-	352,556
<b>Total assets</b>	<u>\$ 5,996,717</u>	<u>\$ 20,568,621</u>	<u>\$ 1,823,139</u>	<u>\$ 4,235,957</u>	<u>\$ 32,624,434</u>
<b>Liabilities:</b>					
Accounts payable	\$ 141,973	\$ -	\$ -	\$ 173,476	\$ 315,449
Due to other funds (Note 3)	618,204	8,605	3,903,591	39,315	4,569,715
Deferred compensation (Note 4)	-	-	-	836,081	836,081
Interest payable	-	-	72,469	-	72,469
Estimated insurance and unemployment benefits payable	168,744	-	-	-	168,744
Payable from restricted assets:					
Interest payable	-	50,908	-	-	50,908
Appearance bonds	3,906	-	-	-	3,906
Revenue bonds payable (Notes 3 & 4)	-	1,780,000	-	-	1,780,000
<b>Total liabilities</b>	<u>932,827</u>	<u>1,839,513</u>	<u>3,976,060</u>	<u>1,048,872</u>	<u>7,797,272</u>
<b>Fund balance:</b>					
<b>Restricted for:</b>					
Economic development	-	-	-	42,098	42,098
Capital projects	-	-	-	-	-
Hospital	279,445	18,729,108	-	-	19,008,553
Youth center	51,088	-	-	-	51,088
Other purposes	-	-	-	3,144,987	3,144,987
<b>Unassigned</b>	<u>4,733,357</u>	<u>-</u>	<u>(2,152,921)</u>	<u>-</u>	<u>2,580,436</u>
<b>Total fund balance</b>	<u>5,063,890</u>	<u>18,729,108</u>	<u>(2,152,921)</u>	<u>3,187,085</u>	<u>24,827,162</u>
<b>Total liabilities and fund equity</b>	<u>\$ 5,996,717</u>	<u>\$ 20,568,621</u>	<u>\$ 1,823,139</u>	<u>\$ 4,235,957</u>	<u>\$ 32,624,434</u>

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

CITY OF CUSHING  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT  
 OF NET POSITION  
 June 30, 2014

**Total Fund Balances - Total Governmental Funds** \$ 24,827,162

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

Accrued compensated absences payable (254,425)

OPEB liability (2,406,277)

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

Land	\$	2,587,930	
Construction in process		-	
Buildings & Improvements		23,780,005	
Furniture & Equipment		6,314,583	
Infrastructure		11,543,912	
Vehicles		4,609,531	
Accumulated Depreciation		<u>(27,800,656)</u>	
Total			<u>21,035,305</u>

**Net position of governmental activities** \$ 43,201,765

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

**CITY OF CUSHING**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	General Fund	Permanent Fund Hospital Authority	Capital Projects Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Charges for services	\$ 868,788	\$ -	\$ -	\$ -	\$ 868,788
Licenses and permits	82,801	-	-	-	82,801
Interest	28,168	12,637	574	11,842	53,221
Franchise fees	154,714	-	-	-	154,714
Hotel/motel taxes	134,799	-	-	-	134,799
Intergovernmental programs	30,225	-	-	188,444	218,669
Fines and forfeits	111,277	-	-	-	111,277
Lease receipts	9,345	1,090,190	-	-	1,099,535
Miscellaneous revenue	342,243	-	-	18,423	360,666
Taxes	8,246,750	-	-	74,598	8,321,348
Oil and gas royalties	269,732	-	-	-	269,732
Reimbursements	51,635	-	-	-	51,635
Workmen's compensation refund	-	-	-	-	-
Sale of property	-	-	-	10,000	10,000
Donations and other	25,497	37,462	-	12,750	75,709
<b>Total revenues</b>	<b>10,355,974</b>	<b>1,140,289</b>	<b>574</b>	<b>316,057</b>	<b>11,812,894</b>
<b>Expenditures:</b>					
Current:					
General government	879,500	-	-	-	879,500
Economic development	-	-	-	58,646	58,646
Public safety	4,044,087	-	9,189	18,149	4,071,425
Highways roads and airport	491,414	-	-	393,529	884,943
Cultural and recreational	1,358,723	-	-	5,362	1,364,085
Administrative	-	10,557	-	-	10,557
Interest expense	-	117,832	151,080	-	268,912
Capital outlay	364,497	107,567	267,248	257,528	996,840
<b>Total expenditures</b>	<b>7,138,221</b>	<b>235,956</b>	<b>427,517</b>	<b>733,214</b>	<b>8,534,908</b>
<b>Excess of revenues over (under) expenditures</b>	<b>3,217,753</b>	<b>904,333</b>	<b>(426,943)</b>	<b>(417,157)</b>	<b>3,277,986</b>
<b>Other financing uses:</b>					
Operating transfers in (out)	(2,483,430)	1,178,589	1,407,269	388,227	490,655
<b>Total other financing uses</b>	<b>(2,483,430)</b>	<b>1,178,589</b>	<b>1,407,269</b>	<b>388,227</b>	<b>490,655</b>
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>734,323</b>	<b>2,082,922</b>	<b>980,326</b>	<b>(28,930)</b>	<b>3,768,641</b>
<b>Fund balance - beginning of year</b>	<b>4,329,567</b>	<b>16,646,186</b>	<b>(3,133,247)</b>	<b>3,216,015</b>	<b>21,058,521</b>
<b>Fund balance - end of year</b>	<b>\$ 5,063,890</b>	<b>\$ 18,729,108</b>	<b>\$ (2,152,921)</b>	<b>\$ 3,187,085</b>	<b>\$ 24,827,162</b>

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

**CITY OF CUSHING**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2014**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,768,641</b>
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Government-Wide Statement of Activities and Changes in Net Position 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.	(13,909)
Government-Wide Statement of Activities and Changes in Net Position report OPEB liabilities in the period incurred. However, Governmental Funds do not pay on this liability. The amount of the change for the OPEB liability recorded in the current period.	(389,081)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, 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.	996,840
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(1,442,412)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>2,920,079</u></b>

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

CITY OF CUSHING  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	CEFA (Major)	Fontaine Bleau (Non-major)	
<b>Assets:</b>				
Cash and investments:				
Cash & cash equivalents (Note 3)	\$ 8,568,773	\$ 22,548,360	\$ 12,269	\$ 31,129,402
Investments, at cost	9,081,584	-	-	9,081,584
Receivables (net of allowance for uncollectibles):				
Accounts receivable	1,434,878	-	-	1,434,878
Unbilled revenues	1,110,488	-	-	1,110,488
Interest	75,656	2	-	75,658
Due from other funds	3,905,637	-	-	3,905,637
Grants receivable	-	-	-	-
Bond fund/cash & investments (Notes 3 & 4)	805,691	-	-	805,691
Prepaid expenses	-	-	-	-
<b>Capital assets:</b>				
Land and work in process	768,946	3,310,692	-	4,079,638
Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 3)	26,982,214	-	-	26,982,214
<b>Total assets</b>	<b>\$ 52,733,867</b>	<b>\$ 25,859,054</b>	<b>\$ 12,269</b>	<b>\$ 78,605,190</b>
<b>Deferred outflows of resources:</b>				
<b>Total deferred outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	\$ 1,015,530	\$ -	\$ -	\$ 1,015,530
Due to other funds	-	-	-	-
Accrued compensated absences payable (Note 1)	122,570	-	-	122,570
Payable from restricted assets:				
Interest payable	45,683	-	-	45,683
Notes payable (Note 3)	329,316	-	-	329,316
Revenue bonds payable (Notes 3 & 4)	430,000	-	-	430,000
Non-current liabilities:				
Notes payable (Note 3)	3,254,715	-	-	3,254,715
Revenue bonds payable (Notes 3 & 4)	635,000	25,830,000	-	26,465,000
<b>Total liabilities</b>	<b>5,832,814</b>	<b>25,830,000</b>	<b>-</b>	<b>31,662,814</b>
<b>Deferred inflows of resources:</b>				
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position:</b>				
Invested in capital assets, net of related debt	23,102,129	(22,519,308)	-	582,821
Restricted	-	22,548,362	-	22,548,362
Unrestricted	23,798,924	-	12,269	23,811,193
<b>Total net position</b>	<b>\$ 46,901,053</b>	<b>\$ 29,054</b>	<b>\$ 12,269</b>	<b>\$ 46,942,376</b>

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

**CITY OF CUSHING**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2014

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Municipal Authority (Major)</b>	<b>CEFA (Major)</b>	<b>Fontaine Bleau (Non-major)</b>	
<b>Revenues:</b>				
Net rental revenue	\$ -	\$ 1,500	\$ -	\$ 1,500
Water revenue	1,885,510	-	-	1,885,510
Sewer revenue	1,385,626	-	-	1,385,626
Garbage revenue	1,038,555	-	-	1,038,555
Electric revenue	11,577,415	-	-	11,577,415
Late charges	191,992	-	-	191,992
Miscellaneous revenue	542,408	-	-	542,408
Grant revenue	-	-	-	-
Telephone & gas revenue	402,418	-	-	402,418
Sale of property and materials	59,425	-	-	59,425
<b>Total revenues</b>	<b>17,083,349</b>	<b>1,500</b>	<b>-</b>	<b>17,084,849</b>
<b>Utility operations expense:</b>				
Billing and collection	497,913	-	-	497,913
General and administrative	171,572	-	-	171,572
General manager	77,884	-	-	77,884
Electric service	10,148,446	-	-	10,148,446
Water service	746,323	-	-	746,323
Sewer service	777,046	-	-	777,046
Garbage service	952,764	-	-	952,764
Gas expense	160,101	-	-	160,101
<b>Total utility operations expense</b>	<b>13,532,049</b>	<b>-</b>	<b>-</b>	<b>13,532,049</b>
<b>Other expense:</b>				
Depreciation expense	701,306	-	-	701,306
<b>Total rental expense</b>	<b>701,306</b>	<b>-</b>	<b>-</b>	<b>701,306</b>
<b>Total operating expenses</b>	<b>14,233,355</b>	<b>-</b>	<b>-</b>	<b>14,233,355</b>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>2,849,994</b>	<b>1,500</b>	<b>-</b>	<b>2,851,494</b>
<b>Non-operating revenues (expenses):</b>				
Interest revenue	230,286	1,724	-	232,010
Interest expense	(137,836)	-	-	(137,836)
Gain / (loss) on sale of asset	-	-	(364,356)	(364,356)
Donations	8,250	-	-	8,250
Loan administration fee	(19,047)	-	-	(19,047)
Trustee fees	(3,500)	-	-	(3,500)
<b>Total</b>	<b>78,153</b>	<b>1,724</b>	<b>(364,356)</b>	<b>(284,479)</b>

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

CITY OF CUSHING  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	CEFA (Major)	Fountain Bleau (Non-major)	
(Continued)				
Income (loss) before operating transfers	2,928,147	3,224	(364,356)	2,567,015
Transfers in (out)	(516,485)	25,830	-	(490,655)
Change in net position	2,411,662	29,054	(364,356)	2,076,360
Net position at beginning of year	44,489,391	-	376,625	44,866,016
Net position at end of year	\$ 46,901,053	\$ 29,054	\$ 12,269	\$ 46,942,376

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

**CITY OF CUSHING**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	CEFA (Major)	Fontaine Bleau (Non-major)	
<b>Cash flows from operating activities:</b>				
Cash received from customers & service users	\$ 17,129,281	\$ 1,500	\$ -	\$ 17,129,281
Cash payments for goods & services & employees	(13,317,521)	-	-	(13,317,521)
Other operating revenues	59,425	-	-	59,425
<b>Net cash provided by operating activities</b>	<u>3,871,185</u>	<u>1,500</u>	<u>-</u>	<u>3,871,185</u>
<b>Cash flows from noncapital financing activities:</b>				
Net change in due to/due from other funds	645,436	-	-	645,436
Operating transfers out to other funds	(4,507,400)	-	-	(4,507,400)
Operating transfers in from other funds	3,990,915	25,830	-	3,990,915
<b>Net cash provided (used) for noncapital financing activities</b>	<u>128,951</u>	<u>25,830</u>	<u>-</u>	<u>128,951</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition & construction of capital assets	(751,793)	(3,310,692)	-	(751,793)
Proceeds from sale of asset	-	-	11,600	11,600
Principal paid on debt	(744,302)	-	-	(744,302)
Interest paid on debt	(148,577)	-	-	(148,577)
Proceeds from new debt	-	25,830,000	-	-
Donations	8,250	-	-	8,250
Loan administration fee	(19,047)	-	-	(19,047)
Trustee fees	(3,500)	-	-	(3,500)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(1,658,969)</u>	<u>22,519,308</u>	<u>11,600</u>	<u>(1,647,369)</u>
<b>Cash flows from investing activities:</b>				
(Purchase) liquidation of investments - unrestricted	(1,050,000)	-	-	(1,050,000)
Interest on investments	235,925	1,722	-	235,925
<b>Net cash provided by investing activities</b>	<u>(814,075)</u>	<u>1,722</u>	<u>-</u>	<u>(814,075)</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	1,527,092	22,548,360	11,600	1,538,692
<b>Cash and cash equivalents - beginning of year</b>	<u>7,847,372</u>	<u>-</u>	<u>669</u>	<u>7,848,041</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 9,374,464</u>	<u>\$ 22,548,360</u>	<u>\$ 12,269</u>	<u>\$ 9,386,733</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 2,849,994	\$ 1,500	\$ -	\$ 2,849,994
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation	701,306	-	-	701,306
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	105,357	-	-	105,357
(Increase) decrease in grants receivable	-	-	-	-
(Increase) decrease in prepaid expenses	71,475	-	-	71,475
Increase (decrease) in accounts payable	128,939	-	-	128,939
Increase (decrease) in accrued expenses	14,114	-	-	14,114
<b>Total adjustments</b>	<u>1,021,191</u>	<u>-</u>	<u>-</u>	<u>1,021,191</u>
<b>Net cash provided by operating activities</b>	<u>\$ 3,871,185</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 3,871,185</u>

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

CITY OF CUSHING  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments at cost	\$ <u>776,509</u>
<b>Total assets</b>	\$ <u><u>776,509</u></u>
<b>Liabilities:</b>	
Deposits	\$ <u>776,509</u>
<b>Total liabilities</b>	\$ <u><u>776,509</u></u>

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

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cushing, 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 Cushing, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the City of Cushing, 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 Cushing Municipal Authority (CMA) was created pursuant to a Trust Indenture dated January 1, 1973, for the benefit of the City of Cushing, Oklahoma. CMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, electrical and hospital facilities for the City of Cushing. The water, sanitary sewer, electricity, and solid waste disposal systems owned by the City have been leased to CMA until such date that all indebtedness of the Authority is retired or provided for. CMA 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. CMA is exempt from State and Federal Income taxes. CMA is reported as an enterprise fund.

The Cushing Hospital Authority (CHA) was created pursuant to a Trust Indenture dated August 1, 1978, for the benefit of the City of Cushing, Oklahoma. CHA was established to plan, finance, establish, develop, construct, enlarge, remodel, improve, make alterations, extend, maintain, equip, operate, lease, furnish and regulate hospitals, extended care facilities, clinics, community mental health centers, geriatrics facilities, and related facilities for the City of Cushing. CHA 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. CHA is exempt from State and Federal Income taxes. CHA is reported as a permanent fund.

The Cushing Industrial Authority (CIA) was created February 15, 1967, for the benefit of the City of Cushing, Oklahoma. CIA was created to promote the development of industry and to provide additional employment in the Cushing, Oklahoma, area. 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. CIA is exempt from State and Federal Income taxes. CIA is reported as a permanent fund.

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

**A. Reporting Entity (Continued)**

Blended Component Units/Trusts (Continued):

The Cushing Educational Facilities Authority (CEFA) was created by Trust Indenture dated September 13, 2013, 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 Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority will issued 2013 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.

Other Component Units/Trusts:

The Cushing Agri-Civic Center Authority was created by Trust Indenture dated December 30, 1974, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to construct, operate and maintain the Agri-Civic Center for the benefit of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The land and building owned by the Agri-Civic Center Authority were transferred to the Cushing School District in 1992 and the remaining funds were subsequently disbursed to local community 501 (c) (3) organizations and to the City of Cushing. There are currently no assets or liabilities of the Cushing Agri-Civic Center Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

The Cushing Home Finance Authority was created by Trust Indenture dated January 21, 1983, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to provide resources for the purpose of promoting the development of decent, safe and sanitary residential housing facilities for families of low to moderate income or lower income tenants residing within the territorial limits of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. In 1983 the Authority issued 1983 Series A-Multifamily Housing Revenue Bonds in the amount of \$2,100,000 for the purpose of providing funds to finance qualified multifamily residential project loans. Final maturity of those bonds was 1993. There are currently no assets or liabilities of the Cushing Home Finance Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

**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.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

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. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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.

**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 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 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.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following are the City's major governmental funds:

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

Cushing Hospital Authority – is a permanent fund that accounts for the revenue and expenditures related to the leasing of the hospital and surrounding properties.

Sale Tax Fund – is a capital project fund that accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

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 and Alley, Airport and Grant Funds.

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 Library/Quadraplex and Special Capital Improvement Fund.

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.

Permanent 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. 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 other permanent fund is composed of the Cushing Industrial Authority.

**Proprietary Funds** – are 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 compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has adopted only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as either enterprise or internal service.

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.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

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

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

The City's major enterprise fund is the Cushing Municipal Authority, which accounts for the operations of providing public works (electric, water, sewer, and refuse) to the City and the Cushing 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 and to thereby provide educational, recreational and cultural facilities. The other enterprise fund of the City that is considered a non-major fund is Fontaine Bleu Apartments, which accounts for low-income apartment rentals for the geographical area.

Internal Service Funds – accounts for operations that provide services to other departments or agencies of the City, or to other governments on a cost-reimbursement basis. The Health Insurance Fund, Workmen's Compensation (for claims incurred prior to 1997), and the Unemployment Fund are self-insurance funds and are accounted for as a part of the City's Internal Service Fund. Amounts needed to fund the estimated liabilities of these self-insurance funds are transferred from the insured fund to the internal service fund periodically during the year. The transfers are reported as expenses in the insured fund and as reimbursements in the Internal Service fund. Operating expenditures are recognized in the internal service fund when expenses and benefits are accrued. All monies and operations of this fund were transferred to the General Fund during the current year.

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 only fiduciary funds are agency funds that are composed of customer deposit funds.

**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 in Bond Fund Reserve Accounts, Bond Fund Principal Accounts, Bond Fund Interest Accounts, Construction Accounts, and Sales Tax Revenue 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.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

**3. 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.

**4. 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.

**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" (i.e., the current portion of inter-fund loans) or "advances to/from other funds (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

**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.

**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 \$4,000 for the governmental and proprietary funds.

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

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

**7. Capital Assets (Continued)**

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.

The financial statements of the Cushing Hospital Authority include property and equipment owned by the City of Cushing and leased to the Cushing Hospital Authority. Depreciation was charged in prior years when the fund was accounted for as an enterprise fund. The fund was reclassified as a permanent fund when it was sub-leased in 1995 (See Note 4), thus no depreciation has been recognized since 1995.

The fixed assets of the Fontaine Bleu Apartments were previously stated at cost for any additions and at appraised value at the date of original acquisition of the property from HUD. All of the assets of Fontaine Bleu were sold during the year.

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	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	20 - 100 years	20 - 100 years

**8. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, after six consecutive months of service, employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 72 days but employees are not compensated for unused sick leave upon termination. At the option of the employee, compensatory time off may be taken in lieu of cash payment for overtime worked. Amounts may be accumulated to a maximum of 240 hours (480 hours for certain emergency response activities or seasonal activities). The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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 position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when limitations on their 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).

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.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance (Continued)

**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, 2014, the City held deposits of approximately \$54,740,637 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.

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

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

- 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, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 37,814,434	\$ 37,814,434
Certificate of deposit	12.00	N/A	16,926,203	16,926,203
Total investments			<u>\$ 54,740,637</u>	<u>\$ 54,740,637</u>

Reconciliation to Statement of Net Position	
Governmental activities	\$ 12,947,451
Business-type activities	41,016,677
Fiduciary activities	776,509
	<u>\$ 54,740,637</u>

*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: 31% in Certificates of deposit (\$16,926,203) and 69% in Money Market funds (\$37,814,434).

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

**B. Uncollectible Accounts**

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

	General Fund	Cushing Municipal Authority
Ambulance	\$ 205,461	\$ -
Other misc.	314,388	-
Fines	29,132	-
Water	-	6,063
Refuse	-	2,431
Sewer	-	4,912
Electric	-	62,683
Late fees	-	3,685
Sales tax	-	927
Refuse tax	-	1
Total	<u>\$ 548,981</u>	<u>\$ 80,702</u>

**C. Capital Assets**

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

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 2,937,819	\$ -	\$ -	\$ 2,937,819
Construction in process	6,487,155	-	6,487,155	-
Total non-depreciable assets	<u>9,424,974</u>	<u>-</u>	<u>6,487,155</u>	<u>2,937,819</u>
Depreciable assets:				
Buildings and improvements	34,132,740	6,672,834	-	40,805,574
Furniture, fixtures and equipment	11,621,434	310,984	-	11,932,418
Vehicles	4,376,045	247,934	-	4,623,979
Infrastructure	11,291,669	252,244	-	11,543,913
Total depreciable assets	<u>61,421,888</u>	<u>7,483,996</u>	<u>-</u>	<u>68,905,884</u>
Less accumulated depreciation:				
Buildings and improvements	(13,606,231)	(624,561)	-	(14,230,792)
Furniture, fixtures and equipment	(10,441,412)	(170,722)	-	(10,612,134)
Vehicles	(2,774,711)	(288,277)	-	(3,062,988)
Infrastructure	(6,378,016)	(358,852)	-	(6,736,868)
Total accumulated depreciation	<u>(33,200,370)</u>	<u>(1,442,412)</u>	<u>-</u>	<u>(34,642,782)</u>
Net depreciable assets	<u>28,221,518</u>	<u>6,041,584</u>	<u>-</u>	<u>34,263,102</u>
Net governmental activities capital assets	<u>\$ 37,646,492</u>	<u>\$ 6,041,584</u>	<u>\$ 6,487,155</u>	<u>\$ 37,200,921</u>

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

**C. Capital Assets (Continued)**

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 793,946	\$ -	\$ 25,000	\$ 768,946
CEFA - WIP	-	3,310,692	-	3,310,692
Total non-depreciable assets	<u>793,946</u>	<u>3,310,692</u>	<u>25,000</u>	<u>4,079,638</u>
Depreciable assets:				
Buildings and improvements	47,034,031	599,532	776,301	46,857,262
Furniture, fixtures and equipment	3,056,155	48,803	62,327	3,042,631
Vehicles	767,477	103,457	-	870,934
Total depreciable assets	<u>50,857,663</u>	<u>751,792</u>	<u>838,628</u>	<u>50,770,827</u>
				54,850,465
Less accumulated depreciation:				
Buildings and improvements	(21,180,481)	(511,643)	(426,726)	(21,265,398)
Furniture, fixtures and equipment	(1,778,491)	(147,726)	(60,946)	(1,865,271)
Vehicles	(616,008)	(41,936)	-	(657,944)
Total accumulated depreciation	<u>(23,574,980)</u>	<u>(701,305)</u>	<u>(487,672)</u>	<u>(23,788,613)</u>
Net depreciable assets	<u>27,282,683</u>	<u>50,487</u>	<u>350,956</u>	<u>26,982,214</u>
Net business-type activities capital assets	<u>\$ 28,076,629</u>	<u>\$ 3,361,179</u>	<u>\$ 375,956</u>	<u>\$ 31,061,852</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

**D. Deferred Inventory Receivable**

According to the lease agreement, Hospital inventories of supplies, drugs and other consumables are reflected as a deferred inventory receivable that the lessee has agreed to maintain for duration of the lease.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**E. 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:

	Due From	Due To
General Fund:		
Cushing Hospital Authority	\$ -	\$ 305,301
Library/Quadrplex	39,246	60,248
Cushing Industrial Authority	-	11,664
Sales Tax Fund	6,560	240,990
Sinking Fund:		
Library/Quadrplex	-	69
Capital Improvement Funds:		
Library/Quadrplex:		
General Fund	60,248	-
Sinking Fund	69	-
Sales Tax Fund:		
General Fund	240,990	6,560
Cushing Municipal Authority	-	3,897,031
Enterprise Funds:		
Cushing Municipal Authority:		
General Fund	-	39,246
Sales Tax Fund	3,897,031	-
Cushing Hospital Authority	8,605	-
Permanent Funds:		
Cushing Hospital Authority:		
General Fund	305,301	-
Cushing Municipal Authority	-	8,605
Cushing Industrial Authority:		
General Fund	11,664	-
Total all funds	\$ 4,569,714	\$ 4,569,714

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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

**F. Leases**

Pursuant to an election held on the 6th day of June, 1978, the City of Cushing leased its existing and thereafter acquired water, sanitary sewer, electric and solid waste disposal systems to the Cushing Municipal Authority for a term of fifty (50) years or to such date as all indebtedness incurred by the Authority has been paid pursuant to a lease agreement dated August 1, 1978. In accordance with the Lease Agreement and Operation and Maintenance Contract, the City will operate the systems on a cost reimbursement basis. Any funds remaining with the Authority after all operating expenses and debt service requirements have been satisfied can be transferred to the City General Fund and used for any lawful purpose, at the discretion of the Authority. Gross Revenues generated and lease payments made to the City from these systems are as follows:

	Solid Waste Disposal System	Water System	Sewer System	Electric System
Gross revenues	\$ 1,038,555	\$ 1,885,510	\$ 1,385,626	\$ 11,577,415
Operating expenses	<u>952,764</u>	<u>746,323</u>	<u>777,046</u>	<u>8,363,253</u>
Net	85,791	1,139,187	608,580	3,214,162
Debt service requirements	-	-	(438,539)	(463,513)
Transfer to general fund	-	-	-	-
Net fund retained	<u>\$ 85,791</u>	<u>\$ 1,139,187</u>	<u>\$ 170,041</u>	<u>\$ 2,750,649</u>

**G. Long-term Debt**

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:

	Date of Last Maturity	Original Amount	Balance Outstanding 7/1/13	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/14	Current Portion
Cushing Municipal Authority:							
OWRB - SRF (interest @ 2.63%)	09/15/23	\$ 6,500,000	\$ 3,834,062	\$ -	\$ (313,053)	\$ 3,521,009	\$ 323,066
Sewer System - CDBG (interest @ 0%)	08/01/24	125,000	69,271	-	(6,250)	63,021	6,250
Utility system - 2003 (interest @ 3.5%)	07/01/16	5,715,000	1,490,000	-	(425,000)	1,065,000	430,000
Cushing Education Facilities Authority (Non-commitment debt):							
Tax-exempt bond (interest @ 3-5%)	09/30/13	\$ 25,830,000	\$ 25,830,000	\$ -	\$ -	\$ 25,830,000	\$ -
Cushing Hospital Authority:							
Sales tax - 2004 (interest @ 5.72%)	07/01/15	9,950,000	2,880,000	-	(1,100,000)	1,780,000	1,170,000
Total		<u>\$ 48,120,000</u>	<u>\$ 34,103,333</u>	<u>\$ -</u>	<u>\$ (1,844,303)</u>	<u>\$ 32,259,030</u>	<u>\$ 1,929,316</u>

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

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

Year Ending June 30,	CMA Debt	CHA Debt	CEFA Debt	Total
2015	\$ 902,052	\$ 1,255,371	\$ 974,795	\$ 3,132,218
2016	882,002	627,446	1,060,200	2,569,648
2017	652,214	-	7,220,200	7,872,414
2018	438,539	-	875,400	1,313,939
2019	438,539	-	6,835,400	7,273,939
2020-2024	1,544,261	-	15,705,000	17,249,261
2024-2025	522	-	-	522
Total principal & interest	4,858,129	1,882,817	32,670,995	39,411,941
Less interest	209,099	102,817	6,840,995	7,152,911
Total Liability	\$ 4,649,030	\$ 1,780,000	\$ 25,830,000	\$ 32,259,030

Principal, redemption premium, and interest on CMA debt are payable from the gross revenues of the water, sanitary sewer, electric, and solid waste disposal systems, and from other funds established by the bond indentures. CHA debt is payable from pledged sales tax revenues and other available sources. Library/Quadraplex debt is payable from pledged sales tax revenues and other available sources. Detail information on long-term debt is reflected in Note 4.

**3. AUTHORITIES**

**A. Cushing Municipal Authority (A Blended Component Unit)**

**UTILITY OPERATIONS:**

The operations of the utility departments of the City (electric, water, sewer and refuse) were transferred to the Cushing Municipal Authority effective July 1, 1994. The Municipal Authority provides utility services for its customers including the City of Cushing and its related departments. Utility charges for infrastructure (street lights, etc.) and general activities of the City of Cushing (City Hall, Senior Citizens, Youth Center, Library, maintenance departments, etc.) are metered but not billed or reflected as revenue. Likewise, the various departments of the City benefiting from these services are not charged for the services. This factor for gratis services has been incorporated in the current rate structure charged by the Authority. Since the Municipal Authority is structured like a private enterprise, the effect of this policy is to understate the gross revenues of the Municipal Authority and to understate the operating expenses of the various using departments of the City. The intent is for the Municipal Authority to provide cost free services to the City of Cushing.

**RESTRICTED FUNDS:**

Under the terms and provisions of the Bond Indenture, special accounts and reserve funds of the Authority 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 creditors of the Authority. 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.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**3. AUTHORITIES (Continued)**

**A. Cushing Municipal Authority (A Blended Component Unit) (Continued)**

REVENUE BONDS:

On May 21, 2003, the Authority issued its \$5,715,000 Cushing Municipal Authority Utility Systems Revenue Bonds, Series 2003. Proceeds from this bond issue were used to defease the previous Utility System Revenue Bonds, Series 1993 and gain a more favorable interest rate. Interest on the bond is payable semi-annually on July 1 and January 1 of each fiscal year until the bond is paid. Bond redemption began July 1, 2004, with final maturity on July 1, 2016. The gross revenues of the CMA have been pledged to secure the bonds.

NOTES PAYABLE:

On April 24, 2002, the CMA issued a note payable in the amount of \$6,500,000 to the Oklahoma Water Resources Board. The proceeds of the note were used to complete the wastewater treatment plant. Interest only payments are due on the note at a rate of 2.63% on March 15 and September 15, until March 15, 2004 at which time principal and interest payments are due on March 15 and September 15 of each year for a period of 20 years. The gross utility revenues of the CMA have been pledged to secure the note.

On April 22, 2004, the CMA, through the Cushing Industrial Authority, issued a Community Development Block Grant note payable in the amount of \$125,000 to the Oklahoma Department of Commerce, Office of Community Development. The proceeds of the note were used for sewer lines and manhole construction. The note is to be paid in 240 monthly installments of \$521 beginning September 1, 2004 with final maturity on August 1, 2024. The note is non-interest bearing. The gross utility revenues of the CMA have been pledge to secure the note.

**B. Cushing Hospital Authority (A Permanent Fund)**

The City of Cushing owns the Hospital facility, including buildings and equipment. On August 1, 1978, it was leased to the Cushing Hospital Authority for a term of thirty years, or until such time that all indebtedness of the Authority was either paid or provision for payment was made.

SUB-LEASE AGREEMENT:

Effective September 1, 2004, AHS Cushing Hospital, LLC ("CRH") a Delaware limited liability company and wholly owned subsidiary of Ardent Health Services, Inc. ("AHS") (a for profit corporation) subleased the campus, the hospital, the name, the additional premises, and the equipment of Cushing Hospital Authority, d.b.a. Cushing Regional Hospital from the Cushing Hospital Authority, Cushing Municipal Authority, and the City of Cushing. The sub-lease agreement provides that operating assets (cash, investments, receivables, inventories and prepaid expenses) and operating liabilities (accounts payable and operating loans, excluding bonded debt) were assumed by CRH. The initial term of the sublease is for ten years with an option of extending the lease for an additional ten years. CRH will pay rent in the amount of \$637,519 per year during the term of the sub-lease. If the sub-lease is not extended for an additional 10 years, and if there has been no default caused by CHA, CMA or the City of Cushing, CRH will pay to CHA the amount of all remaining scheduled payments of principal and interest due with respect to the bonds secured by the indenture. It is the intent of this agreement that the remaining bonds in the amount of \$8,915,000 will be paid from the rent proceeds. The purpose of the sublease agreement is to enable CRH to execute and perform necessary activities to maintain and operate the Hospital for the mutual benefit of CRH, AHS, CHA, CMA, the City of Cushing and the surrounding community. At the end of the lease, all inventories of supplies, drugs and other consumables are returned to the Hospital Authority.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**3. AUTHORITIES (Continued)**

**B. Cushing Hospital Authority (A Permanent Fund) (Continued)**

**SPECIAL TRUST FUNDS:**

Under the terms and provisions of the Bond Indentures, special trust funds of the Authority have been created with the Trustee bank for the benefit of the holders of the Bonds and are not subject to lien or attachment by any creditors of the Authority. Such funds will be maintained so long as any bonds issued under any indenture are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates the monies in said funds will be required for the purposes intended by the trust indenture. Sales tax collections transferred from the City of Cushing in excess of amounts required for debt service may be used for operations.

**REVENUE BONDS:**

On September 1, 2004, the Cushing Hospital Authority issued its \$9,950,000 Sales Tax Revenue Bonds, Series 2004. Proceeds from this bond issue were used to defease the previous Cushing Hospital Authority Sales Tax Revenue Bonds, Refunding Series 2003 and to pay off the Medical Office Building note with the Bank of Cushing. The City of Cushing has pledged Sales Tax Revenue to the Cushing Hospital Authority pursuant to a loan agreement and all of the lease payments from CRH will be used to finance the bond.

**C. Cushing Industrial Authority (A Permanent Fund)**

The primary purpose of the Authority is to promote the development of industry within and without the territorial limits of the City of Cushing and to provide additional employment, which will benefit and strengthen the economy of the City of Cushing and the State of Oklahoma.

The Authority was created to provided local industry with resources for construction and renovation of plant facilities, equipment acquisitions and working capital. Funds were provided as either direct loans to the industry or through leases with favorable purchase options extended. There are no leases or notes that remain outstanding at year-end.

The Authority entered into a contract (CEDC Contract) with the City effective July 1, 1996, which has been renewed annually, to provide a program to enhance the industrial and economic strength, development and growth of the City. The contract provides for the City to appropriate a sum annually, to be paid to the Authority in twelve (12) equal monthly installments. The contract provides that any such sum not expended during the fiscal year be retained by the Authority and budgeted for economic development for the following year. The Authority created an advisory committee known as the Cushing Economic Development Council (CEDC) composed of five members to assist the Authority in accomplishing its purpose. The powers, duties and responsibilities of the CEDC members are advisory in nature. The contract was not renewed for the current year but plan to renew it when a new economic director is hired.

The following is a summary of the current year transactions represented by the CEDC Contract:

Contract contributions from the City	\$ -
Economic Development Expenditures	<u>(23,645)</u>
Excess revenues over (under) expenditures	(23,645)
Interest allocation	153
Carry-over funds from prior year	<u>65,590</u>
Designated fund balance for economic development	<u><u>\$ 42,098</u></u>

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**3. AUTHORITIES (Continued)**

**D. Cushing Educational Facilities Authority (An Enterprise Fund)**

The Cushing Educational Facilities Authority (CEFA) was created by Trust Indenture dated September 13, 2013, 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 Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority will issued 2013 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.

*Non-Commitment Debt:*

This debt is considered non-commitment (conduit) debt to the City and Authority since the debt payments are made solely from direct financing lease payments. Payments are made by the Cushing Public Schools to trustee banks that pay the bondholders. In the event of default by the Schools, the City or Authority has no obligation, legally and in substance, to make any payments on the debt since the lease receivable, financing agreements and mortgages on the property with the School are the security for the debt.

The Cushing Educational Facilities Authority (CEFA) issued \$25,830,000 of the Educational Facilities Lease Revenue Bonds on September 30, 2013, for the benefit of the Cushing Public Schools. The property, upon which the Project is located, together with improvements, is leased by the School District to the Authority and then subsequently subleased by the Authority back to the District. The bonds are secured by an assignment of the lease revenues and the property leased and subleased. Debt service on the bonds is payable solely from the lease revenues described above. The bond is reported as a liability within the financial statements.

Outstanding balance at June 30, 2014 is \$25,830,000

**E. Fontaine Bleu Apartments (An Enterprise Fund)**

On September 17, 1991, the Secretary of Housing and Urban Development sold, assigned, and transferred unto the City of Cushing, all right, title, and interest in the Fontaine Bleu Apartments in exchange for \$1.00 and other valuable consideration. The apartment complex consists of 50 units operated under Section 8 of the National Housing Act. HUD regulates such projects as to rent charges and operating methods. The terms of the contract require that a minimum of \$5,000 of the income from the project be set aside each year as a reserve fund until closed. It was closed in the prior year and no amount is set aside at year-end.

The City of Cushing also entered into a housing assistance payments contract with the U.S. Department of Housing and Urban Development on September 17, 1991. The purpose of this contract is to provide housing assistance payments on behalf of eligible families leasing decent, safe and sanitary housing units from the City. The City is responsible for non-discriminatory marketing activities, management and maintenance functions, submission of relevant and reliable financial and operating statements, submission of accurate requests for Housing Assistance Payments, maintaining a replacement reserve, selection/re-examination of tenants with HUD approval, and determining the family's contribution toward rent. HUD released this property last year and it was closed during the prior year. The property was sold in the current year.

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**4. 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 has provides for the General Fund and Cushing Municipal Authority to account for and finance its uninsured risks of loss. Under this program, these funds provides coverage for combined employee health claims up to a maximum of \$2,084,715, based on plan participants at the beginning of the contract period, July 1, 2013. The City purchases commercial insurance for health claims in excess of the coverage provided by the funds and for other risks of loss. Settled claims did not exceed the commercial coverage during the year. The City is liable for all sustained unemployment claims.

The General Fund and the Cushing Municipal Authority participate in this program and make payments based on management's estimates of the amounts needed to pay premiums and for prior and current year claims. The City does not maintain a reserve for catastrophe losses. Those are budgeted within the each fund. The claims liability of \$158,744 reported in the General Fund at June 30, 2014, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal year 2014 were as follows:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance of Fiscal Year End
\$ <u>127,029</u>	\$ <u>1,570,955</u>	\$ <u>1,539,240</u>	\$ <u>158,744</u>

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 any and 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. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City expensed these fees when paid. 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. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**B. Concentrations of Risk**

The City operates its own electrical power plant and provides electrical power to the City. The electric utility industry in general has become, and is expected to be, increasingly competitive due to regulatory changes and market developments. Competition among suppliers for sales of electric energy is expected to have a profound effect on the electric utility industry.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**4. OTHER INFORMATION (Continued)**

**B. Concentrations of Risk (Continued)**

Historically, electric utilities have operated in a highly regulated environment, which has provided them some protection against competition in their service area. In a deregulated market, it is anticipated that customers in a particular service area will be permitted to choose among competing electric suppliers, which could result in some risk of loss of revenues for the City. In April 1997, the Governor of the State of Oklahoma signed the *Electric Restructuring Act of 1997*, which calls for the deregulation of the State's electric utility industry and permits electricity customers to choose their power supplier by the year 2002. Although the City and other "public power" utilities are specifically excluded from the mandates of this act, additional legislation has been introduced which could have an impact on the City. Additionally, bills have been introduced in the United States Congress providing for a Federal mandate of retail choice as well as legislation and tax regulations relating to public bond issues. Management is currently unable to predict whether any of these bills will become law or the effect passage would have on the City.

Management is developing a plan to position the City to compete effectively in the changing competitive environment. While the City is taking this and other actions to prepare for a deregulated market, management cannot predict what effects increased competition will have on the operations and financial condition of the City.

**C. 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.

Internal Revenue Code Section 148 requires calculation of an arbitrage rebate within 60 days following each five-year period from inception of each bond issue. Arbitrage is present whenever investment income is in excess of yield of the bond issue. The City has complied with this provision and has determined that no arbitrage rebate is due at this time.

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.

**D. Deferred Compensation Plan**

The Cushing Municipal Authority (CMA) and the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all CMA and City employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination of employment, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the CMA's and City's management that CMA and City have no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**4. OTHER INFORMATION (Continued)**

**E. Other Post-Employment Benefits**

*Plan Description:* City provides post-retirement 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 relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. 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-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2014, approximately 15 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 2014, the City contributed \$1,539,240 to the plan. Plan members receiving benefits contributed \$72,900, or approximately 100 percent of the total premiums, through their required contribution of \$350.00 per month for retiree-only coverage and \$450.00 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 (\$209,256) + Amortization Amount (\$141,364) = Total Contribution (\$350,620).  
OPEB obligation for retired employees as determined by Actuarial is \$87,576 and for active employees is \$2,318,072 with a total obligation of \$2,406,278.

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 CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**4. OTHER INFORMATION (Continued)**

**E. 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	\$ 2,406,278	\$ 2,406,278	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, 2014, was thirty years.

**F. Employee Retirement System and Plan**

**1. Defined benefit pension plan**

Description of Plan

The City's defined benefit pension plan, Employee Retirement System of Cushing, Oklahoma (ERSCO), provides retirement and disability benefits and death benefits to plan members and beneficiaries. All employees are covered except police, firefighters, and other employees covered under a state system. Effective July 1, 1998, normal retirement for covered employees was reduced from age 65 to age 60. Elected members of the City Council shall not be considered employees solely by reason of their holding such office. Employees hired after their 60<sup>th</sup> birthday are excluded from plan membership. ERSCO is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer pension plan. OMRF 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 System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

Funding Policy

The required contribution rate for the 2013-2014 plan year was 20.77% of each participant's payroll. The members are not required nor permitted to contribute to the plan. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

**CITY OF CUSHING**  
Cushing, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**4. OTHER INFORMATION (Continued)**

**F. Employee Retirement System and Plan (Continued)**

**1. Defined benefit pension plan (Continued)**

Annual Pension Cost

The City's annual pension cost of \$712,392 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation. As of January 1, 2014, the unfunded actuarial liabilities of \$4,807,950 and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2014 was 20 years.

The contribution from the City for this plan was \$682,695, \$700,427 and \$712,392 for 2012, 2013 and 2014, respectively.

Schedule of Funding Progress

<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>
1/1/2005	\$ 9,078,616	Actuarial	\$ 11,380,662	\$ 2,302,046	79.8%
1/1/2006	9,671,123	Actuarial	11,914,114	2,242,991	81.2%
1/1/2007	10,474,041	Actuarial	12,683,230	2,209,189	82.6%
1/1/2008	11,198,841	Actuarial	13,787,997	2,589,156	81.2%
1/1/2009	10,512,108	Actuarial	14,410,870	3,898,762	72.9%
1/1/2010	10,786,049	Actuarial	15,179,139	4,393,090	71.1%
1/1/2011	11,393,943	Actuarial	15,826,966	4,433,023	72.0%
1/1/2012	11,914,036	Actuarial	16,745,542	4,831,506	71.1%
1/1/2013	12,588,241	Actuarial	17,544,476	4,956,235	71.8%
1/1/2014	13,407,324	Actuarial	18,215,274	4,807,950	73.6%

\* Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**4. OTHER INFORMATION (Continued)**

**F. Employee Retirement System and Plan (Continued)**

**1. Defined benefit pension plan (Continued)**

Police and Fire Department Plan

All City fire and 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 Firefighters Pension and Retirement System (OFPRS) and the Oklahoma Police Pension and Retirement System (OPPRS). Under these plans, fire and police department personnel contribute 8% of base salary and the City contributes an additional 13.0%. The OFPRS and 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 Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461; and 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.

The required contribution from the City for these plans was \$197,559, \$203,898 and \$214,538 for 2012, 2013 and 2014, respectively. The required contribution was fully contributed. At June 30, 2014 the system held no related-party investments of the City or of its related entities.

**5. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2014**

CITY OF CUSHING  
REQUIRED SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014  
(Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Charges for services	\$ 799,000	\$ 931,750	\$ 868,788	\$ (62,962)
Licenses & permits	88,450	66,385	82,801	16,416
Interest	30,100	39,400	28,168	(11,232)
Franchise fees	150,000	150,000	154,714	4,714
Fines & forfeits	60,000	80,000	111,277	31,277
Lease receipts	9,345	9,345	9,345	-
Taxes	6,595,000	8,185,000	8,246,750	61,750
Hotel/motel taxes	74,000	157,000	134,799	(22,201)
Intergovernment programs	5,000	30,000	30,225	225
Oil and gas royalties	200,000	300,000	269,732	(30,268)
Reimbursements	35,000	55,000	51,635	(3,365)
Donations and other	2,800	25,500	25,497	(3)
Workmen's compensation refund	-	-	-	-
Miscellaneous	323,575	280,734	342,243	61,509
<b>Total revenues</b>	<u>8,372,270</u>	<u>10,310,114</u>	<u>10,355,974</u>	<u>45,860</u>
<b>Expenditures:</b>				
Current:				
General government	987,042	961,272	879,500	81,772
Public safety	4,436,929	4,460,003	4,044,087	415,916
Highways, roads, & airport	518,902	520,652	491,414	29,238
Cultural & recreational	1,463,507	1,466,887	1,358,723	108,164
Administrative	-	5,670	-	5,670
Capital outlay	443,466	368,409	364,497	3,912
<b>Total expenditures</b>	<u>7,849,846</u>	<u>7,782,893</u>	<u>7,138,221</u>	<u>644,672</u>
<b>Excess of revenue over (under) expenditures</b>	522,424	2,527,221	3,217,753	690,532
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	(1,942,745)	(2,502,745)	(2,483,430)	19,315
<b>Total other financing sources</b>	<u>(1,942,745)</u>	<u>(2,502,745)</u>	<u>(2,483,430)</u>	<u>19,315</u>
<b>Net changes in fund balance</b>	(1,420,321)	24,476	734,323	709,847
<b>Fund balance at beginning of year</b>	<u>4,329,567</u>	<u>4,329,567</u>	<u>4,329,567</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 2,909,246</u>	<u>\$ 4,354,043</u>	<u>\$ 5,063,890</u>	<u>\$ 709,847</u>

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

CITY OF CUSHING  
 REQUIRED SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2014  
 (Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest	-	-	97	97
Taxes	266,900	70,500	74,598	4,098
Intergovernment programs	216,000	184,358	188,444	4,086
Donations and other	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>482,900</u>	<u>254,858</u>	<u>263,139</u>	<u>8,281</u>
<b>Expenditures:</b>				
Current:				
Economic development	-	-	-	-
Public safety	-	14,830	18,149	(3,319)
Highways, roads, & airport	490,000	405,000	393,529	11,471
Cultural & recreational	-	4,266	4,265	1
Capital outlay	240,000	168,669	164,609	4,060
<b>Total expenditures</b>	<u>730,000</u>	<u>592,765</u>	<u>580,552</u>	<u>12,213</u>
<b>Excess of revenue over (under) expenditures</b>	(247,100)	(337,907)	(317,413)	20,494
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	190,900	190,900	-
<b>Net changes in fund balance</b>	(247,100)	(147,007)	(126,513)	20,494
<b>Fund balance at beginning of year</b>	<u>613,037</u>	<u>613,037</u>	<u>613,037</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 365,937</u>	<u>\$ 466,030</u>	<u>\$ 486,524</u>	<u>\$ 20,494</u>

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

CITY OF CUSHING  
 REQUIRED SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2014  
 (Unaudited)  
 CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Interest	\$ -	\$ 4,000	\$ 3,591	\$ (409)
Intergovernment programs	-	-	-	-
Donations and other	19,345	12,750	12,750	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>19,345</u>	<u>16,750</u>	<u>16,341</u>	<u>(409)</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Public safety	21,704	40,000	9,189	30,811
Cultural & recreational	-	1,500	1,097	403
Interest expense	-	160,000	151,080	8,920
Capital outlay	1,900,168	931,000	360,167	570,833
<b>Total expenditures</b>	<u>1,921,872</u>	<u>1,132,500</u>	<u>521,533</u>	<u>610,967</u>
<b>Excess of revenue over (under) expenditures</b>	(1,902,527)	(1,115,750)	(505,192)	610,558
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	1,186,000	1,477,000	1,477,269	269
<b>Net changes in fund balance</b>	(716,527)	361,250	972,077	610,827
<b>Fund balance at beginning of year</b>	<u>(2,333,184)</u>	<u>(2,333,184)</u>	<u>(2,333,184)</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ (3,049,711)</u>	<u>\$ (1,971,934)</u>	<u>\$ (1,361,107)</u>	<u>\$ 610,827</u>

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

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**Year Ended June 30, 2014**  
**(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 which includes general government; public safety; highways, roads & airport; cultural & recreational; and administrative; and included within each department it is divided by 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 CUSHING**  
**Cushing, Oklahoma**

**OTHER INFORMATION**  
**June 30, 2014**

CITY OF CUSHING  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2014

	Special Revenue		Debt Service	Capital Projects			Permanent Funds		Total Non-Major Governmental Funds
	Street & Alley Fund	Airport		Grant	Sinking Fund	Library Quadrangle	Capital Improvement	Deferred Compensation	
<b>Assets:</b>									
Cash and equivalents	\$ 120,573	\$ 210,119	\$ 35,154	\$ 51,156	\$ 210,361	\$ 87,961	\$ -	\$ 334,567	\$ 1,049,891
Investments at cost	-	-	-	1,190,000	500,000	-	836,081	212,381	2,738,462
Accounts receivable, net	5,933	-	-	-	-	-	-	-	5,933
Land	-	-	-	-	-	-	-	100,020	100,020
Depreciable assets	-	-	-	-	-	-	-	909	909
Due from other funds	-	-	-	-	60,317	-	-	11,664	71,981
Notes receivable	-	-	-	-	-	-	-	150,000	150,000
Grants receivable	-	113,055	4,970	-	-	-	-	-	118,025
Interest receivable	-	-	-	461	229	-	-	46	736
<b>Total assets</b>	<b>\$ 126,506</b>	<b>\$ 323,174</b>	<b>\$ 40,124</b>	<b>\$ 1,241,617</b>	<b>\$ 770,907</b>	<b>\$ 87,961</b>	<b>\$ 836,081</b>	<b>\$ 809,587</b>	<b>\$ 4,235,957</b>
<b>Liabilities:</b>									
Accounts payable	\$ 1,276	\$ -	\$ 2,004	\$ -	\$ 11,908	\$ 15,900	\$ -	\$ 142,388	\$ 173,476
Accrued compensated absences payable	-	-	-	-	-	-	-	-	-
Plan participants	-	-	-	-	-	-	836,081	-	836,081
Due to other funds	-	-	-	69	39,246	-	-	-	39,315
<b>Total liabilities</b>	<b>1,276</b>	<b>-</b>	<b>2,004</b>	<b>69</b>	<b>51,154</b>	<b>15,900</b>	<b>836,081</b>	<b>142,388</b>	<b>1,048,872</b>
<b>Fund balances:</b>									
Restricted	125,230	323,174	38,120	1,241,548	719,753	72,061	-	667,199	3,187,085
<b>Total fund balances</b>	<b>125,230</b>	<b>323,174</b>	<b>38,120</b>	<b>1,241,548</b>	<b>719,753</b>	<b>72,061</b>	<b>-</b>	<b>667,199</b>	<b>3,187,085</b>
<b>Total liabilities and fund balances</b>	<b>\$ 126,506</b>	<b>\$ 323,174</b>	<b>\$ 40,124</b>	<b>\$ 1,241,617</b>	<b>\$ 770,907</b>	<b>\$ 87,961</b>	<b>\$ 836,081</b>	<b>\$ 809,587</b>	<b>\$ 4,235,957</b>

**CITY OF CUSHING**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2014

	Special Revenue		Debt Service		Capital Projects			Permanent Funds		Total
	Street & Alley Fund	Airport	Grant	Sinking Fund	Library Quadrangle	Capital Improvement	Deferred Compensation	Cushing Industrial Authority	Non-Major Governmental Funds	
<b>Revenues:</b>										
Taxes	\$ 74,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,598
Intergovernmental programs	-	154,086	34,358	-	-	-	-	-	-	188,444
Donations	-	-	-	-	10,000	2,750	-	-	-	12,750
Interest	-	97	-	7,422	3,017	-	-	1,306	-	11,842
Sale of property	-	-	-	-	-	-	-	10,000	-	10,000
Miscellaneous	-	-	-	-	-	-	-	18,423	-	18,423
<b>Total revenues</b>	\$ 74,598	\$ 154,183	\$ 34,358	\$ 7,422	\$ 13,017	\$ 2,750	\$ -	\$ 29,729	\$ -	\$ 316,057
<b>Expenditures:</b>										
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,646	\$ -	\$ 58,646
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	18,149	-	-	-	-	-	-	18,149
Highways, roads & airport	393,529	-	-	-	-	-	-	-	-	393,529
Cultural & recreation	-	-	4,265	-	1,097	-	-	-	-	5,362
Interest expense	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	158,609	6,000	-	44,295	48,624	-	-	-	257,528
<b>Total expenditures</b>	\$ 393,529	\$ 158,609	\$ 28,414	\$ -	\$ 45,392	\$ 48,624	\$ -	\$ 58,646	\$ -	\$ 733,214
<b>Excess of revenues over (under) expenditures</b>	(318,931)	(4,426)	5,944	7,422	(32,375)	(45,874)	-	(28,917)	-	(417,157)
<b>Other financing uses:</b>										
Operating transfers in (out)	200,000	-	(9,100)	(7,472)	-	70,000	-	134,799	-	388,227
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	(118,931)	(4,426)	(3,156)	(50)	(32,375)	24,126	-	105,882	-	(28,930)
<b>Fund balance-beginning of year</b>	244,161	327,600	41,276	1,241,598	752,128	47,935	-	561,317	-	3,216,015
<b>Fund balance-end of year</b>	\$ 125,230	\$ 323,174	\$ 38,120	\$ 1,241,548	\$ 719,753	\$ 72,061	\$ -	\$ 667,199	\$ -	\$ 3,187,085

CITY OF CUSHING  
Cushing, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ending June 30, 2014

<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	159,300	154,086	154,086
<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	4,774	4,774	4,265
<b><u>U.S. Department of Justice:</u></b>				
<b><u>Passed through the District Attorneys Council:</u></b>				
Bulletproof Vest Program	16.607	2,470	2,470	-
Sub-total U.S. Department of Justice		2,470	2,470	-
<b><u>U.S. Department of Homeland Security:</u></b>				
<b><u>Passed through the Oklahoma Department of Emergency Management:</u></b>				
Emergency Management Assistance	97.042	16,000	16,000	16,000
Equipment Support Grant	97.073	3,669	3,669	3,669
Sub-total U.S. Department of Homeland Security		19,669	19,669	19,669
<b>Total of Expenditures of Federal Awards</b>		<b>\$ 186,213</b>	<b>\$ 180,999</b>	<b>\$ 178,020</b>

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

**CITY OF CUSHING  
Cushing, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
June 30, 2014**

**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 21, 2014

Honorable Board of City Commissioners  
City of Cushing  
Cushing, 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 Cushing, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Cushing, Oklahoma's basic financial statements, and have issued our report thereon dated October 21, 2014

***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 communication is not suitable for any other purpose.

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

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2014**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

1. None