

**BASIC FINANCIAL STATEMENTS  
AND  
AUDIT REPORT**

**for the**

***CITY OF PAWHUSKA***

**FOR THE YEAR ENDED JUNE 30, 2013**

**AUDITED BY**

**Alan Chapman CPA**

**401 S. Water**

**TAHLEQUAH, OKLAHOMA**

# *CITY OF PAWHUSKA*

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
City of Pawhuska, Oklahoma

I 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 Pawhuska, Oklahoma, which collectively comprise the City's basic financial statements as listed in the table of contents, as of and for the year ended June 30, 2013.

**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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, I express no opinion on the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse and qualified opinions.

The basic financial statements referred to above do not include the financial data of the Pawhuska Hospital Incorporated, which should be included in order to conform with the accounting principals generally accepted in the United States of America. If the omitted component unit had been included, the user's conclusion about the overall financial position of the City may have been affected.

The City has not maintained a record of general fixed assets, and accordingly, a statement of general fixed assets, as required by accounting principles generally accepted in the United States of America is not included in the financial statements. Also, detail records of property and equipment in the Enterprise Funds are not maintained, and no depreciation has been recorded in current and prior years. The amount that should be recorded in the general fixed asset account group is not known.

### **Opinions**

In my opinion, except for the matters mentioned in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 Pawhuska, as of June 30, 2013, and the respective changes in financial position, and, where applicable cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

The City has not presented the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of the financial statements.

### **Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pawhuska's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, I have also issued my reported dated November 29, 2013, on my consideration of the City of Pawhuska's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the 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 of Pawhuska, Oklahoma's internal control over financial reporting and compliance.

November 29, 2013

A handwritten signature in black ink that reads "Alan Chapman". The signature is written in a cursive style with a large initial 'A'.

Alan Chapman, CPA

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**JUNE 30, 2013**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,766,461	\$ 1,158,706	\$ 3,925,167	\$ 1,397
Investments	416,693		416,693	-
Escrow	-		-	50,853
Origination Fees	-		-	15,016
Accounts Receivable	96,111		96,111	-
Total Assets	<u>3,279,264</u>	<u>1,158,706</u>	<u>4,437,970</u>	<u>67,266</u>
<b>LIABILITIES</b>				
Bad Check Payable	-		-	-
Accounts Payable	(664)		(664)	(84,684)
Sales Tax Revenue Note	-		-	290,000
Total Liabilities	<u>(664)</u>	<u>-</u>	<u>(664)</u>	<u>205,316</u>
<b>NET ASSETS</b>				
Restricted		-	-	(139,447)
Unrestricted	3,279,928	1,158,706	4,438,634	1,397
Total Net Assets	<u>\$ 3,279,263</u>	<u>\$ 1,158,706</u>	<u>\$ 4,438,634</u>	<u>\$ (138,050)</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>Primary Government:</b>								
General Government	\$ 1,849,737	\$ 49,814	\$ 704	\$ 120,522	\$ (1,678,697)	\$ -	\$ (1,678,697)	\$ -
Public Safety	1,320,086	287,089	4,484		(1,028,513)	-	\$ (1,028,513)	-
Cemetery	195,082	19,998	-	-	(175,085)	-	\$ (175,085)	-
Streets	198,180	-	-	-	(198,180)	-	\$ (198,180)	-
Airport	4,099	3,400	-	-	(699)	-	\$ (699)	-
Culture and Recreation	159,614	101,380	14,096	-	(44,138)	-	\$ (44,138)	-
Total Governmental Activities	<u>3,726,798</u>	<u>461,680</u>	<u>19,284</u>	<u>120,522</u>	<u>(3,125,312)</u>	<u>-</u>	<u>(3,125,312)</u>	<u>-</u>
<b>Business Type Activities:</b>								
Electric	3,557,595	92,816	-	-	-	(3,464,779)	(3,464,779)	-
Water and Sewer	855,295	996,279	-	-	-	140,984	140,984	-
Solid Waste	561,320	511,624	-	-	-	(49,697)	(49,697)	-
Total Business-Type Activities	<u>4,974,211</u>	<u>1,600,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,373,492)</u>	<u>(3,373,492)</u>	<u>-</u>
<b>Total Primary Government</b>	<u>8,701,009</u>	<u>2,062,399</u>	<u>19,284</u>	<u>120,522</u>	<u>(3,125,312)</u>	<u>(3,373,492)</u>	<u>(6,498,804)</u>	<u>-</u>
<b>Component Units</b>	<u>26,998</u>	<u>4,165,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,138,408</u>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Tax Revenue					1,322,934	-	1,322,934	-
Franchise and Public Services Taxes					56,651	-	56,651	-
Intergovernmental Revenue					332,612	-	332,612	-
Investment Income					41,481	-	41,481	-
Insurance Proceeds					397,289	-	397,289	-
Miscellaneous					14,605	41,188	55,793	-
Transfers - Internal Activity					924,664	3,023,359	3,948,023	(3,948,023)
Total General Revenues and Transfers					<u>3,090,236</u>	<u>3,064,547</u>	<u>6,154,783</u>	<u>(3,948,023)</u>
Change in Net Assets					(35,076)	(308,945)	(344,022)	190,385
Net Assets - Beginning					3,315,005	1,467,651	4,782,656	(328,435)
Net Assets - Ending					<u>\$ 3,279,928</u>	<u>\$ 1,158,706</u>	<u>\$ 4,438,634</u>	<u>\$ (138,050)</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>General Fund</u>	<u>1999 Sales Tax Improv Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 654,647	\$ 1,008,147	\$ 254,804	\$ 848,863	2,766,461
Investments	-	-	-	416,693	416,693
Accounts Receivable	56,354	21,028	-	18,729	96,111
<b>Total Assets</b>	<u>711,001</u>	<u>1,029,175</u>	<u>254,804</u>	<u>1,284,284</u>	<u>3,279,264</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Bad Checks Payable	-	-	-	-	-
Accounts Payable	(687)	-	-	23	(664)
Deposits Payable	-	-	-	-	-
Due to General Fund	-	-	-	-	-
<b>Total Liabilities</b>	<u>(687)</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>(664)</u>
<b>Fund Balances:</b>					
Unreserved	<u>711,688</u>	<u>1,029,175</u>	<u>254,804</u>	<u>1,284,261</u>	<u>3,279,928</u>
<b>Total Fund Balances</b>	<u>711,688</u>	<u>1,029,175</u>	<u>254,804</u>	<u>1,284,261</u>	<u>3,279,928</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 711,001</u>	<u>\$ 1,029,175</u>	<u>\$ 254,804</u>	<u>\$ 1,284,284</u>	<u>\$ 3,279,264</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	1999 Sales Tax Improv. Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 966,786	\$ 302,604	\$ -	\$ 110,194	\$ 1,379,585
Police Fines	51,305	-	-	-	51,305
Charges for Services	369,038	-	-	8,353	377,391
Licenses and Permits	7,546	-	-	25,438	32,984
Investment Income	-	8,481	-	33,000	41,481
Insurance Refunds	397,289	-	-	-	397,289
Billing Charge	222,028	-	-	-	222,028
Donations	-	-	-	704	704
Miscellaneous	14,609	-	-	-	14,609
Intergovernmental Grants	110,584	-	-	-	110,584
	-	-	-	139,101	139,101
Total Revenues	<u>2,139,185</u>	<u>311,085</u>	<u>-</u>	<u>316,790</u>	<u>2,767,059</u>
<b>Expenditures:</b>					
<b>General Government:</b>					
Managerial	89,100	-	-	-	89,100
Municipal Court	44,157	-	-	-	44,157
City Clerk	95,047	-	-	-	95,047
Attorney	28,011	-	-	-	28,011
General	683,294	-	-	119,041	802,335
<b>Public Safety:</b>					
Police	593,560	-	-	-	593,560
Fire	333,503	-	-	11,601	345,104
Ambulance	381,423	-	-	-	381,423
<b>Cemetery:</b>					
Parks and Cemetery	194,247	-	-	835	195,082
<b>Streets:</b>					
Streets	185,166	-	-	13,014	198,180
<b>Airport:</b>					
Airport	4,099	-	-	-	4,099
<b>Culture and Recreation:</b>					
Library	128,015	-	-	20,168	148,183
Lakes	11,431	-	-	-	11,431
Capital Outlay	412,452	167,124	-	211,511	791,087
Total Expenditures	<u>3,183,504</u>	<u>167,124</u>	<u>-</u>	<u>376,170</u>	<u>3,726,799</u>
<b>Excess (deficiency) of Revenues Over Expenditures</b>	<b>(1,044,320)</b>	<b>143,961</b>	<b>-</b>	<b>(59,380)</b>	<b>(959,739)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	938,663	-	24,000	106,405	1,069,068
Transfers Out	(84,405)	-	-	(60,000)	(144,405)
Total Other Financing Sources (Uses)	<u>854,259</u>	<u>-</u>	<u>24,000</u>	<u>46,405</u>	<u>924,664</u>
<b>Net Change in Fund Balance</b>	<b>(190,061)</b>	<b>143,961</b>	<b>24,000</b>	<b>(12,976)</b>	<b>(35,076)</b>
<b>Fund Balances - Beginning</b>	<b>901,749</b>	<b>885,215</b>	<b>230,804</b>	<b>1,297,237</b>	<b>3,315,005</b>
<b>Fund Balances - Ending</b>	<b><u>\$ 711,688</u></b>	<b><u>\$ 1,029,176</u></b>	<b><u>\$ 254,804</u></b>	<b><u>\$ 1,284,261</u></b>	<b><u>\$ 3,279,928</u></b>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA  
STATEMENT OF NET ASSETS-MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u><b>Enterprise Fund</b></u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,158,706
Total Current Assets	<u>1,158,706</u>
Noncurrent Assets	
Land and construction in progress	-
Other capital assets, net of accumulated depreciation	-
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>1,158,706</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	-
Total Current Liabilities	<u>-</u>
<b>NONCURRENT LIABILITIES</b>	
Total Noncurrent Liabilities	-
Total Liabilities	<u>-</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	-
Restricted for debt reserve	-
Unrestricted	1,158,706
Total net Assets	<u>\$ 1,158,706</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2013**

	<b>Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Electric Utility	\$      20
Water and Sewer	943,187
Solid Waste	497,178
Penalties	160,334
Total Operating Revenues	1,600,719
 <b>OPERATING EXPENSES</b>	
Electric Production	2,787,055
Electric Distribution	623,300
Water Production	387,103
Water Distribution	86,811
Disposal Plant	142,869
Sewer Collection	91,272
Solid Waste	414,080
Administration/General	441,721
Total Operating Expenses	4,974,210
 <b>OPERATING INCOME</b>	<b>(3,373,491)</b>
 <b>NON OPERATING REVENUES (EXPENSES)</b>	
Miscellaneous revenue	41,188
Total Non-Operating Revenues (Expenses)	41,188
 Net Income (Loss) Before Transfers	<b>(3,332,304)</b>
 <b>TRANSFERS</b>	
Transfers in	3,984,021
Transfers out	(960,663)
 <b>CHANGES IN NET ASSETS</b>	<b>(308,945)</b>
 <b>TOTAL NET ASSETS - BEGINNING</b>	<b>1,467,651</b>
 <b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 1,158,706</b>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,600,719
Other	41,188
Personel Services	(930,746)
Maintenance and Operations	<u>(3,720,098)</u>
Net Cash Provided by Operating Activities	<u>(3,008,937)</u>
 <b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	(960,663)
Transfers from Other Funds	<u>3,984,021</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,023,358</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	<u>(323,366)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(323,366)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Cash Provided by Investing Activities	<u>-</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVELANTS</b>	<u>(308,945)</u>
 <b>BALANCE - BEGINNING OF THE YEAR</b>	<u>1,467,651</u>
 <b>BALANCE - END OF THE YEAR</b>	<u><u>\$ 1,158,706</u></u>

The accompanying notes and auditor's report are an integral part of these financial statements.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Pawhuska, Oklahoma (oversight unit) conform to generally accepted accounting principles for state and local governments except for the following:

The City of Pawhuska does not maintain accounting records for general fixed assets; and therefore, a general fixed assets group is not included in the financial statements as required by accounting principles generally accepted in the United States of America.

**NOTE B - THE REPORTING ENTITY**

The City Council, an elected five member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to the City of Pawhuska within the jurisdiction of the City. The City receives funding from local, state, and federal government sources; and must comply with the requirements of these funding source entities. However, the City of Pawhuska is not included in any governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The City of Pawhuska provides various services, and consists of many different activities and smaller accounting entities. These include a community hospital, a police force, a firefighting and prevention force, a sewage treatment plant, a water treatment plant, a storm water drainage system, a traffic control system, street lighting, a street maintenance force (including construction, repair, and snow and ice removal), a parks and recreation system, a rubbish collection, and a staff to provide the necessary support to these service providers.

**Criteria**

The funds maintained by the City of Pawhuska do not include all activities or services provided to the citizens of the City by various public trusts or 501c(3) non-profits, that are considered to be "Separate Legal Entities." Such entities have been established to provide certain enterprise activities that otherwise would be provided by the City of Pawhuska. In evaluating how to define the City of Pawhuska for financial reporting purposes, management has considered all potential component units. The decision to include a potential component in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection governing authority, the designation of

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE B - THE REPORTING ENTITY (continued)**

**Criteria (continued)**

management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has excluded the following component unit for which the City has oversight responsibility.

**Pawhuska Hospital Authority**

The Pawhuska Hospital Authority is a 501c(3) non-profit created to provide medical facilities for the Pawhuska area. Audited financial statements for this component unit can be obtained at its general offices.

**COMPONENT UNITS INCLUDED:**

**Pawhuska Public Works Authority**

The Pawhuska Public Works Authority is a public trust created to assist the beneficiary, governmental agencies and private enterprises in making the most efficient use of their resources and powers in providing, expanding, improving, and operating and maintaining utility service. An operational and procedural agreement between the city of Pawhuska and the Pawhuska Public Works Authority provides that under a lease agreement between the two parties all funds of the Public Works Authority be transferred to the City.

**Pawhuska Municipal Industrial Development Trust Authority**

The Pawhuska Municipal Industrial Development Trust Authority is a public trust created on May 6, 1996, to promote and develop industry within and without the City of Pawhuska's territorial boundaries.

**Pawhuska Municipal Trust Authority**

The Pawhuska Municipal Trust Authority is a public trust created on October 1, 1986, to establish, provide, maintain, construct, set apart, promote, and conduct parks, play grounds, golf courses, recreational centers, social and community centers, and other recreational facilities within and near the territorial limits of the City of Pawhuska.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE C - BASIS OF PRESENTATION - FUND ACCOUNTING**

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." The City utilizes three fund categories and six fund types.

**GOVERNMENTAL FUND CATEGORY**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state sales taxes and charges for services (i.e. refuse revenues). Expenditures include all costs associated with the daily operations of the City except for programs specially funded for building repairs and maintenance and construction.

**Special Revenue Fund** - Special Revenue Funds are used to account for the proceeds of specific revenue sources or grants (other than special assessments or expendable trusts) that are legally restricted to expenditures for special purposes.

**Capital Project Fund** - Capital Project Funds are used to account for the acquisition of capital facilities being financed from intergovernmental revenues or transfers from funds other than those recorded in proprietary funds.

**PROPRIETARY FUND CATEGORY**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds). The City has one **enterprise fund** in this fiscal year, and does not have any internal service funds.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE C - BASIS OF PRESENTATION - FUND ACCOUNTING (continued)**

**FIDUCIARY FUND CATEGORY**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms “nonexpendable” and “expendable” refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent and do not involve measurement of results of operations.

**Expendable Trust Funds** - These funds account for assets received and expended by the City as trustee in essentially the same manner as governmental funds. These funds include:

Cemetery Care - A trust established to account for the portion of cemetery lot sales designated for perpetual care and capital improvements of the cemetery.

**Agency Funds** - These funds are used to account for assets held by the City as a custodial trustee, and do not involve measurement of results of operations. These funds include the Municipal Court Bonds.

**ACCOUNT GROUPS**

Account groups are not funds, and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

**General Long-Term Debt Account Group** - This account group was established to account for all long-term debt of the City, which would be offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for capital leases, and vested amounts of compensated absences. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**General Fixed Asset Account Group** - This account group is used to account for property, plant, and equipment. The City does not maintain a record of its generally fixed assets, and accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition, and are not recorded as assets for financial statement purposes. The City does not have the information necessary to include this group in the financial statements. GASB Statement No. #34 will require this information, and the City is working to meet the requirement in the near future.

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE C - BASIS OF PRESENTATION - FUND ACCOUNTING (continued)**

**MEMORANDUM ONLY - TOTAL COLUMN**

The total column on the financial statements is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE D - BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounting for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Tax payer-assessed income, gross receipts, and sales taxes are considered “measurable” when in the hands of intermediary collecting governments; and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current period or soon enough thereafter to be used to pay obligations of the current period): taxes, services, investment earnings, and fines and forfeitures. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance.

Other revenues, including licenses and permits, charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are measurable, and are recorded when the related fund liability is incurred.

**Reservations of Fund Equity**

Fund balances are reserved for encumbrances as further explained in Note F.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE D - BASIS OF ACCOUNTING (continued)**

**Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources has not been reported as an expenditure or a fund liability of the governmental fund that will pay it. Rights to receive sick pay benefits have not been reported in the general long-term debt account group. This practice differs from accounting principles generally accepted in the United States of America. In accordance with provisions of the Statement of Financial Accounting Standards No. #43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The amount of vacation and compensatory time susceptible to accrual in accordance with SFAS No. #43, has been reflected in the general long-term debt account group.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as revenues, expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through November 29, 2013, which is the date the financial statements were available to be issued.

**NOTE E - BUDGETS AND BUDGETARY ACCOUNTING**

Under state law, the Mayor submits an annual budget to the Council for consideration and approval no later than June 30. Such budget is based on expected cash expenditures by program within a fund and estimated cash receipts by source for all funds. The City prepares its budget on the same basis as the accounting records are maintained. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

\* A proposed operating budget is submitted to the City Council for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE E - BUDGETS AND BUDGETARY ACCOUNTING ( continued)**

- \* Public hearings are conducted to obtain taxpayer comments.
- \* Prior to July 1, the budget is legally enacted by the City Council through passage of an ordinance.
- \* Any revisions that alter the total expenditures of any department generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.
- \* The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, Special Revenue, and Capital Improvement Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The only entries necessary to reconcile this statement with the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types would be the accrual entries for taxes receivable that are made at the end of each year to conform to the modified accrual method of accounting.

**NOTE F - ENCUMBRANCES**

Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed purchase orders in process are completed. Encumbrances accounting, under which purchase orders, contract, and other commitments for expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. Unencumbered appropriations lapse at the end of the fiscal year. Encumbrances outstanding at year end are carried forward to the new fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes, and accordingly, the accompanying financial statements present comparisons of actual results to the budgets of governmental funds on the same basis of accounting that the financial statements are presented. The unencumbered balance of each appropriation lapse at year end reverts to the respective fund from which it was appropriated, and becomes available for future appropriations.

**Requirements for All Budgeted Funds**

For day to day management control, expenditures plus encumbrances may not exceed budget at the expenditure type level of each cost center. The Council may transfer unencumbered appropriations within programs within funds. Appropriation control is by program within a fund. Council may, by ordinance, transfer amounts among programs within and between funds.

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE G - ASSETS, LIABILITIES, AND FUND EQUITY**

**Cash and Investments**

Pooled cash and Investments a “pooled cash” concept is used in maintaining the cash and investment account in the accounting records. Under this method all cash is pooled for investment purposes, and each fund has an equity in the pooled amount.

**Cash and Cash Equivalents**

The City considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**Inventories**

Inventories for all funds generally consist of expendable supplies and items held for consumption which are expenses at the time of purchase.

**Reporting and Accounting**

Total columns presented in the Combined Financial Statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not represent financial position, results of operation, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Fund Balance**

Fund Balance represents the fund not encumbered by purchase order, legal contracts, and outstanding warrants. Restricted fund balances are legally or financially restrained from current appropriations. Unrestricted fund balances can be used for current approved appropriations.

**NOTE H - RETIREMENT PLANS**

**Employees and Plans**

Each qualified employee is included in one of the three retirement plans in which the City of Pawhuska participates. These are the Oklahoma Municipal Retirement Fund, the Oklahoma Firefighters’ Pension and Retirement System, and the Oklahoma Police Pension and Retirement System. The City does not maintain the accounting records, hold the investments, or administer the retirement funds. The retirement plans are statewide systems administered by the State of Oklahoma.

Summary of significant data for each of the retirement plans follows:

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE H - RETIREMENT PLANS (continued)**

**Oklahoma Municipal Retirement Fund**

The plan covers qualified city employees and provides certain retirement, death, and disability benefits. The City contributes 6% of the total wages paid to covered employees. Contributions by the City of Pawhuska amounted to \$81,916.62, for the fiscal year ended June 30, 2013. Each covered employee contributes 3% of individual compensation. The plan provided for retirement benefits upon reaching normal retirement age. Employees become vested after ten (10) years of service.

**Oklahoma Firefighters Pension and Retirement System**

Members of the City's Fire Department participate in the Oklahoma Firefighters Pension and Retirement System, a system administered by the State of Oklahoma. In conformity with state law, the plan covers all full time firemen of the City of Pawhuska and provides certain retirement, death, and disability benefits. In conformity with the state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the firefighters. The firefighters contribute 8% of their compensation to the plan. Contributions by the City to the system for the fiscal year ended June 30, 2013, amounted to \$29,272.85, paid primarily by the general fund.

**Oklahoma Police Pension and Retirement System**

Members of the City's Police Department participate in the Oklahoma Police Pension and Retirement System, a system administered by the State of Oklahoma. The plan covers full-time police officers of the City, and provides retirement, death, and disability benefits. In conformity with state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the police officers. The police officers contribute 8% of their compensation to the plan. Contributions by the City to the system for the fiscal year ended June 30, 2013, amounted to \$31,114.05, paid primarily by the General Fund.

**NOTE I - REVENUE EXPENSE AND LIABILITIES**

**Compensated Absences**

In accordance with the provisions of the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits or vacation leave. Vested accumulated rights to receive sick pay or vacation leave would be reported in the general long-term debt account group.

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE I - REVENUE EXPENSE AND LIABILITIES (continued)**

**Compensated Absences (continued)**

Vacation leave is granted to all regular employees. The maximum amount of vacation leave that may be accumulated in one calendar year is ten days. This liability reflects amounts attributable to employee services already rendered cumulative probably for payment and reasonably estimated.

Sick leave earned approximately ten days a year per employee and a maximum of 400 hours can be accumulated. Sick leave is nonvesting, and the City does not record a liability for the cost of these unused absences.

**NOTE J - LONG TERM DEBT**

State statutes prohibit the City from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval of the City voters. The general long term debt of the City consisted of a Note Payable

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2013:

	Bonds	
	Payable	Total
Balance, July 1, 2012	\$ 400,000.00	\$ 400,000.00
Additions	\$ 0.00	\$ 0.00
Retirements	\$(110,000.00)	\$ (110,000.00)
Balance, June 30, 2013	\$ 290,000.00	\$ 290,000.00

Pawhuska Public Works Authority Sales Tax Revenue Note, Series 2005, original issue \$1,000,000.00 interest rate of 4.15%, due in semi-annual installments of \$40,000.00 to \$60,000.00, final payment of \$60,000.00 due August 1, 2015

Amount  
Outstanding  
\$290,000.00

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Long Term Debt (continued)**

The annual debt service requirements for retirements of note principal and payment of interest are as follows:

Year ending			
June 30	Principal	Interest	Total
2014	\$110,000.00	\$10,893.75	\$120,893.75
2015	\$120,000.00	\$6,225.00	\$126,225.00
2016	\$60,000.00	\$1,245.00	\$61,245.00
Total	\$290,000.00	\$18,363.75	\$308,363.75

**NOTE K - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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.

**NOTE L - SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE**

<b><u>Grantor/Contract Program Title</u></b>	<b><u>Award Amount</u></b>	<b><u>Revenue Recognized</u></b>	<b><u>Expenditures</u></b>
Library Grants	\$ 14,096	\$ 14,096	\$ 14,096
Fire Department Grants	4,484	4,484	4,484
CDBG Wastewater Grant	88,706	88,706	88,706
2010 REAP Gant	18,816	18,816	16,388
Dept. Of Commerce, Economic Develop. Econ. Adj/Disaster Approp. Program	-	13,000	-
Totals	<u>\$ 126,102</u>	<u>\$ 130,101</u>	<u>\$ 123,674</u>

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE M - OMITTED COMPONENT UNIT**

The general purpose financial statements do not include financial data of the Pawhuska Hospital, Incorporated, which should be included in order to conform with accounting principles generally accepted in the United States of America. Audited financial statements were not available at the date of this report.

**NOTE N - INTERFUND TRANSFERS AND BALANCES**

Transfers between funds of the primary government and between the primary government and discretely presented component units for the year ended June 30, 2013 were as follows:

	Transfers In	Transfers Out
<b>MAJOR FUNDS:</b>		
General Fund	\$938,663	\$0
Total Major Funds	\$938,663	\$0
<b>ENTERPRISE FUNDS:</b>		
Electric Utility Fund	\$3,984,021	\$687,500
Solid Waste Administration Fund	\$0	\$22,000
Water and Sewer Fund	\$22,000	\$251,163
Total Major Funds	\$4,006,021	\$960,663
<b>NONMAJOR FUNDS:</b>		
Economic Development Fund	\$0	\$60,000
Permanent Improvement fun	\$24,000	\$0
Total Nonmajor Funds	\$24,000	\$60,000
<b>COMPONENT UNITS:</b>		
Pawhuska Public Works Fund	\$0	\$4,008,021
Pawhuska Municipal Trust Auth. Fund	\$60,000	\$0
Total Component Units	\$60,000	\$4,008,021
<b>TOTAL</b>	<b>\$5,028,684</b>	<b>\$5,028,684</b>

**COMBINING FINANCIAL STATEMENTS**

**CITY OF PAWHUSKA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance:</b>				
<b>Resources (Inflows):</b>				
<b>Taxes:</b>				
Sales tax	\$ 675,000	\$ 675,000	\$ 821,884	\$ 146,884
Franchise tax	75,000	75,000	56,651	(18,349)
<b>Total Taxes</b>	<u>750,000</u>	<u>750,000</u>	<u>878,535</u>	<u>128,535</u>
<b>Intergovernmental:</b>				
Alcoholic Beverage Tax	68,000	68,000	82,923	14,923
Utility Billing Charge	230,000	230,000	222,028	(7,972)
Hospital Surcharfe Fee	112,000	112,000	110,584	(1,416)
<b>Total Intergovernmental</b>	<u>410,000</u>	<u>410,000</u>	<u>415,534</u>	<u>5,534</u>
<b>Fines and Forfeitures:</b>				
Police Fines	40,000	40,000	51,305	11,305
Parking Fines	100	100	405	305
Juvenile Court	-	-	-	-
Dog Pound	5,000	5,000	1,431	(3,570)
<b>Total Fines and Forfeitures</b>	<u>45,100</u>	<u>45,100</u>	<u>53,140</u>	<u>8,040</u>
<b>Licenses and Permits</b>	<u>6,000</u>	<u>6,000</u>	<u>7,546</u>	<u>1,546</u>
<b>Charges for Services:</b>				
Cemetery lot sales	5,000	5,000	8,775	3,775
Cemetery open/closings	12,000	12,000	10,213	(1,788)
Cemetery Monuments	1,500	1,500	1,010	(490)
Library	2,800	2,800	3,483	683
Swimming Pool	5,000	5,000	6,514	1,514
Health Center	15,000	15,000	16,410	1,410
Lake Fees	5,000	5,000	3,575	(1,425)
Community Center Rental	2,500	2,500	3,038	538
Ambulance	250,000	250,000	233,948	(16,052)
Airport	2,400	2,400	3,400	1,000
<b>Total Charges for Services</b>	<u>301,200</u>	<u>301,200</u>	<u>290,365</u>	<u>(10,835)</u>
<b>Miscellaneous:</b>				
Miscellaneous	10,000	10,000	14,140	4,140
Rental Income	62,000	72,000	76,837	4,837
Cash Short/Over	-	-	469	469
Grants	-	-	-	-
Return Check Charge	-	-	-	-
In Lieu of Taxes	5,000	5,000	5,329	329
Insurance Refunds	20,000	(320,000)	397,289	717,289
<b>Total Miscellaneous</b>	<u>97,000</u>	<u>(233,000)</u>	<u>494,063</u>	<u>727,063</u>
<b>Other Financing Sources:</b>				
Transfers From Other Funds	1,024,000	1,024,000	854,259	(169,741)
<b>Total Other Financing Sources</b>	<u>1,024,000</u>	<u>1,024,000</u>	<u>854,259</u>	<u>(169,741)</u>
<b>Amounts Available for Appropriation</b>	<u>\$ 2,633,300</u>	<u>\$ 2,303,300</u>	<u>\$ 2,993,443</u>	<u>\$ 690,143</u>

(Continued)

**CITY OF PAWHUSKA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive(Negative)</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>Clerk/Treasurer:</b>				
Personal Services	109,000	109,000	90,601	(18,399)
Materials and Supplies	7,700	7,700	751	(6,949)
Other Services and Charges	4,000	8,200	3,695	(4,505)
Capital Outlay	-	-	-	-
Total Clerk/Treasurer	<u>120,700</u>	<u>124,900</u>	<u>95,047</u>	<u>(29,853)</u>
<b>Attorney:</b>				
Personal Services	30,100	30,100	27,844	(2,256)
Other Services and Charges	1,300	1,300	167	(1,134)
Total Attorney	<u>31,400</u>	<u>31,400</u>	<u>28,011</u>	<u>(3,389)</u>
<b>Municipal Court:</b>				
Personal Services	40,900	42,200	40,805	(1,395)
Materials and Supplies	1,400	1,400	2,025	625
Other Services and Charges	600	600	1,327	727
Total Municipal Court	<u>42,900</u>	<u>44,200</u>	<u>44,157</u>	<u>(43)</u>
<b>Police:</b>				
Personal Services	523,100	571,100	529,396	(41,704)
Materials and Supplies	9,700	6,000	7,558	1,558
Other Services and Charges	24,150	27,850	56,606	28,756
Capital Outlay	-	-	-	-
Total Police	<u>556,950</u>	<u>604,950</u>	<u>593,560</u>	<u>(11,390)</u>
<b>Fire:</b>				
Personal Services	352,100	352,100	319,235	(32,865)
Materials and Supplies	2,550	2,500	1,766	(734)
Other Services and Charges	12,300	12,350	12,501	151
Total Fire	<u>366,950</u>	<u>366,950</u>	<u>333,502</u>	<u>(33,448)</u>
<b>Street:</b>				
Personal Services	181,800	181,800	158,692	(23,108)
Materials and Supplies	2,500	2,500	3,420	920
Other Services and Charges	13,250	22,950	23,054	104
Capital Outlay	9,700	-	-	-
Total Street	<u>207,250</u>	<u>207,250</u>	<u>185,166</u>	<u>(22,084)</u>
<b>Parks and Cemetery:</b>				
Personal Services	196,500	196,500	179,057	(17,443)
Materials and Supplies	7,000	1,000	716	(284)
Other Services and Charges	10,700	16,700	14,475	(2,225)
Capital Outlay	-	-	-	-
Total Parks and Cemetery	<u>214,200</u>	<u>214,200</u>	<u>194,247</u>	<u>(19,953)</u>

(Continued)

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**CITY OF PAWHUSKA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive(Negative)</u>
<b>General Government:</b>				
Personal Services	\$ 255,500	\$ 255,500	\$ 238,638	\$ (16,862)
Materials and Supplies	48,000	48,000	9,969	(38,031)
Other Services and Charges	393,250	407,350	434,687	27,337
Capital Outlay	100,000	75,000	412,451	337,451
Total General Government	<u>796,750</u>	<u>785,850</u>	<u>1,095,745</u>	<u>309,895</u>
<b>Library:</b>				
Personal Services	120,550	120,550	95,109	(25,442)
Materials and Supplies	2,000	2,000	2,051	51
Other Services and Charges	19,550	19,550	30,855	11,305
Total Library	<u>142,100</u>	<u>142,100</u>	<u>128,015</u>	<u>(14,085)</u>
<b>Airport</b>				
Personal Services	-	-	-	-
Materials and Supplies	-	-	-	-
Other Services and Charges	5,150	5,150	4,099	(1,051)
Capital Outlay	-	-	-	-
Total Airport	<u>5,150</u>	<u>5,150</u>	<u>4,099</u>	<u>(1,051)</u>
<b>Ambulance</b>				
Personal Services	270,000	350,000	320,720	(29,280)
Materials and Supplies	15,250	15,000	33,015	18,015
Other Services and Charges	16,500	16,750	27,688	10,938
Capital Outlay	-	-	-	-
Total <u>Airport</u>	<u>301,750</u>	<u>381,750</u>	<u>381,423</u>	<u>(327)</u>
<b>Lakes:</b>				
Personal Services	-	-	-	-
Materials and Supplies	1,500	1,500	2,356	856
Other Services and Charges	13,000	13,000	9,075	(3,925)
Capital Outlay	-	-	-	-
Total Lakes	<u>14,500</u>	<u>14,500</u>	<u>11,431</u>	<u>(3,069)</u>
<b>Administrative:</b>				
Personal Services	89,000	89,000	88,359	(641)
Materials and Supplies	100	100	-	(100)
Other Services and Charges	2,300	2,300	741	(1,559)
Total Administrative	<u>91,400</u>	<u>91,400</u>	<u>89,100</u>	<u>(2,300)</u>
Total Charges to Appropriations	<u>2,892,000</u>	<u>3,341,300</u>	<u>3,183,503</u>	<u>(157,797)</u>
Ending Budgetary Fund Balance	<u>\$ (248,700)</u>	<u>\$ (1,038,000)</u>	<u>\$ (190,061)</u>	<u>\$ 847,939</u>

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 20103**

**Budget Law**

Under state law the Mayor submits an annual budget to the Council for consideration and approval no later than June 30. Such budget is based on expected cash expenditures by program within a fund and estimated cash receipts by source for all funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- A proposed operating budget is submitted to the City Council for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted by the City Council through passage of an ordinance.
- Any revisions that alter the total expenditures of any department, generally must be approved by the City Council. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations ordinance.
- The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund, Special Revenue, and Capital Improvement Fund Types are presented on the budgetary basis to provide a comparison of actual results with the budget. The only entries necessary to reconcile this statement with the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types would be the accrual entries for taxes receivable that are made at the end of each year to conform to the modified accrual method of accounting.

**Basis of Accounting**

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

CITY OF PAWBUKA, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	SPECIAL REVENUE FUNDS										CAPITAL PROJECTS FUNDS						Nonmajor Governmental Funds
	Street and Alley Fund	Library Fund	Gerrid Ledington Book Fund	Economic Development Fund	CDRG 4319 Fund	EDA 08-10464 Fund	Juvenile Court Fund	Carl & Virginia Shatt Fund	Concey Clark Fund	Municipal Court Fund	Interest Fund	INCOG 2010 Fund	Capital Improvement Fund	Police Permanet Imp. Fund	Fire Dept Permanet Imp. Fund	Loisie Syder Park Fund	
ASSETS																	
Cash and cash equivalents	\$ 109,289	\$ 300	\$ 30,127	\$ 133,420	\$ -	\$ -	\$ 2,223	\$ 11,340	\$ 78,071	\$ 23	\$ 1,500	\$ 2,428	\$ 245,803	\$ 8,169	\$ 27,525	\$ 1,147	\$ 197,496
Accounts receivable	-	101,389	84,480	6,729	-	12,000	-	150,484	80,340	-	-	-	-	-	-	-	-
Total Assets	109,289	101,689	114,607	140,149	-	12,000	2,223	161,824	158,412	23	1,500	2,428	245,803	8,169	27,525	1,147	197,496
LIABILITIES AND FUND BALANCES																	
LIABILITIES																	
Accounts payable	-	-	-	-	-	-	-	-	-	23	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	23	-	-	-	-	-	-	-
FUND BALANCES																	
Unreserved, reported in nonmajor special revenue/capital projects funds	109,289	101,689	114,607	140,149	-	12,000	2,223	161,824	158,412	-	1,500	2,428	245,803	8,169	27,525	1,147	197,496
Total Liabilities and Fund Balances	\$ 109,289	\$ 101,689	\$ 114,607	\$ 140,149	\$ -	\$ 12,000	\$ 2,223	\$ 161,824	\$ 158,412	\$ 23	\$ 1,500	\$ 2,428	\$ 245,803	\$ 8,169	\$ 27,525	\$ 1,147	\$ 197,496

CITY OF PAWBUKA, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	SPECIAL REVENUE FUNDS										CAPITAL PROJECTS FUNDS						Nonmajor Governmental Funds	
	Street and Alley Fund	Library Fund	Gerald Ledington Book Fund	Economic Development Fund	CDBG 14319 Fund	EDA 08-79-04464	Juvenile Court Fund	Carl & Virginia Short Fund	Cemetery Care Fund	Municipal Court Fund	Imprest Fund	INCOG 2010 Fund	Capital Improvement Fund	Police Permanent Imp. Fund	Fire Dept. Permanent Imp. Fund	Louise Snyder Park Fund		Water and Sewer Reserve Fund
<b>REVENUES:</b>																		
Grants	\$ -	\$ 14,095	\$ -	\$ -	\$ 88,706	\$ 13,000	\$ -	\$ -	\$ -	\$ -	\$ 18,816	\$ -	\$ -	\$ 4,484	\$ -	\$ -	\$ 139,101	
Taxes	9,326	-	-	100,868	-	-	-	-	-	-	-	-	-	-	-	-	110,194	
Licenses	25,438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,438	
Donations	-	19	685	-	-	-	-	-	-	-	-	-	-	-	-	-	704	
Charges for Services	-	-	-	-	-	-	-	6,223	-	-	-	-	850	1,280	-	-	8,353	
Investment income	-	828	792	-	-	-	-	640	-	-	-	29,503	-	-	-	-	33,000	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Revenues</b>	<b>34,764</b>	<b>14,942</b>	<b>1,477</b>	<b>100,868</b>	<b>88,706</b>	<b>13,000</b>	<b>1,237</b>	<b>6,862</b>	<b>-</b>	<b>-</b>	<b>18,816</b>	<b>29,503</b>	<b>850</b>	<b>5,764</b>	<b>-</b>	<b>-</b>	<b>316,790</b>	
<b>EXPENDITURES:</b>																		
Streets	13,014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,014	
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	11,601	-	-	11,601	
Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Library	-	20,168	3,512	-	-	-	-	-	-	-	-	-	-	-	-	-	23,680	
Parks and Cemetery	-	-	-	-	-	-	-	500	-	-	-	-	-	-	-	-	1,335	
Water and Sewer	-	-	-	-	173,110	-	-	-	-	-	16,388	-	-	-	835	5,839	195,337	
Permanent Improvement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Economic Development	-	-	-	12,161	-	-	-	-	-	-	-	-	-	-	-	-	12,161	
Juvenile Court	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
General Government	-	-	-	-	-	-	-	-	-	-	-	119,041	-	-	-	-	119,041	
<b>Total Expenditures</b>	<b>13,014</b>	<b>20,168</b>	<b>3,512</b>	<b>12,161</b>	<b>173,110</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>16,388</b>	<b>119,041</b>	<b>-</b>	<b>11,601</b>	<b>835</b>	<b>5,839</b>	<b>376,170</b>	
Excess (Deficiency) of Revenues Over Expenditures	21,750	(5,226)	(2,035)	88,707	(84,405)	13,000	-	1,237	6,362	-	2,428	(89,538)	850	(5,837)	(835)	(5,839)	(39,380)	
<b>Other Financing Sources (Uses):</b>																		
Transfers In	-	-	-	-	84,405	-	-	-	-	-	-	-	-	-	-	-	106,405	
Transfers Out	-	-	-	(60,000)	-	-	-	-	-	-	-	-	-	-	-	22,000	(60,000)	
<b>Total Other Financing Sources(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60,000)</b>	<b>84,405</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,000</b>	<b>46,405</b>	
<b>Net change in fund balances</b>	<b>21,750</b>	<b>(5,226)</b>	<b>(2,035)</b>	<b>28,707</b>	<b>-</b>	<b>13,000</b>	<b>-</b>	<b>1,237</b>	<b>6,362</b>	<b>-</b>	<b>2,428</b>	<b>(89,538)</b>	<b>850</b>	<b>(5,837)</b>	<b>(835)</b>	<b>16,161</b>	<b>(12,976)</b>	
Fund Balances - Beginning	87,539	106,915	116,642	111,442	-	(1,000)	2,223	160,587	152,050	-	1,500	-	335,341	7,319	33,362	1,982	181,335	1,297,237
<b>Fund Balances - Ending</b>	<b>\$ 109,289</b>	<b>\$ 101,689</b>	<b>\$ 114,607</b>	<b>\$ 140,149</b>	<b>\$ -</b>	<b>\$ 12,000</b>	<b>\$ 2,223</b>	<b>\$ 161,824</b>	<b>\$ 158,412</b>	<b>\$ -</b>	<b>\$ 1,500</b>	<b>\$ 2,428</b>	<b>\$ 245,803</b>	<b>\$ 8,169</b>	<b>\$ 27,525</b>	<b>\$ 1,147</b>	<b>\$ 197,496</b>	<b>\$ 1,284,261</b>

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

The Honorable Mayor and Members of the City Council  
City of Pawhuska, Oklahoma

I have audited the 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 Pawhuska, Oklahoma (the City) as listed in the Table of Contents, as of and for the year ended June 30, 2013, and have issued my report thereon dated November 29, 2013. Except for the omission of the financial data of the Pawhuska Hospital Inc. and the omission of the general fixed assets in the government wide and business type activities, I conducted my 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.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pawhuska's financial statements are free of misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the City of Pawhuska in a separate letter dated November 29, 2013.

This report is intended solely for the information and use of the City Council, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

November 29, 2013



Alan Chapman, CPA