

**CITY OF SULPHUR
Sulphur, Oklahoma**

**FINANCIAL STATEMENTS
June 30, 2015**

AUDITED BY

**WILSON, DOTSON & ASSOCIATES, P.L.L.C.
SHAWNEE, OKLAHOMA**

CITY OF SULPHUR
Sulphur, Oklahoma

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Sulphur, Oklahoma**

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WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

June 1, 2016

Honorable Mayor and
Members of the City Council
City of Sulphur
Sulphur, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sulphur, Oklahoma (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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.

City of Sulphur
June 1, 2016

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 the capital assets of the Business Type Activities. 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 Sulphur, Oklahoma, as of June 30, 2015, 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 Sulphur, Oklahoma, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information and budgetary comparison information on pages 25 through 37 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

City of Sulphur
June 1, 2016

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 Supplementary Information

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

The combining 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 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 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 June 1, 2016, 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.

Wilson Dotson & Associates

Wilson, Dotson & Associates, P.L.L.C.

CITY OF SULPHUR
STATEMENT OF NET POSITION
JUNE 30, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments			
Cash and cash equivalents	\$ 2,656,133	3,824,109	6,480,242
Investments, at cost	775,000	625,000	1,400,000
Receivables			
Accounts receivable	592,190	436,859	1,029,049
Net pension asset	39,955	-	39,955
CAPITAL ASSETS			
Depreciable buildings, property and equipment net of depreciation	5,273,604	-	5,273,604
Depreciable buildings, property and equipment	-	26,325,243	26,325,243
TOTAL ASSETS	\$ 9,336,882	31,211,211	40,548,093
Deferred outflows of resources			
Deferred amount related to pensions	271,659	-	271,659
Total deferred outflows of resources	271,659	-	271,659
LIABILITIES			
Accounts payable	\$ 355,440	15,216	370,656
Accrued compensated absences	65,465	32,167	97,632
Reserve for depositors	-	282,977	282,977
Interest payable	-	66,222	66,222
Notes payable	-	7,987,762	7,987,762
Net pension liability	1,993,648	-	1,993,648
Total Liabilities	2,414,553	8,384,344	10,798,897
Deferred inflows of resources			
Deferred amounts related to pensions	623,913	-	623,913
Total deferred inflows of resources	623,913	-	623,913
NET ASSETS			
Invested in capital assets, net of related debt	5,669,754	18,337,481	24,007,235
Restricted	2,021,214	-	2,021,214
Unassigned	(1,120,893)	4,489,386	3,368,493
TOTAL NET ASSETS	\$ 6,570,075	22,826,867	29,396,942

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
General government	\$ 828,945	6,974	224,827	-	(597,144)
Public safety and judiciary	1,314,966	-	-	-	(1,314,966)
Highway, roads and airport	173,288	-	-	-	(173,288)
Cultural, parks and recreation	36,524	-	-	-	(36,524)
Total governmental activities	<u>2,353,723</u>	<u>6,974</u>	<u>224,827</u>	<u>-</u>	<u>(2,121,922)</u>
Unallocated Depreciation	396,150	-	-	-	(396,150)
Total governmental activities	<u>2,749,873</u>	<u>6,974</u>	<u>224,827</u>	<u>-</u>	<u>(2,518,072)</u>
Business-Type Activities:					
General administration	520,318	-	-	-	(520,318)
Water & sewer service	594,440	1,923,045	-	-	1,328,605
Wastewater	390,704	-	-	-	(390,704)
Water plant	64,610	-	-	-	(64,610)
Maintenance	31,433	-	-	-	(31,433)
Sanitation service	634,080	836,839	-	-	202,759
Total business-type activities	<u>2,235,585</u>	<u>2,759,884</u>	<u>-</u>	<u>-</u>	<u>524,299</u>
Totals	<u>\$ 4,985,458</u>	<u>2,766,858</u>	<u>224,827</u>	<u>-</u>	<u>(1,993,773)</u>

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Net (Expense)/Revenue	\$ (2,518,072)	524,299	(1,993,773)
General Revenues			
Taxes:			
Sales tax	2,247,134	454,547	2,701,681
All other taxes	415,636	-	415,636
Licenses and permits	15,778	-	15,778
Investment earnings	2,952	2,194	5,146
Miscellaneous	145,043	60,142	205,185
In lieu of taxes	67,994	-	67,994
Pension change	190,480	-	190,480
Total general revenues and transfers	<u>3,085,017</u>	<u>516,883</u>	<u>3,601,900</u>
Change in net assets	566,945	1,041,182	1,608,127
Net Asset - beginning of year	<u>6,003,130</u>	<u>21,785,685</u>	<u>27,788,815</u>
Net Asset - end of year	<u>\$ 6,570,075</u>	<u>22,826,867</u>	<u>29,396,942</u>

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
BALANCE SHEET - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	GENERAL FUND	1/6 SALES TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS				
Cash and investments				
Cash & cash equivalents	\$ 1,003,610	1,443,692	208,831	2,656,133
Investments	475,000	300,000	-	775,000
Receivables				
Accounts receivable	<u>513,764</u>	<u>74,710</u>	<u>3,716</u>	<u>592,190</u>
TOTAL ASSETS	<u>\$ 1,992,374</u>	<u>1,818,402</u>	<u>212,547</u>	<u>4,023,323</u>
LIABILITIES				
Accounts payable	<u>\$ 345,705</u>	<u>3,664</u>	<u>6,071</u>	<u>355,440</u>
FUND EQUITY				
Fund balances				
Reserved	-	1,814,738	206,476	2,021,214
Unreserved	<u>1,646,669</u>	<u>-</u>	<u>-</u>	<u>1,646,669</u>
Total Fund Equity	<u>1,646,669</u>	<u>1,814,738</u>	<u>206,476</u>	<u>3,667,883</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,992,374</u>	<u>1,818,402</u>	<u>212,547</u>	<u>4,023,323</u>

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2015

Total Fund Balances - Total Governmental Funds	\$	3,667,883
Amounts reported for governmental activities in the statement of net assets are different because:		
Compensated absences are not reported in the funds		(65,465)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: Depreciable buildings, property and equipment, net of depreciation		5,273,604
Net pension asset		39,955
Pension related deferred outflows		271,659
Net pension liability		(1,993,648)
Pension related deferred inflows		<u>(623,913)</u>
Net Assets of Governmental Activities	\$	<u>6,570,075</u>

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	GENERAL FUND	1/6 SALES TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Charges for services	\$ 6,974	-	-	6,974
Licenses and permits	15,778	-	-	15,778
Interest	1,477	1,372	103	2,952
Franchise fees	215,617	-	-	215,617
Fines and forfeitures	-	-	-	-
Sales tax	1,797,708	449,426	-	2,247,134
Use tax	77,583	-	-	77,583
Alcoholic beverage tax	38,864	-	-	38,864
Cigarette tax	31,840	-	51,732	83,572
Intergovernmental	224,827	-	-	224,827
Lot sales	12,907	-	-	12,907
In lieu of taxes	67,994	-	-	67,994
Miscellaneous revenue	115,233	-	16,903	132,136
Total Revenues	<u>2,606,802</u>	<u>450,798</u>	<u>68,738</u>	<u>3,126,338</u>
EXPENDITURES				
Current				
General government	828,945	-	-	828,945
Public safety	1,314,966	-	-	1,314,966
Highways, roads and airport	70,325	33,518	69,445	173,288
Cultural and recreational	30,278	-	6,246	36,524
Capital outlay	447,951	23,533	-	471,484
Total Expenditures	<u>2,692,465</u>	<u>57,051</u>	<u>75,691</u>	<u>2,825,207</u>
Excess of revenues over (under) expenditures	(85,663)	393,747	(6,953)	301,131
Fund Balance - beginning of year	<u>1,732,332</u>	<u>1,420,991</u>	<u>213,429</u>	<u>3,366,752</u>
Fund Balance - end of year	<u>\$ 1,646,669</u>	<u>1,814,738</u>	<u>206,476</u>	<u>3,667,883</u>

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	301,131
Amount reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, 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.		471,484
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds		(396,150)
Governmental Funds report the cost of pension benefits earned net of employee contributions when expended. However, the Government-Wide Statement of Activities reports based on the full accrual method.		<u>190,480</u>
Change in Net Assets of Governmental Activities	\$	<u>566,945</u>

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS MUNICIPAL AUTHORITY <hr/>
ASSETS	
Cash and investments	
Cash & cash equivalents	\$ 3,824,109
Investments	625,000
Receivables	
Accounts receivable	436,859
CAPITAL ASSETS	
Depreciable buildings, property and equipment	<u>26,325,243</u>
TOTAL ASSETS	<u><u>\$ 31,211,211</u></u>
LIABILITIES	
Accounts payable	\$ 15,216
Accrued interest payable	66,222
Accrued compensated absences	32,167
Reserve for depositors	282,977
Notes payable	<u>7,987,762</u>
Total Liabilities	<u>8,384,344</u>
NET ASSETS	
Retained earnings:	
Invested in capital assets, net of related debt	18,337,481
Unrestricted	<u>4,489,386</u>
TOTAL NET ASSETS	<u><u>\$ 22,826,867</u></u>

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
	MUNICIPAL AUTHORITY
REVENUES	
Water revenue	\$ 879,710
Sewer revenue	969,961
Sanitation revenue	836,839
Penalites	43,068
Poly cart sales and maintenance	30,306
Other revenue	39,543
Total Revenues	2,799,427
UTILITY OPERATIONS EXPENSE	
General administration	520,318
Water & sewer service	371,410
Wastewater	390,704
Water plant	64,610
Maintenance	31,433
Sanitation service	634,080
Total Utility Operations Expense	2,012,555
INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS	
	786,872
Non-operating revenues (expenses)	
Interest revenue	2,194
Rent	20,599
Sales tax	454,547
Interest expense	(223,030)
Total non-operating revenues (expenses)	254,310
NET INCOME	1,041,182
NET ASSETS - BEGINNING OF THE YEAR	21,785,685
NET ASSETS - END OF THE YEAR	\$ 22,826,867

The accompanying notes to the financial statements are an integral part of these financial statements

CITY OF SULPHUR
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS MUNICIPAL AUTHORITY</u>
Cash flows from operating activities:	
Cash received from customers & service users	\$ 2,837,622
Cash payments for goods & services & employees	<u>(2,267,901)</u>
Net cash provided by operating activities	<u>569,721</u>
Cash flows from noncapital financing activities:	
Sales tax	454,547
Rents	<u>20,599</u>
Net cash provided (used) for noncapital financing activities	<u>475,146</u>
Cash flows from capital and related financing activities:	
Acquisition & construction of capital assets	(353,351)
Principal paid on debt	(412,219)
Interest paid on debt	(223,030)
Note proceeds	<u>-</u>
Net cash provided (used) for capital & related financing activities	<u>(988,600)</u>
Cash flows from investing activities:	
(Purchase) liquidation of investments	(9,788)
Interest on investments	<u>2,194</u>
Net cash provided by investing activities	<u>(7,594)</u>
Net increase (decrease) in cash & cash equivalents	48,673
Cash & cash equivalents - beginning of year	<u>3,775,436</u>
Cash & cash equivalents - end of year	<u>\$ 3,824,109</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 786,872</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	38,195
Increase (decrease) in accounts payable	(261,256)
Increase (decrease) in accrued interest payable	(3,584)
Increase (decrease) in reserve for depositors	<u>9,494</u>
Total adjustments	<u>(217,151)</u>
Net cash provided by operating activities	<u>\$ 569,721</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sulphur, 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 Sulphur, Oklahoma, is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The city provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the City of Sulphur, Oklahoma.

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

Blended Component Units/Trusts:

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

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

One Sixth Sales Tax Fund – is a capital projects fund that accounts revenue and expenditures related to the one sixth sales tax collected.

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

Special Revenue Funds – account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley, Library Cash, Cemetery Cash, and Airport Grant.

Capital Project Funds – accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds. The capital Project Fund is used to account for One Sixth Sales Tax Fund.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the city has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as either enterprise or internal service.

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

Sulphur Municipal Authority – accounts for the operations of providing public works (water, sewer, and refuse) to the City.

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

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposits, 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.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Continued)

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.

2. Fair Value of Financial Instruments

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

3. Estimates

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

4. 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".

5. Inventories

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories are recorded as expenditures when purchased rather than when consumed.

6. 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 assets 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 assets and in the respective funds.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

All reported capital assets are depreciated except construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements. Land has not been included which is a variance from accounting principals generally accepted in the United States of America.

The financial statements of Sulphur Municipal Authority include property and equipment. Depreciation has not charged in prior years. This is a variance from accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The City and the Sulphur Municipal Authority has not maintained accurate capital assets 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. 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.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Both 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 SULPHUR
Sulphur, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. 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.

9. Net Assets

Reservations of fund balance represent amounts that are legally restricted for a specific purpose. Reservations of retained earnings are limited to outside third party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United State 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.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriation at this level. 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.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state, municipalities, counties, and school in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 2 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

At June 30, 2015, the City held deposits of approximately \$6,480,242 and investments of \$1,400,000 at financial institutions. The City's cash deposits, including interest-bearing accounts, and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name. Therefore, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school or City.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

The City had no investment credit risk as of June 30, 2015, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The City had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest in any one issuer.

At June 30, 2015, the City had 0% concentration of credit risk as defined above.

Concentration of Investment Credit Risk (Continued)

<u>Type</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Cost</u>
Investments			
Certificate of Deposits	n/a	\$ 1,400,000	\$ 1,400,000
Total Investments		<u>1,400,000</u>	<u>1,400,000</u>
Reconciliation to Statement of Net Assets			
Governmental activities		\$ 775,000	
Business activities		<u>625,000</u>	
		<u>\$ 1,400,000</u>	

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

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

Governmental Activities:	Beginning Balance	Additions	Ending Balance
Buildings	\$ 1,676,939	-	1,676,939
Infrastructure	4,118,665	278,500	4,397,165
Equipment	3,248,163	192,984	3,441,147
Other	92,191	-	92,191
	<u>9,135,958</u>	<u>471,484</u>	<u>9,607,442</u>
Less: Accumulated depreciation	<u>(3,937,688)</u>	<u>(396,150)</u>	<u>(4,333,838)</u>
Total	<u>\$ 5,198,270</u>	<u>75,334</u>	<u>5,273,604</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense.

C. Long-term Debt

The City's long-term debt is detailed as follows:

	Date of Last Maturity	Original Amount	Balance Outstanding 7/1/2014	Issued	Retired	Balance Outstanding 6/30/2015
Sulphur Municipal Authority						
Notes payable						
Utility system (Interest @3.55%)	3/15/2007	1,750,000	1,294,773	-	79,715	1,215,058
Utility system (Interest @2.73%)	12/4/2009	10,200,000	<u>7,105,207</u>	<u>-</u>	<u>332,503</u>	<u>6,772,704</u>
Total			<u>\$ 8,399,980</u>	<u>-</u>	<u>412,218</u>	<u>7,987,762</u>

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Long-term Debt (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 439,880	224,873	664,753
2017	452,690	212,064	664,754
2018	465,877	198,876	664,753
2019	479,454	185,299	664,753
2020	493,431	171,322	664,753
2021-25	2,691,739	632,058	3,323,797
2026-30	2,647,850	236,844	2,884,694
2031	316,841	5,051	321,892
Total	<u>\$ 7,987,762</u>	<u>1,866,387</u>	<u>9,854,149</u>

Principal, redemption premium, and interest on SMA debt are payable from the gross revenues of the water, sanitary sewer and solid waste disposal systems, and from other funds established by the bond indentures.

4. AUTHORITIES

A. Sulphur Municipal Authority (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the City (water, sewer and refuse) were transferred to the Sulphur Municipal Authority. The Municipal Authority provides utility services for its customers including the City of Sulphur and its related departments.

NOTES PAYABLE:

In 2007, the SMA issued a note payable in the amount of \$1,750,000 to the Oklahoma Water Resources Board. The proceeds of the note were used to complete the water system improvements. Principal and interest payments are due on March 15 and September 15 of each year for a period of 20 years at an interest rate of 3.55%. The gross utility revenues of the SMA have been pledged to secure the note.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

4. AUTHORITIES (Continued)

A. Sulphur Municipal Authority (A Blended Component Unit) (Continued)

In 2009, the SMA issued a note payable in the amount of \$10,200,000 to the Oklahoma Water Resources Board. The proceeds of the note were used to complete the water system improvements. Principal and interest payments are due on March 15 and September 15 of each year for a period of 20 years at an interest rate of 2.23%. The gross utility revenues of the SMA have been pledged to secure the note.

5. OTHER INFORMATION

A. Pension Plan Participation

The City of Sulphur participates in three pension or retirement plans:

Oklahoma Firefighters Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
Oklahoma Municipal Retirement Fund – an agent multiple-employer defined benefit plan.

Firefighters Plan:

Plan Summary Information. The City of Sulphur, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighters Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members are required to contribute 8% of their annual salary to the plan. The City is required by state law to contribute 13% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a net pension liability of \$1,466,462 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability is based on the City's contributions received by the pension plan relative to

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion is 0.1426%.

For the year ended June 30, 2015, the City recognized pension expense of \$48,478. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 221,982
Net difference between projected and actual earnings on pension plan investments	34,941	-
City contributions subsequent to the measurement date	<u>48,478</u>	<u>-</u>
Total	<u>\$ 83,419</u>	<u>\$ 221,982</u>

\$83,419 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 51,055
2017	51,005
2018	51,005
2019	51,055
2020	<u>17,862</u>
	<u>\$ 221,982</u>

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 are summarized in the following table:

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

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

CITY OF SULPHUR
Sulphur, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Current Discount Rate 7.5%
Employers' net pension liability	\$ 1,466,462

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the FPRS which can be located at www.ok.gov/FPRS.

Police Plan:

Plan Summary Information. Pursuant to the requirements of Title 11, section 22-102, the City of Sulphur participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 101 N.W. 63rd Street, Oklahoma City, OK 73116-7335.

Funding Policy. OPPRS plan members are required to contribute 8% of their annual salary to the plan. The City contributes 13% of members’ annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a net pension asset of \$39,555 for its proportionate share of the total net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City’s proportion of the net pension asset was based on the City’s contributions received by the pension plan relative to

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.1175%.

For the year ended June 30, 2015, the City recognized pension expense of \$14,499. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,771
Net difference between projected and actual earnings on pension plan investments	-	139,030
City contributions subsequent to the measurement date	38,977	-
Total	\$ 38,977	\$ 156,801

\$38,977 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ 36,064
2017	36,064
2018	36,064
2019	36,064
2020	12,545
	\$ 156,801

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

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Inflation: 3%

Salary increases: 4.5% to 17% average, including inflation

Investment rate of return: 7.5% net pension plan investment expense

Mortality rates: Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real estate	5.50%
Private equity	5.96%
Commodities	3.08%

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.5%	1% Increase 8.50%
Employers' net pension liability/asset	\$ 235,347	\$ (39,555)	\$ (271,236)

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Summary of Contributions – Cost Sharing Plans:

Oklahoma Police Pension and Retirement System			Oklahoma Firefighters Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2013	\$ 40,258	100%	2013	\$ 47,571	100%
2014	\$ 42,599	100%	2014	\$ 46,408	100%
2015	\$ 42,599	100%	2015	\$ 46,408	100%

Employee Plan:

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer – defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s plan additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>OkMRF Plan</u>
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	9.7% of covered payroll
-Employee Rate	Mandatory minimum pre-tax contribution
c. Period Required to Vest	5 years of credited service; July 2011-new hires 7 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 5 years of service -Early retirement at age 55 with 5 years of service -Disability retirement upon disability with 5 years of service -50% death benefit with 5 years of service for married employees
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	3% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Benefit computed as for normal retirement based upon age and service at termination
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage
-Prior to 5 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Employees Covered by Benefit Terms

Active Employees	26
Deferred Vested Former Employees	4
Retirees or Retiree Beneficiaries	13
Total	43

Contribution Requirements – The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 10.21% of covered payroll as of 7-1-15. For the year ended June 30, 2015, the City recognized \$149,263 of employer contributions to the plan which is more than the actuarially determined amount based on covered payroll of \$1,004,706.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2014
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Post Retirement Cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1st based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2014 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
Total	<u>100%</u>		<u>4.75%</u>

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

Changes in Net Pension Asset/Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2014 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2014 and the City's report ending date of June 30, 2015, that would have had a significant impact on the net pension asset/liability. The following table reports the components of changes in net pension asset/liability:

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a)-(b)
	<u> </u>	<u> </u>	<u> </u>
Balances Beginning of Year	\$ 4,316,719	\$ 3,467,007	\$ 849,711
Changes for the Year:			
Service cost	103,291	-	103,291
Interest expense	336,488	-	336,488
Contributions - City	-	149,263	(149,263)
Contributions - members	-	47,265	(47,265)
Net investment income	-	574,272	(574,272)
Benefits paid	(159,429)	(159,429)	-
Plan administrative expenses	-	(8,496)	8,496
Net Changes	<u>280,350</u>	<u>602,875</u>	<u>(322,525)</u>
Balances End of Year	<u>\$ 4,597,069</u>	<u>\$ 4,069,882</u>	<u>\$ 527,186</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability (Asset)	\$ 1,129,079	\$ 527,186	\$ 29,752

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

A. Pension Plan Participation (Continued)

The City reported \$71,868 in pension expense for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 245,130
City contributions subsequent to the measurement date	149,263	-
Total	\$ 149,263	\$ 245,130

Amortization of Pension Deferrals – Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (61,283)
2017	(61,283)
2018	(61,283)
2019	(61,281)
	\$ (245,130)

City Manager Retirement Plan

The City of Sulphur participates in the Oklahoma Municipal Retirement Funds City Manager Retirement Plan. However, the City Manager is not required to contribute.

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

B. New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – GASB No. 73 was issued June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of the Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of the Statement address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City has not yet determined the impact that implementation of GASB 73 will have on its net position.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – GASB No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Not Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City has not yet determined the impact that implementation of GASB 74 will have on its net position.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* – GASB No. 76 was issued in June 2015, and was issued to identify the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

5. OTHER INFORMATION (Continued)

B. New Accounting Pronouncements (Continued)

No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City has not yet determined the impact that implementation of GASB 76 will have on its net position.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* – GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City has not yet determined the impact that implementation of GASB 78 will have on its net position.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* – GASB 80 was issued January 2016, and amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The City has not yet determined the impact that implementation of GASB 80 will have on its net position.

6. RESTATEMENT OF BEGINNING NET POSITION

Net position of the Government-Wide Governmental Activities financial statements has been restated to include the pension liability at the beginning of the period in accordance with GASB 68. As a result of the restatement, total beginning net position decreased by \$2,496,427. The prior period financial statements were not reissued or restated as a result of this change in accounting principle.

CITY OF SULPHUR
Sulphur, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2015

CITY OF SULPHUR
Sulphur, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2015

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

Defined Benefit Cost Sharing Plans:

Police

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

Schedule of City contributions

Fire

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

Schedule of City contributions

Defined Benefit Agent Multi-Employer Plan

OkMRF

Schedule of change in net pension liability & related ratios

Schedule of employer contributions

Budgetary Comparison Schedule - General, Special Revenue & Capital Projects Funds

CITY OF SULPHUR
 OKLAHOMA POLICE PENSION RETIREMENT SYSTEM
 YEAR ENDED JUNE 30, 2015

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Last 10 Fiscal Year *

	2014
City's proportion of the net pension liability	0.1175%
City's proportionate share of the net pension liability	\$ 39,555
City's covered-employee payroll	\$ 304,278
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-12.99%
Plan fiduciary net position as a percentage of the total pension liability	101.53%

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

Notes to Schedule:

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

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Fiscal Years

	2014
Statutorially required contribution	\$ 42,599
Contributions in relation to the statutorially required contribution	42,599
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 304,278
Contributions as a percentage of covered-employee payroll	13.00%

Notes to Schedule:

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

CITY OF SULPHUR
 OKLAHOMA FIREFIGHTERS PENSION RETIREMENT SYSTEM
 YEAR ENDED JUNE 30, 2015

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Last 10 Fiscal Years*

	2014
City's proportion of the net pension liability	0.1426%
City's proportionate share of the net pension liability	\$ 1,466,462
City's covered-employee payroll	\$ 331,485
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	442.39%
Plan fiduciary net position as a percentage of the total pension liability	68.12%

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

Notes to Schedule:

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

SCHEDULE OF CITY CONTRIBUTIONS
 Last 10 Fiscal Years

	2014
Statutorially required contribution	\$ 46,408
Contributions in relation to the statutorially required contribution	46,408
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 331,485
Contributions as a percentage of covered-employee payroll	14.00%

Notes to Schedule:

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

CITY OF SULPHUR
OKLAHOMA MUNICIPAL RETIREMENT FUND
YEAR ENDED JUNE 30, 2015

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2015</u>
Total pension liability	
Service Cost	\$ 103,291
Interest	336,488
Changes of benefit term	-
Differences between expected and actual experience	-
Changes of assumption	-
Benefit payments, including refunds of member contributions	<u>(159,429)</u>
Net change in total pension liability	280,350
Total pension liability - beginning	<u>4,316,719</u>
Total pension liability - ending (a)	<u><u>\$ 4,597,069</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 149,263
Contributions - member	47,265
Net investment income	574,272
Benefit payments, including refunds of member contributions	(159,429)
Administrative expense	(8,496)
Other	<u>-</u>
Net change in plan fiduciary net position	602,875
Plan fiduciary net position - beginning	<u>3,467,007</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,069,882</u></u>
Net pension liability (asset) - ending (a)-(b)	<u><u>\$ 527,187</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.53%
Covered employee payroll	\$ 897,120
Net pension liability (asset) as a percentage of covered employee payroll	58.76%

Notes to Schedule:

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

CITY OF SULPHUR
OKLAHOMA MUNICIPAL RETIREMENT FUND
YEAR ENDED JUNE 30, 2015

SCHEDULE OF EMPLOYER CONTRIBUTION

	<u>2015</u>
Actuarially determined contribution	\$ 149,263
Contributions in relation to the acutarily determined contribution	149,263
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 1,004,706
Contributions as a percentage of covered-employee payroll	15%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available
2. Latest Valuation Date: July 1, 2014
3. Actuarially determined contribution rate is calculated as of July 1 ,2013 and July 1, 2014
 FY 13-14 contributions were at a rate of 9.28%
 FY 14-15 contributions were at a rate of 9.26%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 29 years
 - Asset valuation method - Actuarial
 - Somthing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.50%

CITY OF SULPHUR
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

GENERAL FUND

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues				
Charges for services	\$ 3,344	3,344	6,974	3,630
Licenses & permits	16,185	16,185	15,778	(407)
Interest	1,265	1,265	1,477	212
Franchise fees	225,000	225,000	215,617	(9,383)
Fines and forfeitures	25,000	25,000	-	(25,000)
Sales tax	1,600,000	1,600,000	1,818,192	218,192
Use tax	90,000	90,000	77,583	(12,417)
Alcoholic beverage tax	31,000	31,000	38,864	7,864
Cigarette tax	32,000	32,000	31,840	(160)
Airport grant	-	-	9,906	9,906
Lot sales	10,000	10,000	12,907	2,907
In lieu of taxes	56,000	56,000	67,994	11,994
Miscellaneous	25,000	25,000	115,233	90,233
Total revenues	<u>2,114,794</u>	<u>2,114,794</u>	<u>2,412,365</u>	<u>297,571</u>
Expenditures:				
Current				
General government				
Administration	45,831	45,831	45,057	774
City Clerk and clerks	83,758	83,758	81,619	2,139
Attorney	15,576	15,576	15,122	454
Judge	10,456	10,456	9,835	621
General government	543,861	543,861	511,950	31,911
Treasurer	13,456	13,456	13,064	392
Grounds maintenance	166,432	166,432	152,298	14,134
Public safety				
Police	893,854	893,854	721,256	172,598
Fire	720,800	720,800	593,710	127,090
Office of emergency management	17,500	17,500	-	17,500
Highways, roads, & airport				
Streets	131,001	131,001	70,325	60,676
Cultural & recreational				
Cemetery	65,722	65,722	30,278	35,444
Capital outlay	456,374	456,374	447,951	8,423
Total expenditures	<u>3,164,621</u>	<u>3,164,621</u>	<u>2,692,465</u>	<u>472,156</u>
Excess of revenues over (under) expenditures	(1,049,827)	(1,049,827)	(280,100)	769,727
Fund balance - beginning of year	<u>1,049,827</u>	<u>1,049,827</u>	<u>1,413,005</u>	<u>363,178</u>
Fund balance - end of year	<u>\$ -</u>	<u>-</u>	<u>1,132,905</u>	<u>1,132,905</u>
Reconciliation to GAAP Basis				
Accounts Receivable			<u>513,764</u>	
Fund Balance - end of year, GAAP Basis			<u>\$ 1,646,669</u>	

CITY OF SULPHUR
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL - GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

CAPITAL PROJECTS FUND

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 400,000	400,000	454,547	54,547
Interest	1,000	1,000	1,372	372
Total revenues	401,000	401,000	455,919	54,919
Expenditures:				
Current				
Highways, roads, & airport	55,850	55,850	33,518	22,332
Capital outlay	399,150	399,150	23,533	375,617
Total expenditures	455,000	455,000	57,051	397,949
Net changes in fund balance	(54,000)	(54,000)	398,868	452,868
Fund balance - beginning of year	54,000	54,000	1,341,160	1,287,160
Fund balance - end of year	\$ -	-	1,740,028	1,740,028
Adjustments to GAAP Basis				
Accounts Receivable			74,710	
Fund balance - end of year GAAP Basis			\$ 1,814,738	

CITY OF SULPHUR
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL - GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

SPECIAL REVENUE FUNDS

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues				
Intergovernmental	\$ 40,000	40,000	51,099	11,099
Interest	90	90	103	13
Miscellaneous	<u>13,000</u>	<u>13,000</u>	<u>16,903</u>	<u>3,903</u>
Total revenues	<u>53,090</u>	<u>53,090</u>	<u>68,105</u>	<u>15,015</u>
Expenditures:				
Streets and highways	72,000	72,000	69,445	2,555
Cultural & recreational	21,000	21,000	6,246	14,754
Capital outlay	<u>6,000</u>	<u>6,000</u>	-	<u>6,000</u>
Total expenditures	<u>99,000</u>	<u>99,000</u>	<u>75,691</u>	<u>23,309</u>
Net changes in fund balance	(45,910)	(45,910)	(7,586)	38,324
Fund balance - beginning of year	<u>47,430</u>	<u>47,430</u>	<u>210,346</u>	<u>162,916</u>
Fund balance - end of year	<u>\$ 1,520</u>	<u>1,520</u>	202,760	<u>201,240</u>
Adjustments to GAAP Basis				
Accounts Receivable			<u>3,716</u>	
Fund balance - end of year GAAP Basis			<u>\$ 206,476</u>	

CITY OF SULPHUR
Sulphur, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2015

CITY OF SULPHUR
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	STREET CASH	LIBRARY CASH	CEMETERY CASH	CDBG SEWER	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash	\$ 98,488	66,740	43,602	1	208,831
Accounts receivable	3,716	-	-	-	3,716
Total Assets	\$ 102,204	66,740	43,602	1	212,547
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts payable	\$ 5,759	312	-	-	6,071
Fund Equity					
Fund balance:					
Unassigned	96,445	66,428	43,602	1	206,476
Total fund equity	96,445	66,428	43,602	1	206,476
Total Liabilities and Fund Equity	\$ 102,204	66,740	43,602	1	212,547

	STREET CASH	LIBRARY CASH	CEMETERY CASH	CDBG SEWER	TOTALS NON-MAJOR GOVERNMENTAL FUNDS
Revenues					
Intergovernmental	\$ 51,732	-	-	-	51,732
Interest earnings	50	34	19	-	103
Miscellaneous					
Oil and gas royalties	-	3,796	-	-	3,796
Lot sales	-	-	13,107	-	13,107
Total revenues	<u>51,782</u>	<u>3,830</u>	<u>13,126</u>	<u>-</u>	<u>68,738</u>
Expenditures					
Streets and highways	69,445	-	-	-	69,445
Cultural & recreational	-	6,246	-	-	6,246
Capital outlay	-	-	-	-	-
Total expenditures	<u>69,445</u>	<u>6,246</u>	<u>-</u>	<u>-</u>	<u>75,691</u>
Excess of revenues over (under) expenditures	(17,663)	(2,416)	13,126	-	(6,953)
Fund balances - beginning of period	<u>114,108</u>	<u>68,844</u>	<u>30,476</u>	<u>1</u>	<u>213,429</u>
Fund balances - end of period	<u>\$ 96,445</u>	<u>66,428</u>	<u>43,602</u>	<u>1</u>	<u>206,476</u>

WILSON, DOTSON & ASSOCIATES, P.L.L.C.

Certified Public Accountants

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITORS' 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

June 1, 2016

Honorable Mayor and City Council Members
City of Sulphur
Sulphur, 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 Sulphur, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Sulphur, Oklahoma's basic financial statements, and have issued our report thereon dated June 1, 2016. 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.

City of Sulphur
June 1, 2016

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilson Dotson & Associates

Wilson, Dotson & Associates, PLLC
Certified Public Accountants

**CITY OF SULPHUR
Sulphur, Oklahoma**

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

None

**CITY OF SULPHUR
Sulphur, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015**

None