

CITY OF MANNFORD
Mannford, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2014

**CITY OF MANNFORD
Mannford, Oklahoma**

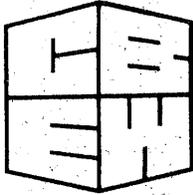
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INDEPENDENT AUDITOR'S REPORT

August 21, 2014

Honorable Board of City Commissioners
City of Mannford
Mannford, 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 Mannford, 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.

Basis for Qualified Opinions

As discussed in Note 1 to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. Also, the City has elected to not report depreciation on these capital assets. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the City of Mannford, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the City of Mannford, 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 budgetary comparison information on pages 29 through 30 and the notes on page 31 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

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

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.

City of Mannford
August 21, 2014

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 August 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

CITY OF MANNFORD
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 380,624	\$ 2,021,241	\$ 2,401,865
Investments, at cost	39,921	852,447	892,368
Receivables (net of allowance for uncollectibles):			
Accounts receivable	33,667	483,726	517,393
Unbilled revenues	-	254,043	254,043
Taxes	220,217	-	220,217
Interest	106	3,963	4,069
Restricted assets:			
Cash & cash equivalents	114,868	-	114,868
Bond fund/cash & investments (Note 1)	-	87,500	87,500
Tenant security deposits	-	17,800	17,800
Inventory	-	-	-
Capital assets:			
Land	-	1,579,694	1,579,694
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	4,617,208	13,123,815	17,741,023
Other assets:			
Prepaid costs	-	-	-
Total assets	<u>5,406,611</u>	<u>18,424,229</u>	<u>23,830,840</u>
Deferred outflows of resources:			
Total deferred outflows	-	-	-
Liabilities:			
Current liabilities:			
Accounts payable	166,373	474,981	641,354
Accrued payroll	24,997	17,819	42,816
Accrued compensated absences payable (Note 1)	37,585	32,855	70,440
Accrued sales tax	-	5,444	5,444
Payable from restricted assets:			
Interest payable	-	37,652	37,652
Appearance bonds	1,009	-	1,009
Deposits	-	17,800	17,800
Notes payable (Notes 2 & 3)	-	15,000	15,000
Revenue bonds payable (Notes 2 & 3)	-	360,000	360,000
Non-current liabilities:			
Notes payable (Notes 2 & 3)	-	148,750	148,750
Revenue bonds payable (Notes 2 & 3)	-	2,985,000	2,985,000
Total liabilities	<u>229,964</u>	<u>4,095,301</u>	<u>4,325,265</u>
Deferred inflows of resources:			
Total deferred inflows	-	-	-
Net position:			
Invested in capital assets, net of related debt	4,617,208	9,601,565	14,218,773
Restricted	215,035	-	215,035
Unrestricted	344,404	4,727,363	5,071,767
Total net position	<u>\$ 5,176,647</u>	<u>\$ 14,328,928</u>	<u>\$ 19,505,575</u>

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

CITY OF MANNFORD
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	
Governmental activities:					
General government:					
City clerk	\$ 1,500	\$ -	\$ -	\$ -	\$ (1,500)
City treasurer	1,500	-	-	-	(1,500)
General government	354,011	11,595	-	-	(342,416)
Total general government	357,011	11,595	-	-	(345,416)
Public safety and judiciary:					
Code enforcement	-	-	-	-	-
Fire and ambulance	328,821	316,625	48,602	-	36,406
Municipal court	23,128	147,531	-	-	124,403
911 fund	-	10,313	-	-	10,313
Police	579,418	-	9,513	-	(569,905)
Total public safety and judiciary	931,367	474,469	58,115	-	(398,783)
Transportation:					
Streets	128,428	-	-	8,444	(119,984)
Total transportation	128,428	-	-	8,444	(119,984)
Cultural, parks and recreation:					
Activity center	190,912	115,160	-	-	(75,752)
Library	128,135	6,040	4,794	-	(117,301)
Sr Citizens Center	-	-	-	-	-
New Mannford ramp	92,915	88,059	-	-	(4,856)
Salt Creek North	17,511	48,406	-	-	30,895
Parks	6,095	2,305	-	-	(3,790)
Total cultural, parks and recreation	435,568	259,970	4,794	-	(170,804)
Total governmental activities	1,852,374	746,034	62,909	8,444	(1,034,987)
Business-type activities					
Electric	2,720,389	3,329,161	-	190,000	798,772
Water	588,730	492,573	-	19,000	(77,157)
Sewer	218,051	264,132	-	-	46,081
Sanitation	208,128	211,102	-	-	2,974
Gas	979,716	1,291,558	-	-	311,842
Financing costs	196,894	-	-	-	(196,894)
Keystone Development Authority	165,367	187,863	-	-	22,496
Pawnee Rural Water	63,808	80,230	-	-	16,422
Total business-type activities	5,141,083	5,856,619	-	209,000	924,536
Total	\$ 6,993,457	\$ 6,602,653	\$ 62,909	\$ 217,444	\$ (110,451)

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue			
General revenues:			
Taxes:			
Sales, use and cigarette taxes	1,321,365	-	1,321,365
Franchise taxes	18,364	-	18,364
Intergovernmental	46,431	-	46,431
Investment earnings	2,437	18,617	21,054
Miscellaneous	17,659	7,974	25,633
Gain/(loss) on sale of asset	-	380,168	380,168
Late charges	-	42,818	42,818
Transfers	(161,481)	161,481	-
Total general revenues and transfers	1,244,775	611,058	1,855,833
Change in net position	209,788	1,535,594	1,745,382
Net position - beginning of year	4,966,859	12,793,334	17,760,193
Net position - end of year	\$ 5,176,647	\$ 14,328,928	\$ 19,505,575

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 247,929	\$ 132,695	\$ 380,624
Investments, at cost	39,921	-	39,921
Receivables (net of allowance for uncollectibles):			
Accounts receivable	25,711	7,956	33,667
Taxes	220,217	-	220,217
Interest	106	-	106
Restricted assets:			
Cash & cash equivalents	114,868	-	114,868
Total assets	\$ 648,752	\$ 140,651	\$ 789,403
Liabilities:			
Accounts payable	\$ 131,079	\$ 35,294	\$ 166,373
Accrued payroll	22,298	2,699	24,997
Payable from restricted assets:			
Appearance bonds	1,009	-	1,009
Total liabilities	154,386	37,993	192,379
Fund balances:			
Restricted for:			
E-911 services	70,617	-	70,617
Other purposes	-	102,658	102,658
Committed to:			
Police training	41,760	-	41,760
Assigned to:			
Police equipment	626	-	626
Library	856	-	856
Unassigned	380,507	-	380,507
Total fund balances	494,366	102,658	597,024
Total liabilities and fund balances	\$ 648,752	\$ 140,651	\$ 789,403

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

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

Total Fund Balances - Total Governmental Funds \$ 597,024

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

Accrued compensated absences payable (37,585)

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

Land	\$	10,000	
Buildings & Improvements		2,374,242	
Furniture & Equipment		612,430	
Infrastructure		284,038	
Vehicles		1,336,498	
		4,617,208	4,617,208

Net position of governmental activities \$ 5,176,647

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

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ 328,890	\$ 252,504	\$ 581,394
Cigarette taxes	14,496	-	14,496
Franchise fees	18,364	-	18,364
Fines and forfeits	147,531	-	147,531
Grant revenues	49,441	21,912	71,353
Interest	2,437	-	2,437
Intergovernmental programs	17,158	29,274	46,432
Licenses and permits	6,795	-	6,795
Miscellaneous revenue	13,129	4,533	17,662
911 revenues	10,313	-	10,313
Sales and use taxes	1,306,869	-	1,306,869
Total revenues	<u>1,915,423</u>	<u>308,223</u>	<u>2,223,646</u>
Expenditures:			
Current:			
General government	349,080	5,087	354,167
Public safety	926,641	4,726	931,367
Highways roads and airport	-	128,428	128,428
Cultural and recreational	131,531	304,825	436,356
Capital outlay	146,514	28,327	174,841
Lease payments	-	-	-
Total expenditures	<u>1,553,766</u>	<u>471,393</u>	<u>2,025,159</u>
Excess of revenues over (under) expenditures	361,657	(163,170)	198,487
Other financing uses:			
Operating transfers in (out)	(325,481)	164,000	(161,481)
Excess of revenues over (under) expenditures & transfers	36,176	830	37,006
Fund balance - beginning of year	<u>458,190</u>	<u>101,828</u>	<u>560,018</u>
Fund balance - end of year	<u>\$ 494,366</u>	<u>\$ 102,658</u>	<u>\$ 597,024</u>

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

CITY OF MANNFORD
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

Net Change in Fund Balances - Total Governmental Funds \$ 37,006

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. (2,059)

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. 174,841

Change in Net Position of Governmental Activities **\$ 209,788**

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

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

	Business-type Activities - Enterprise Funds			Totals
	Public Works Authority (Major)	Keystone Development Authority (Non-major)	Pawnee Rural Water (Non-major)	
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 1)	\$ 1,878,943	\$ 46,197	\$ 96,101	\$ 2,021,241
Investments, at cost	810,955	15,000	26,492	852,447
Receivables (net of allowance for uncollectibles):				
Accounts receivable	480,051	2,942	733	483,726
Unbilled revenues	232,645	15,561	5,837	254,043
Interest	3,795	46	122	3,963
Restricted Assets:				
Bond fund/cash & investments	87,500	-	-	87,500
Tenant security deposits	-	17,800	-	17,800
Inventory	-	-	-	-
Capital assets:				
Land	1,579,694	-	-	1,579,694
Depreciable buildings, property, equipment and infrastructure (Notes 1 & 2)	12,740,700	369,615	13,500	13,123,815
Other assets:				
Prepaid costs	-	-	-	-
Total assets	<u>17,814,283</u>	<u>467,161</u>	<u>142,785</u>	<u>18,424,229</u>
Deferred outflows of resources:				
Total deferred outflows	-	-	-	-
Liabilities:				
Current liabilities:				
Accounts payable	463,270	8,976	2,735	474,981
Accrued payroll	17,819	-	-	17,819
Accrued compensated absences payable	32,855	-	-	32,855
Accrued sales tax	5,444	-	-	5,444
Payable from restricted assets:				
Interest payable	37,652	-	-	37,652
Deposits	-	17,800	-	17,800
Notes payable (Notes 2 & 3)	15,000	-	-	15,000
Revenue bonds payable (Notes 2 & 3)	360,000	-	-	360,000
Non-current liabilities:				
Notes payable (Notes 2 & 3)	148,750	-	-	148,750
Revenue bonds payable (Notes 2 & 3)	2,985,000	-	-	2,985,000
Total liabilities	<u>4,065,790</u>	<u>26,776</u>	<u>2,735</u>	<u>4,095,301</u>
Deferred inflows of resources:				
Total deferred inflows	-	-	-	-
Net position:				
Invested in capital assets, net of related debt	9,231,950	369,615	-	9,601,565
Unrestricted	4,516,543	70,770	140,050	4,727,363
Total net position	<u>\$ 13,748,493</u>	<u>\$ 440,385</u>	<u>\$ 140,050</u>	<u>\$ 14,328,928</u>

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

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

	Business-type Activities - Enterprise Funds			Totals
	Public Works Authority (Major)	Keystone Development Authority (Non-major)	Pawnee Rural Water (Non-major)	
Revenues:				
Water revenue	\$ 462,506	\$ 107,138	\$ 80,230	\$ 649,874
Sewer revenue	264,132	23,498	-	287,630
Garbage revenue	211,102	38,065	-	249,167
Electric revenue	3,329,161	-	-	3,329,161
Gas revenue	1,291,558	2,739	-	1,294,297
Late charges	39,041	2,854	923	42,818
Administrative fees	30,067	-	-	30,067
Ambulance utility	-	16,157	-	16,157
Permits	-	266	-	266
Grant revenue	209,000	-	-	209,000
Miscellaneous revenue	7,677	238	60	7,975
Total revenues	<u>5,844,244</u>	<u>190,955</u>	<u>81,213</u>	<u>6,116,412</u>
Operating expense:				
Ambulance fees	-	16,165	-	16,165
Administrative	40,512	-	-	40,512
Electric service	2,720,389	-	-	2,720,389
Water service	588,730	119,135	63,808	771,673
Sewer service	218,051	-	-	218,051
Garbage service	208,128	30,068	-	238,196
Gas expense	979,716	-	-	979,716
Total operating expense	<u>4,755,526</u>	<u>165,368</u>	<u>63,808</u>	<u>4,984,702</u>
Income before non-operating revenues, expenses & transfers	<u>1,088,718</u>	<u>25,587</u>	<u>17,405</u>	<u>1,131,710</u>
Non-operating revenues (expenses):				
Interest revenue	17,807	273	537	18,617
Interest expense	(154,732)	-	-	(154,732)
Gain/(loss) on sale of asset	380,168	-	-	380,168
Trustee fees	(1,650)	-	-	(1,650)
Total	<u>241,593</u>	<u>273</u>	<u>537</u>	<u>242,403</u>
Income (loss) before operating transfers	<u>1,330,311</u>	<u>25,860</u>	<u>17,942</u>	<u>1,374,113</u>
Transfers in (out)	<u>161,481</u>	<u>-</u>	<u>-</u>	<u>161,481</u>
Change in net position	1,491,792	25,860	17,942	1,535,594
Net position - beginning of year	<u>12,256,701</u>	<u>414,525</u>	<u>122,108</u>	<u>12,793,334</u>
Net position - end of year	<u>\$ 13,748,493</u>	<u>\$ 440,385</u>	<u>\$ 140,050</u>	<u>\$ 14,328,928</u>

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

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

	Business-type Activities - Enterprise Funds			Totals
	Public Works Authority (Major)	Keystone Development Authority (Non-major)	Pawnee Rural Water (Non-major)	
Cash flows from operating activities:				
Cash received from customers & service users	\$ 5,930,871	\$ 189,209	\$ 81,371	\$ 6,201,451
Cash payments for goods & services & employees	(4,363,065)	(164,950)	(63,431)	(4,591,446)
Net cash provided by operating activities	<u>1,567,806</u>	<u>24,259</u>	<u>17,940</u>	<u>1,610,005</u>
Cash flows from noncapital financing activities:				
Tenant security deposits	-	1,100	-	1,100
Operating transfers in (out) to other funds	161,481	-	-	161,481
Net cash provided (used) for noncapital financing activities	<u>161,481</u>	<u>1,100</u>	<u>-</u>	<u>162,581</u>
Cash flows from capital and related financing activities:				
Acquisition & construction of capital assets	(960,873)	-	-	(960,873)
Sale proceeds	664,823	-	-	664,823
Principal paid on debt	(360,000)	-	-	(360,000)
Interest paid on debt	(156,818)	-	-	(156,818)
Trustee fees	(1,650)	-	-	(1,650)
Net cash provided (used) for capital and related financing activities	<u>(814,518)</u>	<u>-</u>	<u>-</u>	<u>(814,518)</u>
Cash flows from investing activities:				
(Purchase) liquidation of investments - unrestricted	(955)	-	(327)	(1,282)
Interest on investments	18,038	273	535	18,846
Net cash provided by investing activities	<u>17,083</u>	<u>273</u>	<u>208</u>	<u>17,564</u>
Net increase (decrease) in cash & cash equivalents	931,852	25,632	18,148	975,632
Cash and cash equivalents - beginning of year	<u>1,034,591</u>	<u>38,365</u>	<u>77,953</u>	<u>1,150,909</u>
Cash and cash equivalents - end of year	<u>\$ 1,966,443</u>	<u>\$ 63,997</u>	<u>\$ 96,101</u>	<u>\$ 2,126,541</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,088,718	\$ 25,587	\$ 17,405	\$ 1,114,305
Adjustments to reconcile operating income to net cash provided by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	86,627	(1,746)	158	84,881
(Increase) decrease in inventory	23,177	-	-	23,177
(Increase) decrease in other assets	-	-	-	-
(Increase) decrease in prepaid costs	205,062	-	-	205,062
Increase (decrease) in accounts payable	161,067	418	377	161,485
Increase (decrease) in accrued expenses	3,155	-	-	3,155
Total adjustments	<u>479,088</u>	<u>(1,328)</u>	<u>535</u>	<u>477,760</u>
Net cash provided by operating activities	<u>\$ 1,567,806</u>	<u>\$ 24,259</u>	<u>\$ 17,940</u>	<u>\$ 1,592,065</u>

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

**CITY OF MANNFORD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

	<u>Agency Funds</u>
Assets:	
Cash and investments at cost	\$ <u>106,730</u>
Total assets	\$ <u><u>106,730</u></u>
Liabilities:	
Deposits	\$ <u>106,730</u>
Total liabilities	\$ <u><u>106,730</u></u>

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

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mannford, 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 Mannford, 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, natural gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Mannford, 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, entities for which the City is considered to be financially accountable. Blended component units, 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 Mannford Public Works Authority (Authority) was created pursuant to a Trust Indenture, for the benefit of the City of Mannford, Oklahoma. The Authority was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer and facilities for the City of Mannford. The water, sanitary sewer, electric, natural gas and solid waste disposal systems owned by the City have been leased to the Authority until such date that all indebtedness of the Authority is retired or provided for. 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 identical with the City Council. The Authority is exempt from State and Federal Income taxes. The Authority is reported as an enterprise fund.

The Keystone Development Authority (KDA) was annexed in as part of the City and is operated by the City of Mannford. The KDA was established to provide country living outside the City of Mannford. The KDA provides water, sewer and sanitation services for the residences. Since being annexed, the KDA is governed by a board consisting of five trustees identical with the City Council. The KDA is exempt from State and Federal Income taxes. The KDA is reported as an enterprise fund.

The Pawnee Rural Water, Pawnee County, Oklahoma (PRW), was originally created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members it serves. PRW is operated by the Mannford Public Works Authority and is presented as a separate enterprise fund. PRW is exempt from federal and state income taxes.

CITY OF MANNFORD
Mannford, 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

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. 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. 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.

CITY OF MANNFORD
Mannford, 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)

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.

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.

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, Police Drug and Education, Police Reserve Officer, City Gap Insurance, Fire Department Reserve, Library, Library Grants, Mannford New Ramp, Salt Creek North and Activity Center.

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 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 enterprise.

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

Mannford Public Works Authority – accounts for the operations of providing public works (electric, natural gas, water, sewer, and refuse) to the City.

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

Keystone Development Authority – accounts for the operations of providing public works (water, sewer, and refuse) to the area known as Lake Country.

Pawnee Rural Water – accounts for the operations of providing water to the customers of PRW.

CITY OF MANNFORD
Mannford, 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)

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 fund is 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 and Bond Fund Construction Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Fair Value of Financial Instruments

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

4. Estimates

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

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. Receivables and Payables

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

6. Inventories

Inventories in 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 \$1,500. 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 after July 1, 2003 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.

The City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available to determine these amounts. Also, the City has elected to not reflect accumulated depreciation and depreciation expense at this time. The amount by which this departure would affect the assets, net position, and expenses of the Governmental and Business-Type Activities is not readily determinable.

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. 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 MANNFORD
Mannford, 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 balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, 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 MANNFORD
Mannford, 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 \$3,621,131 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 MANNFORD
Mannford, 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	\$ 2,648,764	\$ 2,648,764
Certificate of deposit	12.30	N/A	972,367	972,367
Total investments			<u>\$ 3,621,131</u>	<u>\$ 3,621,131</u>

Reconciliation to Statement of Net Position	
Governmental activities	\$ 535,413
Business-type activities	2,978,988
Fiduciary funds	106,730
	<u>\$ 3,621,131</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: 27% in Certificates of deposit (\$972,367) and 73% in Money Market funds (\$2,648,764).

B. Uncollectible Accounts

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

	General Fund	Public Works Authority	Keystone Development Authority	Pawnee Rural Water
Ambulance	\$ 165,062	\$ -	\$ -	\$ -
Fire	68,454	-	-	-
Water	-	42,749	13,034	1,428
Electric	-	124,752	-	-
Gas	-	64,455	-	-
Total	<u>\$ 233,516</u>	<u>\$ 231,956</u>	<u>\$ 13,034</u>	<u>\$ 1,428</u>

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

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

Governmental Activities:	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Buildings and improvements	\$ 2,260,617	\$ 113,626	\$ -	\$ 2,374,243
Land	10,000	-	-	10,000
Furniture, fixtures and equipment	586,591	25,838	-	612,429
Infrastructure	284,038	-	-	284,038
Vehicles	1,301,122	35,376	-	1,336,498
Total capital assets	\$ 4,442,368	\$ 174,840	\$ -	\$ 4,617,208

Business-Type Activities:	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Buildings and improvements	\$ 10,152,994	\$ -	\$ -	\$ 10,152,994
Land	1,206,273	658,076	284,655	1,579,694
Infrastructure	1,907,391	224,514	-	2,131,905
Furniture, fixtures and equipment	533,925	45,174	-	579,099
Vehicles	226,708	33,110	-	259,818
Total capital assets	\$ 14,027,291	\$ 960,874	\$ 284,655	\$ 14,703,510

The City has elected to not reflect accumulated depreciation and depreciation expense at this time.

D. 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
Mannford Public Works Authority:							
Utility system - 2007 (interest @ 4.35%)	4/1/2022	\$ 3,855,000	\$ 3,690,000	\$ -	\$ (345,000)	\$ 3,345,000	\$ 360,000
Electric System - CDBG (interest @ 0%)	8/1/2024	300,000	178,750	-	(15,000)	163,750	15,000
Total		\$ 4,155,000	\$ 3,868,750	\$ -	\$ (360,000)	\$ 3,508,750	\$ 375,000

**CITY OF MANNFORD
Mannford, Oklahoma**

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

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. 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,	Principal	Interest	Totals
2015	\$ 375,000	\$ 141,701	\$ 516,701
2016	390,000	125,824	515,824
2017	405,000	109,403	514,403
2018	420,000	109,403	529,403
2019	440,000	92,220	532,220
2020-2024	1,465,000	182,158	1,647,158
2025	13,750	-	13,750
Total debt service requirements	<u>\$ 3,508,750</u>	<u>\$ 760,709</u>	<u>\$ 4,269,459</u>

Principal, redemption premium, and interest on the Authority debt are payable from the gross revenues of the water, sanitary sewer, electric, natural gas and solid waste disposal systems, and from other funds established by the bond indentures. Detail information on long-term debt is reflected in Note 3.

The City's debt service coverage ratio for June 30, 2014 is 211%.

3. MANNFORD PUBLIC WORKS AUTHORITY (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the City (electric, natural gas, water, sewer and refuse) were transferred to the Mannford Public Works Authority. The Public Works Authority provides utility services for its customers including the City of Mannford and its related departments. Utility charges for general activities of the City of Mannford (City Hall, Activity 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 Authority is structured like a private enterprise, the effect of this policy is to understate the gross revenues of the Authority and to understate the operating expenses of the various using departments of the City. The intent is for the Authority to provide cost free services to the City of Mannford.

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 MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. MANNFORD PUBLIC WORKS AUTHORITY (Continued)

REVENUE BONDS:

On April 1, 2007, the Authority issued its \$3,855,000 Mannford Public Works Authority Sales Tax and Utility Revenue Bonds, 2007. Proceeds from this bond issue were used to defease the previous Sale Tax and Utility System Revenue Bonds, Series 2004 and gain a more favorable interest rate. Principal and interest on the bond is payable semi-annually on October 1 and April 1 of each fiscal year until the bond is paid. Bond redemption begins October 1, 2007, with final maturity on April 1, 2022. The gross revenues of the Authority have been pledged to secure the bonds.

NOTES PAYABLE:

On October 14, 2004, the Authority issued a Community Development Block Grant note payable in the amount of \$300,000 to the Oklahoma Department of Commerce, Office of Community Development. The proceeds of the note were used to improve the electrical infrastructure of the City. The note is to be paid in 240 monthly installments of \$1,250 beginning July 1, 2005 with final maturity on June 1, 2025. The note is non-interest bearing. The gross revenues of the Authority have been pledged to secure the note.

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 purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the State Insurance Fund for the 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. Contingent Liabilities

The City is a defendant in ongoing litigation and various legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. OTHER INFORMATION (Continued)

B. Contingent Liabilities

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

C. Employee Retirement System and Plan

Description of Plan

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

Funding Policy

The required contribution rate for the 2013-2014 plan year was 24.10% 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.

Annual Pension Cost

The City's annual pension cost of \$183,769 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation. The liabilities 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 contribution from the City for this plan was \$186,923, \$182,313 and \$183,769, for 2012, 2013 and 2014, respectively.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plan (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
1/1/2005	\$ 1,490,685	Actuarial	\$ 2,018,885	\$ 528,200	73.8%
1/1/2006	1,551,054	Actuarial	2,031,913	480,859	76.3%
1/1/2007	1,666,796	Actuarial	2,333,957	667,161	71.4%
1/1/2008	1,792,743	Actuarial	2,567,438	774,695	69.8%
1/1/2009	1,725,858	Actuarial	2,580,614	854,756	66.9%
1/1/2010	1,804,405	Actuarial	2,832,151	1,027,746	63.7%
1/1/2011	1,924,910	Actuarial	2,999,425	1,074,515	64.2%
1/1/2012	2,037,130	Actuarial	3,053,811	1,016,681	66.7%
1/1/2013	2,152,779	Actuarial	3,239,719	1,086,940	66.4%
1/1/2014	2,285,453	Actuarial	3,330,559	1,045,106	68.6%

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

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 63rd 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 \$26,929, \$30,046 and \$30,428, 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.

D. 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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

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. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2014, no 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 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

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 City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2014 since no one is participating at this time.

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.

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.

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 MANNFORD
Mannford, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

CITY OF MANNFORD
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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Charges for services	\$ 249,900	\$ 349,900	\$ 328,890	\$ (21,010)
Cigarette taxes	12,000	14,000	14,496	496
Franchise fees	19,500	22,500	18,364	(4,136)
Fines and forfeits	147,000	147,000	147,531	531
Grant revenues	-	49,441	49,441	-
Interest	2,000	2,000	2,437	437
Intergovernmental programs	15,000	17,000	17,158	158
Licenses and permits	6,000	9,000	6,795	(2,205)
Miscellaneous revenue	18,400	18,400	13,129	(5,271)
911 revenues	-	-	10,313	10,313
Sales and use taxes	1,120,000	1,330,000	1,306,869	(23,131)
Total revenues	<u>1,589,800</u>	<u>1,959,241</u>	<u>1,915,423</u>	<u>(43,818)</u>
Expenditures:				
Current:				
General government	345,850	386,670	349,080	37,590
Public safety	884,225	943,020	926,641	16,379
Cultural & recreational	148,050	145,750	131,531	14,219
Capital outlay	204,500	223,513	146,514	76,999
Total expenditures	<u>1,582,625</u>	<u>1,698,953</u>	<u>1,553,766</u>	<u>145,187</u>
Excess of revenue over (under) expenditures	7,175	260,288	361,657	101,369
Other financing sources (uses):				
Operating transfers in (out)	11,500	(93,500)	(325,481)	(231,981)
Net changes in fund balance	18,675	166,788	36,176	(130,612)
Fund balance - beginning of year	<u>458,190</u>	<u>458,190</u>	<u>458,190</u>	<u>-</u>
Fund balance at end of year	<u>\$ 476,865</u>	<u>\$ 624,978</u>	<u>\$ 494,366</u>	<u>\$ (130,612)</u>

CITY OF MANNFORD
 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		
Revenues:				
Charges for services	\$ 196,000	\$ 264,700	\$ 252,504	\$ (12,196)
Interest	-	-	-	-
Grant revenues	10,000	22,744	21,912	(832)
Intergovernment programs	26,000	29,700	29,274	(426)
Miscellaneous	3,000	4,300	4,533	233
Total revenues	<u>235,000</u>	<u>321,444</u>	<u>308,223</u>	<u>(13,221)</u>
Expenditures:				
Current:				
General government	12,000	12,000	5,087	6,913
Public safety	2,900	4,900	4,726	174
Highways, roads, & airport	106,500	129,100	128,428	672
Cultural & recreational	259,850	318,000	304,825	13,175
Capital outlay	18,700	34,305	28,327	5,978
Total expenditures	<u>399,950</u>	<u>498,305</u>	<u>471,393</u>	<u>26,912</u>
Excess of revenue over (under) expenditures	(164,950)	(176,861)	(163,170)	13,691
Other financing sources (uses):				
Operating transfers in (out)	<u>173,200</u>	<u>173,200</u>	<u>164,000</u>	<u>(9,200)</u>
Net changes in fund balance	8,250	(3,661)	830	4,491
Fund balance - beginning of year	<u>101,828</u>	<u>101,828</u>	<u>101,828</u>	<u>-</u>
Fund balance - end of year	<u>\$ 110,078</u>	<u>\$ 98,167</u>	<u>\$ 102,658</u>	<u>\$ 4,491</u>

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

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

CITY OF MANNFORD
Mannford, Oklahoma

OTHER INFORMATION
June 30, 2014

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

	Special Revenue Funds										Total Non-Major Governmental Funds
	Street & Alley Fund	Police Drug & Education	Police Reserve Officer	City Gap Insurance Fund	CDBG Senior Citizens	Fire Department Reserve	Library & Library Grants	New Mannford Ramp	Salt Creek North	Activity Center	
Assets:											
Cash and equivalents	\$ 8,991	\$ 8,168	\$ 1,692	\$ 15,302	\$ 1,455	\$ 32,698	\$ 13,427	\$ 30,831	\$ 26,370	\$ (6,239)	\$ 132,695
Investments at cost	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	4,933	-	-	-	-	-	-	-	-	3,023	7,956
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 13,924	\$ 8,168	\$ 1,692	\$ 15,302	\$ 1,455	\$ 32,698	\$ 13,427	\$ 30,831	\$ 26,370	\$ (3,216)	\$ 140,651
Liabilities:											
Accounts payable	\$ 8,974	\$ 205	\$ -	\$ -	\$ -	\$ 6,319	\$ 609	\$ 3,843	\$ 6,800	\$ 8,544	\$ 35,294
Accrued payroll payable	-	-	-	-	-	-	-	-	-	2,699	2,699
Total liabilities	\$ 8,974	\$ 205	\$ -	\$ -	\$ -	\$ 6,319	\$ 609	\$ 3,843	\$ 6,800	\$ 11,243	\$ 37,993
Fund balances:											
Restricted	4,950	7,963	1,692	15,302	1,455	26,379	12,818	26,988	19,570	(14,459)	102,658
Total fund balances	\$ 4,950	\$ 7,963	\$ 1,692	\$ 15,302	\$ 1,455	\$ 26,379	\$ 12,818	\$ 26,988	\$ 19,570	\$ (14,459)	\$ 102,658
Total liabilities and fund balances	\$ 13,924	\$ 8,168	\$ 1,692	\$ 15,302	\$ 1,455	\$ 32,698	\$ 13,427	\$ 30,831	\$ 26,370	\$ (3,216)	\$ 140,651

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

	Street & Alley Fund	Special Revenue										Total Non-Major Governmental Funds		
		Police Drug & Education	Police Reserve Officer	City Gap Insurance Fund	CDBG Senior Citizens	Fire Department Reserve	Library & Library Grants	New Mannford Ramp	Salt Creek North	Activity Center				
Revenues:														
Intergovernmental programs	\$ 29,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,274
Charges for services	-	-	-	-	-	-	-	-	-	-	88,059	48,406	115,160	252,504
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenues	8,444	-	-	-	-	-	8,674	-	4,794	-	-	-	-	21,912
Miscellaneous revenue	-	3,721	-	-	-	-	-	-	-	-	-	-	812	4,533
Total revenues	\$ 37,718	\$ 3,721	\$ -	\$ -	\$ -	\$ -	\$ 8,674	\$ 5,673	\$ 88,059	\$ 48,406	\$ 115,972	\$ 191,699	\$ 308,223	
Expenditures:														
Public safety	\$ -	\$ 4,334	\$ 392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,726
General government	-	-	-	5,087	-	-	-	-	-	-	-	-	-	5,087
Highways, roads & airport	128,428	-	-	-	-	-	-	-	-	-	-	-	-	128,428
Cultural & recreation	-	-	-	-	-	-	-	2,700	92,915	17,511	191,699	-	-	304,825
Capital outlay	-	-	-	-	-	-	5,000	-	12,002	11,325	-	-	-	28,327
Total expenditures	128,428	4,334	392	5,087	-	-	5,000	2,700	104,917	28,836	191,699	-	-	471,393
Excess of revenues over (under) expenditures	(90,710)	(613)	(392)	(5,087)	-	-	3,674	2,973	(16,858)	19,570	(75,727)	-	-	(163,170)
Other financing uses:														
Operating transfers in (out)	90,000	-	-	15,000	-	-	-	-	-	-	59,000	-	-	164,000
Excess of revenues over (under) expenditures & transfers	(710)	(613)	(392)	9,913	-	-	3,674	2,973	(16,858)	19,570	(16,727)	-	-	830
Fund balance - beginning of year	5,660	8,576	2,084	5,389	1,455	-	22,705	9,845	43,846	-	2,268	-	-	101,828
Fund balance - end of year	\$ 4,950	\$ 7,963	\$ 1,692	\$ 15,302	\$ 1,455	\$ -	\$ 26,379	\$ 12,818	\$ 26,988	\$ 19,570	\$ (14,459)	\$ -	\$ -	\$ 102,658

CITY OF MANNFORD
Mannford, Oklahoma

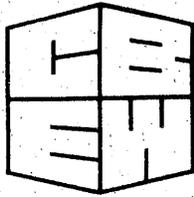
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<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 Expenditures</u>
<u>Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
15101 CDBG 11	14.228	150,000	150,000	150,000
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	<u>3,594</u>	<u>3,594</u>	<u>3,594</u>
Total of Expenditures of Federal Awards		\$ <u>153,594</u>	\$ <u>153,594</u>	\$ <u>153,594</u>

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

**CITY OF MANNFORD
Mannford, Oklahoma**

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



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

August 21, 2014

Honorable Board of City Commissioners
City of Mannford
Mannford, 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 Mannford, 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 Mannford, Oklahoma's basic financial statements, and have issued our report thereon dated August 21, 2014. The report on governmental and business-type activities was qualified because of the lack of fixed asset records and failure to provide depreciation on those fixed assets. Additionally, the City did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as finding 14-1.

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*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 MANNFORD
Mannford, Oklahoma

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

14-1. Internal Control – Material Adjusting Journal Entries

Criteria: The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The City manager and accounting staff individually and collectively possess the necessary skills and experience to prepare accrual financial statements; however, management has chosen to present cash basis statements on an interim basis and request that the auditor prepare cash to accrual journal entries which they review and approve for the year-end audited financial statements. However, the government's trial balances for the year ended June 30, 2014, required a number of material adjusting journal entries (other than cash to accrual entries) in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: Court fund cash, capital assets, interest expense and gas inventory. This finding was also noted in 2013.

Cause: The accounting staff doesn't spend sufficient time in balancing and or reconciling specific accounts on a regular basis throughout the year to provide assurance that the trial balances used for preparing GAAP financial statements that are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the City lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as required by the GAO "Yellow Book."

Recommendation: The City should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by regularly reviewing, balancing, and reconciling interim financial statements to insure that material adjusting journal entries are made timely. This process could be assigning to a specific staff person, through employment of additional qualified accounting staff, or outsourced to a qualified external accounting firm. Additionally, all accounting staff should strive to obtain and/or maintain their proficiency through continuing education courses relative to governmental accounting.

Responsible Official's Response: The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements on a timely basis.