

**CITY OF ELK CITY OKLAHOMA
ELK CITY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2014**

THE CITY OF ELK CITY, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Elk City, OK

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 City of Elk City, OK, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk City, OK, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 –10 and 33–35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the City of Elk City, OK'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 the results of that testing, and not to provide an opinion on 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 City of Elk City, OK's internal control over financial reporting and compliance.

FSW&B CPAs- PLLC

FSW&B CPA's-PLLC

Woodward, OK

December 12, 2014

Within this section, the City of Elk City's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2014. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2014, the assets of the City exceeded its liabilities by \$109,794,044 (net position). Of this amount \$18,671,040 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$100,349,211.
- The City's total net position is comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$60,940,090 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$30,182,914.
 - (3) Unrestricted net position of \$18,671,040 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$28,584,429 which compares favorably to prior year liabilities of \$22,996,401. The increase of \$5,588,028 is attributable debt issued by the Elk City Public Works Authority for water improvements as well as the accrual of landfill closure costs associated with the second cell operated by the City, offset by regular payment on outstanding obligations. The largest component of debt for Governmental Activities is the obligation for the landfill closure, which remained consistent between years. Refer to a summary of debt payments made in the footnotes to the financial statements.
- The City's governmental funds on the Statement of Revenues, Expenses and Changes in Fund Balances in Governmental Funds reported total ending fund balance of \$27,400,229. This compared to prior year ending fund balance of \$22,144,015, showing an increase of \$5,256,214. Unassigned fund balance was \$7,234,155 up from \$4,644,819 as of June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including water and sanitation, provided by the City as well as the operation of the rock yard.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water and sanitation utilities and sales of rock and airplane fuel.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the meter deposits and police bonds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information detailing the combining statements of non-major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

The City's combined net position at June 30, 2014 was \$109,829,243. This is a \$9,480,032 increase over June 30, 2013 net position of \$100,349,211. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$70,836,254 and \$38,992,989, respectively. The City's overall financial position improved during fiscal year 2014.

	Summary of Net Assets (in thousands)							
	Governmental Activities		Business-Type Activities		Total		Change	
	2014	2013	2014	2013	2014	2013	\$	%
Current assets	\$ 29,991	\$ 24,638	\$ 21,757	\$ 19,000	\$ 51,748	\$ 43,638	\$ 8,110	19%
Capital assets, net	43,436	37,520	43,195	42,188	86,631	79,708	6,923	9%
Total assets	73,427	62,158	64,952	61,188	138,379	123,346	15,033	12%
Current liabilities	2,590	2,494	3,398	1,812	5,988	4,306	1,682	39%
Non-current liabilities	35	-	22,561	18,690	22,596	18,690	3,906	21%
Total liabilities	2,625	2,494	25,959	20,502	28,584	22,996	5,588	24%
Net position								
Invested in capital assets, net of related debt	43,436	37,520	17,504	22,451	60,940	59,971	969	2%
Restricted	17,356	14,467	12,827	9,119	30,183	23,586	6,597	28%
Unrestricted	10,010	7,677	8,662	9,116	18,672	16,793	1,879	11%
Total net position	\$ 70,802	\$ 59,664	\$ 38,993	\$ 40,686	\$ 109,795	\$ 100,350	\$ 9,445	9%

Net position increased 9% over prior year. This increase is attributable in increase in liquid assets offset by an increase in liabilities. The City issued bonds during the current year, which increased cash available for improvements and capital assets in addition to increasing the long term obligations of the City.

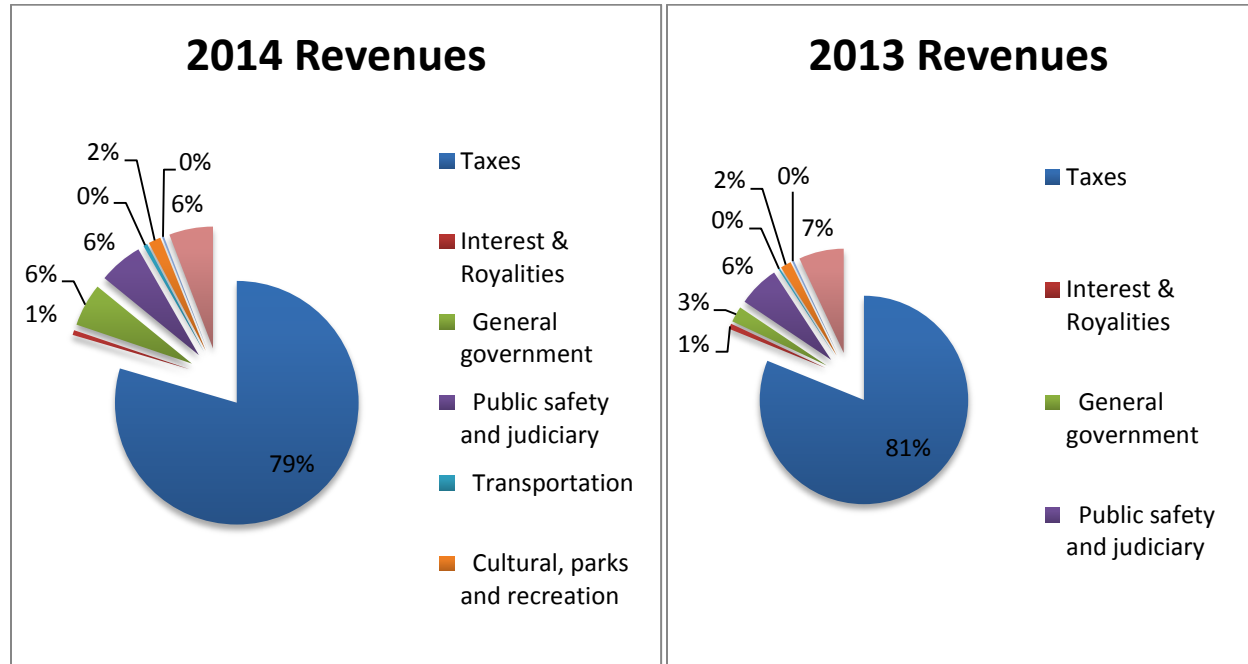
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Change	
	2014	2013	2014	2013	2014	2013	\$	%
Revenues								
Program revenues	\$ 3,681,717	\$ 3,254,092	\$ 8,918,474	\$ 7,782,964	\$ 12,600,191	\$ 11,037,056	\$ 1,563,135	14%
Taxes and other general revenues	14,936,769	14,896,057	4,294,620	4,100,130	19,231,389	18,996,187	235,202	1%
Total revenues	18,618,486	18,150,149	13,213,094	11,883,094	31,831,580	30,033,243	1,798,337	15%
Expenses								
General government	2,387,880	2,529,865	-	-	2,387,880	2,529,865	(141,985)	-6%
Public safety and judiciary	5,430,608	5,245,358	-	-	5,430,608	5,245,358	185,250	4%
Transportation	384,004	83,483	-	-	384,004	83,483.00	300,521	360%
Cultural, parks, and recreation	1,596,741	1,704,453	-	-	1,596,741	1,704,453	(107,712)	-6%
Public service	1,372,457	2,847,579	-	-	1,372,457	2,847,579	(1,475,122)	-52%
Economic development	1,268,380	960,517	-	-	1,268,380	960,517	307,863	32%
Utilities	-	-	4,777,823	4,501,918	4,777,823	4,501,918	275,905	6%
Airport	-	-	511,969	437,149	511,969	437,149	74,820	17%
Customer service	-	-	420,558	664,984	420,558	664,984	(244,426)	-37%
Industrial development	-	-	4,236,327	3,364,805	4,236,327	3,364,805	871,522	26%
Total expenses	12,440,070	13,371,255	9,946,677	8,968,856	22,386,747	22,340,111	46,636	0%
Excess (deficiency) before transfers	\$ 6,178,416	\$ 4,778,894	\$ 3,266,417	\$ 2,914,238	\$ 9,444,833	\$ 7,693,132	\$ 1,751,701	23%
Transfers	4,958,486	314,494	(4,958,486)	(314,494)	-	-	-	0%
Increase (decrease) in net position	\$ 11,136,902	\$ 5,093,388	\$ (1,692,069)	\$ 2,599,744	\$ 9,444,833	\$ 7,693,132	\$ 1,751,701	23%

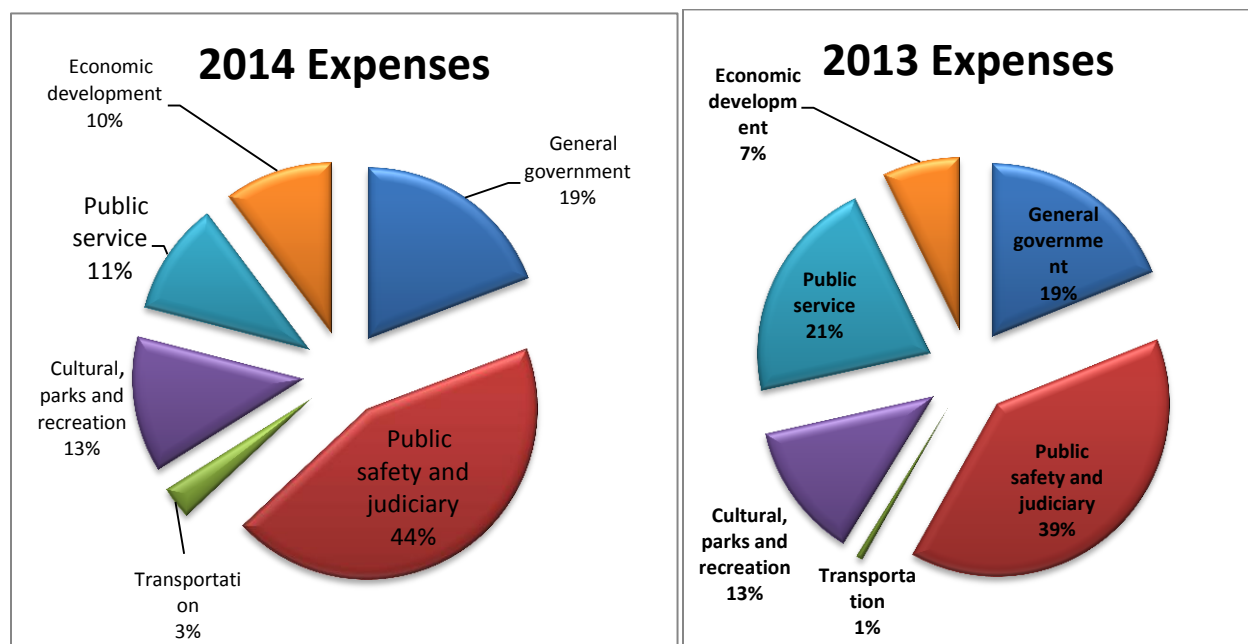
Revenues for the City increased 23% year over year. This increase in revenue is attributable to an increase in general tax revenues as well as an increase in business-type activities program revenues. To cover the debt service on the new water loan issued during the fiscal year, the City passed a surcharge revenue to water customers. Additionally, the City increased charges to customers for the service provided.

Operating expenses remained consistent year over year. Debt service payments on the water loan issued in December 2013 are posted against the liability in the government-wide statements.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



Taxes provided 79% of the City's governmental revenues in fiscal year 2014 compared to 81% 2013. Sources of revenues for the governmental funds remained consistent between years.



TOTAL EXPENSES \$12,404,871

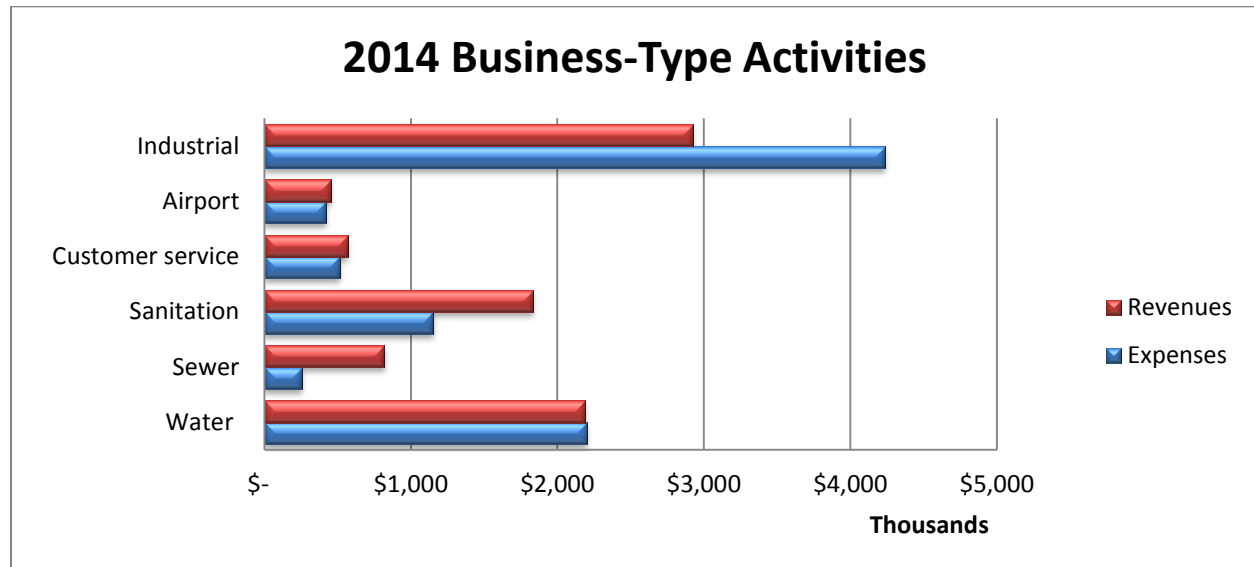
TOTAL EXPENSES \$13,371,255

For the year ended June 30, 2014, total expenses for governmental activities were \$12,404,871. Of this amount, public safety and judiciary with \$5,430,608, was the largest operating service department at 44% of the total cost of services for the City government. This compares to prior year in which public safety accounted for 39% of total expenses. These costs, as well as all other governmental activity expenses,

were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities

The following is a graphic representation of business-type expenses as a percentage of revenues for the major departments of the City's enterprise funds:



Business-type activities are shown comparing operating costs to operating revenues generated by the related services. Sanitation, Sewer, and Water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges. The Industrial Authority is funded with a dedicated sales tax, which is pledged against debt offerings. That sales tax is not considered operating income in the above chart.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2014 was \$8,577,382. This was a decrease of \$70,318 over the previous year's budget of \$8,647,700. During the fiscal year, the City approved four budget amendments totaling \$385,646. Total expenditures for the City were \$8,475,427, which is \$410,338 less than the approved budget. Total General Fund expenditures were less than approved budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had \$60,940,090 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and utility improvements/infrastructure in business-type activities. Refer to the table below.

Primary Government Capital Assets

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land and CIP	\$ 4,343	\$ 4,166	\$ 1,017	\$ 557	\$ 5,360	\$ 4,723
Buildings	16,095	16,095	32,380	32,380	48,475	48,475
Machinery & equipment	20,409	18,496	4,902	4,320	25,311	22,816
Utility property & improvements	40,954	34,468	20,639	20,088	61,593	54,556
Total cost	\$ 81,801	\$ 73,225	\$ 58,938	\$ 57,345	\$ 140,739	\$ 130,570
Accumulated depreciation	38,365	35,705	17,111	15,556	55,476	51,261
Total capital assets, net	\$ 43,436	\$ 37,520	\$ 41,827	\$ 41,789	\$ 85,263	\$ 79,309

The most significant additions to the City's capital assets included:

- Streets and roadway repairs
- New sanitation vehicles
- Water line improvements
- Landfill fencing
- Airport terminal building remodel and taxiway improvements
- Multiple vehicles across City departments

Long-Term Debt

At year-end, the City had \$22,596,049 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Notes payable	\$ -	\$ -	\$ 24,322,704	\$ 19,737,522	\$ 24,322,704	\$ 19,737,522
Other accrued liabilities	35,199	-	16,842	-	52,041	-
less current portion	-	-	(1,778,696)	(1,064,110)	(1,778,696)	(1,064,110)
Total long term debt	\$ 35,199	\$ -	\$ 22,560,850	\$ 18,673,412	\$ 22,596,049	\$ 18,673,412

Governmental activities reflect the accrual of estimated costs for the closure of the landfill. Additionally, the City issued debt during fiscal year 2014 to fund improvements to water infrastructure. Additional details regarding the debt can be found in the footnotes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's gross receipts are higher than ever before. State Treasurer, Ken Miller, stated when talking about July 2014 sales tax "collections have been higher than the same month of the prior year in 45 of the past 51 months, which indicates a steady economic expansion". Unemployment numbers from June 2014 reflect Oklahoma's relative economic strength

compared to the nation as a whole, reporting 4.5% statewide compared to 6.1% nationally. The economic environment of the state sheds light on the local economy.

The City of Elk City has noted increase in sales and other tax revenues when compared to prior year. Utility billing has remained strong due to an increasing customer base. Continued improvement in the City's economic position is cautiously projected as the oil and gas activity has plateaued.

Fiscal Year 2015 Planning

The City of Elk City has approved a budget for the municipal entity that provides for the continued level of service to citizens while improving the infrastructure and recreation opportunities of the community. The following highlights are noted:

General Fund

- Sales tax and other tax revenues – The sales tax split is budgeted at the amended rate of 1.375%, consistent with the FY14 budget. This results in an increase of approximately \$484,000 in revenue for the General Fund. All tax revenues are budgeted at 90% of prior year collections to develop conservative projections. Collection of the 10% incremental difference would increase revenues in the General fund by \$705,000.
- The fund projects a decrease in reserve of \$648,990 based upon budgeted revenues and expenses for FY15.

Public Works Authority

- Utility revenues – Utility revenues are budgeted based upon the rate increases passed by the Commission for the 2013 Water loan.
- The PWA budget reflects a projected net income of \$114,525 for the year ended June 30, 2015.

Industrial Authority

- The Industrial Authority – Arena Sales Tax budget includes the use of proceeds for economic development capital projects totaling \$1,643,500. The specific projects are identified in the detailed budget, attached. Use of these proceeds will leave the reserve at approximately \$6,367,000 at the end of fiscal year 2015.
- The Industrial Authority – Economic Development budget does not include any capital projects for FY15. Continued operations are budgeted with funding from the Arena Sales Tax fund of \$200,000.
- The Industrial Authority - Rock Yard sales are budgeted with a 30% profit margin, projecting \$432,500 net income. The budget includes \$20,000 of capital improvements, including a loader.

Capital Construction Fund

- Projects – Capital projects are detailed in the budget provided. The budget proposes funding \$6,048,100 in capital projects for fiscal year 2015.
- Projected reserve after the FY15 budgeted capital projects reports an increase in reserve of \$285,400, leaving \$860,400 to be carried forward.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Elk City City Hall, 320 West 3rd St, Elk City, Oklahoma.

City of Elk City, Oklahoma
Statement of Net Position
June 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 4,105,473	\$ 3,930,101	\$ 8,035,574
Investments	6,671,000	3,202,000	9,873,000
Due from other governments	1,204,831	-	1,204,831
Accounts receivable (net)	109,144	1,008,483	1,117,627
Other receivables	-	425,143	425,143
Grant receivable	100,000	-	100,000
Note receivable, current	-	257,248	257,248
Inventory	12,433	796,193	808,626
Due from other funds	(420,269)	481,252	60,983
Total current assets	<u>11,782,612</u>	<u>10,100,420</u>	<u>21,883,032</u>
Restricted assets:			
Cash and cash equivalents	7,992,918	7,356,574	15,349,492
Investments	10,215,000	4,300,000	14,515,000
Total restricted assets	<u>18,207,918</u>	<u>11,656,574</u>	<u>29,864,492</u>
Noncurrent Assets:			
Note receivable	-	1,368,155	1,368,155
Land and construction in progress	4,343,848	1,016,900	5,360,748
Other capital assets (net of accumulated depreciation)	39,092,177	40,809,869	79,902,046
Total noncurrent assets	<u>43,436,025</u>	<u>43,194,924</u>	<u>86,630,949</u>
Total assets	<u>\$ 73,426,555</u>	<u>\$ 64,951,918</u>	<u>\$ 138,378,473</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 510,779	\$ 1,264,478	\$ 1,775,257
Payroll liabilities	179,756	106,054	285,810
Compensated absences	395,455	125,477	520,932
Accrued payables	1,504,311	123,374	1,627,685
Notes payable, current	-	1,778,696	1,778,696
Total current liabilities	<u>2,590,301</u>	<u>3,398,079</u>	<u>5,988,380</u>
Noncurrent liabilities:			
Other accrued liabilities	35,199	16,842	52,041
Notes payable, non-current	-	22,544,008	22,544,008
Total noncurrent liabilities	<u>35,199</u>	<u>22,560,850</u>	<u>22,596,049</u>
Total liabilities	<u>2,625,500</u>	<u>25,958,929</u>	<u>28,584,429</u>
NET POSITION			
Invested in capital assets, net of related debt	43,436,025	17,504,065	60,940,090
Reserved for restricted purposes	17,355,827	12,827,087	30,182,914
Unrestricted	10,009,203	8,661,837	18,671,040
Total net position	<u>\$ 70,801,055</u>	<u>\$ 38,992,989</u>	<u>\$ 109,794,044</u>

**City of Elk City, Oklahoma
Statement of Activities
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
Governmental activities:					
General government	\$ 2,387,880	\$ 264,184	\$ 261,735	\$ 534,349	\$ (1,327,612)
Public safety and judiciary	5,430,608	1,032,627	53,428	-	(4,344,553)
Transportation	384,004	-	-	100,000	(284,004)
Cultural, parks and recreation	1,596,741	304,244	420	-	(1,292,077)
Public service	1,372,457	47,714	-	-	(1,324,743)
Economic development	1,268,380	-	1,083,016	-	(185,364)
Total governmental activities	<u>12,440,070</u>	<u>1,648,769</u>	<u>1,398,599</u>	<u>634,349</u>	<u>(8,758,353)</u>
Business-type activities:					
Water	2,200,287	2,185,578	-	-	(14,709)
Sewer	252,183	816,935	-	-	564,752
Sanitation	1,150,956	1,831,656	-	-	680,700
Streets	1,174,397	-	140,298	-	(1,034,099)
Customer service	511,969	569,684	-	-	57,715
Airport	420,558	412,384	-	38,711	30,537
Industrial	4,236,327	2,923,228	-	-	(1,313,099)
Total business-type activities	<u>9,946,677</u>	<u>8,739,465</u>	<u>140,298</u>	<u>38,711</u>	<u>(1,028,203)</u>
Total primary government	<u>\$ 22,386,747</u>	<u>\$ 10,388,234</u>	<u>\$ 1,538,897</u>	<u>\$ 673,060</u>	<u>\$ (9,786,556)</u>

City of Elk City, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2014

Changes in Net Position:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (8,758,353)	\$ (1,028,203)	\$ (9,786,556)
General revenues:			
Taxes:			
Sales tax	12,893,296	4,231,912	17,125,208
Use tax	857,984	-	857,984
Franchise tax	554,745	-	554,745
Other taxes	278,273	-	278,273
Oil and gas royalties	194,678	-	194,678
Investment income	119,521	62,708	182,229
Gain on sale of assets	38,272	-	38,272
Transfers-Internal activity	4,958,486	(4,958,486)	-
Other	-	-	-
Total general revenues and transfers	<u>19,895,255</u>	<u>(663,866)</u>	<u>19,231,389</u>
Change in net assets	11,136,902	(1,692,069)	9,444,833
Net position-beginning	59,664,153	40,685,058	100,349,211
Net position-ending	<u><u>\$ 70,801,055</u></u>	<u><u>\$ 38,992,989</u></u>	<u><u>\$ 109,794,044</u></u>

**City of Elk City, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Economic Development</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 4,105,473	\$ -	\$ 6,318,977	\$ 71,970	\$ 1,601,971	\$ 12,098,391
Investments	6,671,000	-	7,000,000	1,700,000	1,515,000	16,886,000
Due from other governments	627,561	-	575,199	-	2,071	1,204,831
Accounts receivable	109,144	-	-	-	-	109,144
Grant receivable	100,000	-	-	-	-	100,000
Inventory	12,433	-	-	-	-	12,433
Total assets	<u>\$ 11,625,611</u>	<u>\$ -</u>	<u>\$ 13,894,176</u>	<u>\$ 1,771,970</u>	<u>\$ 3,119,042</u>	<u>\$ 30,410,799</u>
LIABILITIES						
Accounts payable	\$ 60,445	\$ -	\$ 444,220	\$ -	\$ 6,114	\$ 510,779
Due to other funds	419,759	-	-	510	-	420,269
Payroll liabilities	179,756	-	-	-	-	179,756
Compensated absences	395,455	-	-	-	-	395,455
Other accrued liabilities	1,504,311	-	-	-	-	1,504,311
Total liabilities	<u>2,559,726</u>	<u>-</u>	<u>444,220</u>	<u>510</u>	<u>6,114</u>	<u>3,010,570</u>
FUND BALANCES						
Nonspendable	12,433	-	-	-	-	12,433
Restricted	466,515	-	-	-	810,479	1,276,994
Committed	777,839	-	13,449,956	-	1,851,038	16,078,833
Assigned	631,145	-	-	1,771,460	395,209	2,797,814
Unassigned	7,177,953	-	-	-	56,202	7,234,155
Total fund balances	<u>9,065,885</u>	<u>-</u>	<u>13,449,956</u>	<u>1,771,460</u>	<u>3,112,928</u>	<u>27,400,229</u>
Total liabilities and fund balances	<u>\$ 11,625,611</u>	<u>\$ -</u>	<u>\$ 13,894,176</u>	<u>\$ 1,771,970</u>	<u>\$ 3,119,042</u>	<u>\$ 30,410,799</u>
Total fund balance- total governmental funds						\$ 27,400,229
Amounts reported for governmental activities in the Statement of Net assets are different because:						
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported						
					4,343,848	
					77,457,279	
					<u>(38,365,102)</u>	
						43,436,025
Long-term portion of liabilities are not due and payable in the current period and are not reported						<u>(35,199)</u>
Net assets of governmental activities						<u>\$ 70,801,055</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

	General Fund	Debt Service	Capital Projects	Economic Development	Non-Major Funds	Total Governmental Funds
REVENUES						
Sales tax	\$ 5,261,797	\$ -	\$ 6,876,857	\$ -	\$ -	\$ 12,138,654
Use tax	857,984	-	-	-	-	857,984
Franchise tax	554,745	-	-	-	-	554,745
Other taxes	198,793	-	-	-	-	198,793
Licenses and permits	156,242	-	-	-	-	156,242
Rents & royalties	240,454	-	-	-	-	240,454
Fines and forfeitures	497,295	-	-	-	-	497,295
Charges for services	944,202	-	-	-	5,255	949,457
Intergovernmental revenues	431,419	-	-	-	754,642	1,186,061
Donations	10,720	-	-	-	-	10,720
Other revenues	51,673	-	482,676	63,670	1,072,269	1,670,288
Sale of assets	-	-	38,272	-	-	38,272
Interest	102,205	-	-	7,812	9,504	119,521
Total revenues	<u>9,307,529</u>	<u>-</u>	<u>7,397,805</u>	<u>71,482</u>	<u>1,841,670</u>	<u>18,618,486</u>
EXPENDITURES						
General government:						
Managerial	458,188	-	-	-	-	458,188
City clerk	782,461	-	27,178	-	-	809,639
City treasurer	73,652	-	-	-	-	73,652
City attorney	43,702	-	-	-	-	43,702
General government	664,155	-	10,630	-	4,950	679,735
Total general government	<u>2,022,158</u>	<u>-</u>	<u>37,808</u>	<u>-</u>	<u>4,950</u>	<u>2,064,916</u>
Public safety and judiciary:						
Police	2,323,052	-	23,438	-	1,683	2,348,173
Municipal court	82,472	-	-	-	-	82,472
Animal control	201,688	-	-	-	-	201,688
Fire	2,207,422	-	28,225	-	43,060	2,278,707
Ambulance	81,541	-	-	-	-	81,541
Total public safety and judiciary	<u>4,896,175</u>	<u>-</u>	<u>51,663</u>	<u>-</u>	<u>44,743</u>	<u>4,992,581</u>
Transportation:						
Street	-	-	68,835	-	-	68,835
Airport	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>68,835</u>	<u>-</u>	<u>-</u>	<u>68,835</u>
Cultural, parks and recreation:						
Museum	431,382	-	6,331	-	-	437,713
Library	192,143	-	-	-	-	192,143
Civic center	73,159	-	15,568	-	-	88,727
Park	437,249	-	24,500	-	-	461,749
Swimming pool	70,187	-	-	-	-	70,187
Total cultural, parks and recreation	<u>1,204,120</u>	<u>-</u>	<u>46,399</u>	<u>-</u>	<u>-</u>	<u>1,250,519</u>
Public service:						
Cemetery	145,760	-	-	-	-	145,760
Inspection	128,976	-	-	-	-	128,976
Landfill	-	-	-	-	-	-
Total public service	<u>274,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,736</u>
Economic development:						
Hotel/motel tax	-	-	-	232,083	866,039	1,098,122
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,083</u>	<u>866,039</u>	<u>1,098,122</u>
Capital outlay	12,862	-	3,404,800	5,153,387	-	8,571,049
Total expenditures	<u>8,410,051</u>	<u>-</u>	<u>3,609,505</u>	<u>5,385,470</u>	<u>915,732</u>	<u>18,320,758</u>
Excess (deficiency) of revenues over expenditures	897,478	-	3,788,300	(5,313,988)	925,938	297,728
OTHER FINANCING SOURCES (USES)						
Transfers in	1,523,803	-	163	5,000,000	(154,364)	6,369,602
Transfers out	(1,187,633)	-	(223,483)	-	-	(1,411,116)
Total other financing sources and uses	<u>336,170</u>	<u>-</u>	<u>(223,320)</u>	<u>5,000,000</u>	<u>(154,364)</u>	<u>4,958,486</u>
Net change in fund balances	1,233,648	-	3,564,980	(313,988)	771,574	5,256,214
Fund balances - beginning (restated)	7,832,237	-	9,884,976	2,085,448	2,341,354	22,144,015
Fund balances - ending	<u>\$ 9,065,885</u>	<u>\$ -</u>	<u>\$ 13,449,956</u>	<u>\$ 1,771,460</u>	<u>\$ 3,112,928</u>	<u>\$ 27,400,229</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 5,256,214
Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	8,575,822	
Depreciation expense	<u>(2,659,935)</u>	5,915,887

Some expenses reported in the statement of activities do not require
the use of current financial resources and are not reported as expenditures
in governmental funds. This includes the net increase in the liability
related to closure and post closure cost of the City's solid waste landfill

(35,199)

Change in Net Assets of Governmental Activities

\$ 11,136,902

City of Elk City, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,003,034	\$ 229,123	\$ 1,697,944	\$ 3,930,101
Investments	2,202,000	-	1,000,000	3,202,000
Due from other funds	602,937	-	-	602,937
Other receivables	31,336	38,711	355,096	425,143
Accounts receivable, net	460,171	484	547,828	1,008,483
Note receivable, current	-	-	257,248	257,248
Inventory	335,220	74,808	386,165	796,193
Total current assets	<u>5,634,698</u>	<u>343,126</u>	<u>4,244,281</u>	<u>10,222,105</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	5,723,529	-	1,633,045	7,356,574
Investments	-	-	4,300,000	4,300,000
Total restricted assets	<u>5,723,529</u>	<u>-</u>	<u>5,933,045</u>	<u>11,656,574</u>
Noncurrent assets:				
Note receivable	-	-	1,368,155	1,368,155
Capital assets (net)	15,625,524	827,808	25,373,437	41,826,769
Total noncurrent assets	<u>15,625,524</u>	<u>827,808</u>	<u>26,741,592</u>	<u>43,194,924</u>
Total assets	<u>\$ 26,983,751</u>	<u>\$ 1,170,934</u>	<u>\$ 36,918,918</u>	<u>\$ 65,073,603</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 475,608	\$ 28,656	\$ 760,214	\$ 1,264,478
Payroll liabilities	218,090	1,564	11,877	231,531
Due to other funds	-	19,483	102,202	121,685
Other liabilities	-	-	-	-
Accrued interest payable	75,888	-	47,486	123,374
Notes payable, current	690,449	-	1,088,247	1,778,696
Total current liabilities	<u>1,460,035</u>	<u>49,703</u>	<u>2,010,026</u>	<u>3,519,764</u>
Noncurrent liabilities:				
Deferred income	-	16,842	-	16,842
Notes payable, non-current	11,342,852	-	11,201,156	22,544,008
Total noncurrent liabilities	<u>11,342,852</u>	<u>16,842</u>	<u>11,201,156</u>	<u>22,560,850</u>
Total liabilities	<u>12,802,887</u>	<u>66,545</u>	<u>13,211,182</u>	<u>26,080,614</u>
NET POSITION				
Invested in capital assets, net of related debt	3,592,223	827,808	13,084,034	17,504,065
Restricted	5,723,529	179,781	6,923,777	12,827,087
Unrestricted	4,865,112	96,800	3,699,925	8,661,837
Total net position	<u>\$ 14,180,864</u>	<u>\$ 1,104,389</u>	<u>\$ 23,707,736</u>	<u>\$ 38,992,989</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
<u>Operating revenues:</u>				
Charges for services:				
Water charges	\$ 2,185,578	\$ -	\$ -	\$ 2,185,578
Sewer charges	816,935	-	-	816,935
Sanitation charges	1,831,656	-	-	1,831,656
Sale of fuel and rock	-	362,422	2,724,770	3,087,192
Penalties	64,980	-	-	64,980
Total charges for services	<u>4,899,149</u>	<u>362,422</u>	<u>2,724,770</u>	<u>7,986,341</u>
Lease and rental income	-	49,487	-	49,487
Other fees and charges	504,704	475	198,458	703,637
Total operating revenues	<u>5,403,853</u>	<u>412,384</u>	<u>2,923,228</u>	<u>8,739,465</u>
<u>Operating expenses:</u>				
Cost of sales	-	262,059	2,080,120	2,342,179
Personal services	2,201,893	56,041	135,595	2,393,529
Materials and supplies	1,889,658	41,967	61,607	1,993,232
Other services and charges	260,673	19,471	475,121	755,265
Depreciation and amortization	669,539	41,020	844,424	1,554,983
Total operating expenses	<u>5,021,763</u>	<u>420,558</u>	<u>3,596,867</u>	<u>9,039,188</u>
Net operating income	382,090	(8,174)	(673,639)	(299,723)
<u>Nonoperating revenue (expense):</u>				
Investment income	20,984	219	41,505	62,708
Bad debt expense	-	-	-	-
Intergovernmental revenue	140,298	38,711	4,231,912	4,410,921
Interest expense	(268,029)	-	(639,460)	(907,489)
Total nonoperating revenue (expense)	<u>(106,747)</u>	<u>38,930</u>	<u>3,633,957</u>	<u>3,566,140</u>
Net Income before contributions and transfers	275,343	30,756	2,960,318	3,266,417
Transfers from other funds	954,480	173,378	-	1,127,858
Transfers to other funds	(916,779)	-	(5,169,565)	(6,086,344)
Change in net position	313,044	204,134	(2,209,247)	(1,692,069)
Net position-beginning of year	<u>13,867,820</u>	<u>900,255</u>	<u>25,916,983</u>	<u>40,685,058</u>
Net position-end of year	<u>\$ 14,180,864</u>	<u>\$ 1,104,389</u>	<u>\$ 23,707,736</u>	<u>\$ 38,992,989</u>

City of Elk City, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Funds
Cash flows from operating activities:				
Receipts from customers	\$ 4,971,319	\$ 561,866	\$ 2,832,504	\$ 8,365,689
Payments to suppliers	(1,827,894)	(376,727)	(2,115,844)	(4,320,465)
Payments to employees	(2,158,601)	(67,609)	(133,107)	(2,359,317)
Net cash provided (used) by operating activities	984,824	117,530	583,553	1,685,907
Cash flows from non-capital financing activities:				
Transfers from other funds	954,480	173,378	-	1,127,858
Transfers to other funds	(916,779)	-	(5,169,565)	(6,086,344)
Intergovernmental revenues	-	-	4,231,912	4,231,912
Net cash provided (used) by non-capital financing activities	37,701	173,378	(937,653)	(726,574)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(987,209)	(173,378)	(33,571)	(1,194,158)
Capital grants and contributions	140,298	38,711	-	179,009
Issuance of capital debt	5,990,000	-	-	5,990,000
Principal paid on capital debt	(370,518)	-	(1,043,000)	(1,413,518)
Interest paid on capital debt	(257,953)	-	(642,973)	(900,926)
Net cash provided (used) by capital and related financing activities	4,514,618	(134,667)	(1,719,544)	2,660,407
Cash flows from investing activities:				
Purchase of investments	-	-	1,251,409	1,251,409
Investment income	20,984	219	41,505	62,708
Net cash provided (used) by investing activities	20,984	219	1,292,914	1,314,117
Net increase (decrease) in cash and cash equivalents	5,558,127	156,460	(780,730)	4,933,857
Cash & cash equivalents, June 30, 2013	2,168,436	72,663	4,111,719	6,352,818
Cash & cash equivalents, June 30, 2014	<u>\$ 7,726,563</u>	<u>\$ 229,123</u>	<u>\$ 3,330,989</u>	<u>\$ 11,286,675</u>
Cash, including time deposits	\$ 2,003,034	\$ 229,123	\$ 1,697,944	\$ 3,930,101
Restricted cash, including time deposits	5,723,529	-	1,633,045	7,356,574
Total cash and cash equivalents, end of year	<u>\$ 7,726,563</u>	<u>\$ 229,123</u>	<u>\$ 3,330,989</u>	<u>\$ 11,286,675</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 382,090	\$ (8,174)	\$ (673,639)	\$ (299,723)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	669,539	41,020	844,424	1,554,983
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(154,451)	931	(86,291)	(239,811)
(Increase) decrease in other receivable	(278,083)	140,966	(4,433)	(141,550)
(Increase) decrease in inventory	33,388	(52,265)	(69,220)	(88,097)
Increase (decrease) in accounts payable	289,049	(965)	543,921	832,005
Increase (decrease) in payroll liabilities	43,292	(11,568)	2,488	34,212
Increase (decrease) in other liabilities	-	7,585	26,303	33,888
Total adjustments	<u>602,734</u>	<u>125,704</u>	<u>1,257,192</u>	<u>1,985,630</u>
Net cash provided (used) by operating activities	\$ 984,824	\$ 117,530	\$ 583,553	\$ 1,685,907

City of Elk City, Oklahoma
Statement of Fiduciary Net Position
June 30, 2014

	District 2 Drug Task Force Trust Funds	Agency Funds	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 190,997	\$ 152,841	\$ 343,838
Investments	3,225,000	96,000	3,321,000
Due from other governments	-	-	-
Property, plant and equipment, net	61,270	-	61,270
Total assets	<u>\$ 3,477,267</u>	<u>\$ 248,841</u>	<u>\$ 3,726,108</u>
LIABILITIES			
Accounts payable	\$ 31,461	\$ -	\$ 31,461
Accrued salaries	33,469	-	33,469
Bonds and deposits subject to refund	-	187,858	187,858
Due to other governments	-	60,983	60,983
Total liabilities	<u>64,930</u>	<u>248,841</u>	<u>313,771</u>
NET ASSETS HELD IN TRUST			
District 2 drug task force funds	3,412,337	-	3,412,337
Net assets held in trust	<u>\$ 3,412,337</u>	<u>\$ -</u>	<u>\$ 3,412,337</u>

City of Elk City, Oklahoma
Statement of Revenues, Expenses and Changes in Fiduciary Net Position
Trust Fund
Year Ended June 30, 2014

	District 2 Drug Task Force Trust Funds
<u>ADDITIONS</u>	
Forfeitures	\$ 182,237
Other Income	24,540
Interest	25,573
Transfer in	17,862
Total additions	250,212
<u>DEDUCTIONS</u>	
Personal services	215,636
Supplies and repairs	9,207
Other charges and services	154,339
Depreciation	2,273
Total deductions	381,455
Change in net assets	(131,243)
<u>NET ASSETS HELD IN TRUST</u>	
Beginning of year	3,543,580
End of year	\$ 3,412,337

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

The accounting and reporting framework and the more significant accounting principles and practices of the City of Elk City, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2014. The City operates under a charter with a Council-Manager form of government.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's debt.

Capital Projects Fund

Accounts for the capital expenditures of the 1.625% limited purpose sales tax.

Economic Development Fund

Accounts for operations of the economic development of the City of Elk City.

Major Proprietary Funds

Elk City Public Works Authority

Accounts for the operating activities of the water, sewer, and sanitation utilities of the City. The City Council serves as the trustees of the Authority. The Elk City Public Works Authority was established in June 1981 and amended in March 1999.

Elk City Airport Authority

Accounts for the operating activities of the Elk City Municipal Airport. The City Council serves as the trustees of the Airport Authority established in July 1979.

Elk City Industrial Authority

Created in March 1967 to promote the development of industry within the City. The Industrial Authority includes the operations of the rock yard.

Fiduciary Component Units (reported in fiduciary financial statements)

District 2 Drug Task Force Trust

Established to account for the operations of the drug task force of the District

Agency Fund

Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's Agency Fund is used to account for various deposits and bail bonds.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely. The City of Elk City blends all component units.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund

the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

District 2 Drug Task Force funds recognize revenue in the period the assets are seized. The Agency Fund is custodial in nature and does not measure results of operations.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

C. Budget Policy and Practice

Budget Approval

The City Manager submits an annual budget to the City Commission in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the Commission adopts the annual fiscal year budgets for City's operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Manager and must be approved by the Commission. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Commission review and approval process.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

The budgets for operating funds and proprietary funds are prepared on the cash basis. Revenues are budgeted in the year they are expected to be received. Expenses are budgeted in the year they are expected to be paid.

D. Policies Related to Assets, Liabilities, and Fund Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Inventories

Inventories are similarly reported in government-wide and fund financial statements.

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost and recorded as an expense at the time the item is used. Governmental inventory consists of maintenance supplies for the museum. Business-type inventory includes rock, maintenance parts, and repair supplies.

Accounts Receivable

Significant receivables for governmental activities include sales and use tax receivables and ambulance receivables. Business-type receivables consist mainly of amount due from customers primarily for rock sales and utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. At June 30, 2014, the City has estimated an allowance of \$241,686 and \$109,654 for governmental and business-type activities, respectively.

Restricted Assets

Restricted assets include assets legally restricted for capital projects and special revenue funds funded through long-term debt, debt service reserves or grants. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Interfund Balances

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$4,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- Buildings 40 years
- Machinery, furniture & equipment 5-10 years
- Infrastructure 40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to all of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report compensated absences payable to current employees.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Non-spendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Date of Management's Review

Subsequent events were evaluated through December 12, 2014, which is the date the financial statements were available to be issued.

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

The City levied a 4% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to use. The unrestricted portion (1.375%) is recorded as sales tax revenue within the General Fund; 1.625% is restricted and recorded as sales tax revenue in the Capital Improvement fund, and 1% is restricted for debt payments in the Industrial Authority.

(2) ASSETS AND LIABILITIES

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

<u>Types of Investments</u>	Primary Government			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 27,709,000	\$ 27,709,000	N/A	81
Total investments	<u>27,709,000</u>	<u>27,709,000</u>		
Total primary government investments	<u>\$ 27,709,000</u>	<u>\$ 27,709,000</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary</u>	<u>Total</u>
Investments, unrestricted	\$ 6,671,000	\$ 3,202,000	\$ -	\$ 9,873,000
Investments, restricted	10,215,000	4,300,000	3,321,000	17,836,000
Total investments	<u>\$ 16,886,000</u>	<u>\$ 7,502,000</u>	<u>\$ 3,321,000</u>	<u>\$ 27,709,000</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Receivables and Uncollectable Amounts

Due from other governments

Governmental activities report sales taxes receivable and grant receivable amounts as due from other governments. Sales tax receivable is comprised of amounts received after year-end for current year taxes on sales. Balances are considered fully collectible.

Accounts Receivable

Governmental activities report ambulance patient receivables totaling \$350,830, net of allowance of \$241,686.

Proprietary activities report accounts receivable of \$1,118,137 comprised of amounts due from rock yard vendors and citizens for utility services provided. The City has recorded an allowance of \$109,654 based upon historical management knowledge and experience.

Note Receivable

The Elk City Industrial Authority entered into a note receivable with Superior Fabrication, Inc. for the purpose of leasing a building valued at \$3,000,000, of which \$1,736,111 is still due to the city as of June 30, 2014. The note has a variable interest rate stated 4.75% at June 30, 2014. The terms of the note call for 180 monthly payments of principal and interest in the amount of \$27,408, and the note matures on August 1, 2022. Superior Fabrication, Inc. has the option to purchase the building at any time by paying the amount owed on the offsetting loan (Note 2(B)) or extending the agreement another 15 years after the agreement matures in 2022.

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
<i><u>Governmental Activities</u></i>				
Land and construction in process	\$ 4,165,895	\$ 177,953	\$ -	\$ 4,343,848
Buildings & structures	16,094,569	-	-	16,094,569
Machinery, furniture, & equipment	18,496,598	1,911,792	-	20,408,390
Infrastructure & improvements	34,468,243	6,486,077	-	40,954,320
Total	73,225,305	8,575,822	-	81,801,127
Less accumulated depreciation	35,705,167	2,659,935	-	38,365,102
Governmental fixed assets, net	<u>\$ 37,520,138</u>	<u>\$ 5,915,887</u>	<u>\$ -</u>	<u>\$ 43,436,025</u>
<i><u>Business-type Activities</u></i>				
Land	\$ 556,575	\$ -	\$ -	\$ 556,575
Buildings & structures	32,379,968	-	-	32,379,968
Machinery, furniture, & equipment	4,508,280	164,138	21,303	4,651,115
Infrastructure & improvements	20,345,382	1,051,323	-	21,396,705
Total	57,790,205	1,215,461	21,303	58,984,363
Less accumulated depreciation	15,602,611	1,554,983	-	17,157,594
Business-type fixed assets, net	<u>\$ 42,187,594</u>	<u>\$ (339,522)</u>	<u>\$ (21,303)</u>	<u>\$ 41,826,769</u>
Total primary government	<u>\$ 79,707,732</u>	<u>\$ 5,576,365</u>	<u>\$ (21,303)</u>	<u>\$ 85,262,794</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Capital Assets by Fund

	Public Works Authority	Airport Authority	Industrial Authority	Total Enterprise Capital Assets
Land	\$ -	\$ 270,000	\$ 286,575	\$ 556,575
Buildings & structures	12,340	135,000	32,232,628	32,379,968
Machinery, furniture, & equipment	2,294,571	191,367	2,020,873	4,506,811
Infrastructure & improvements	20,697,419	587,521	256,069	21,541,009
Total	23,004,330	1,183,888	34,796,145	58,984,363
Less accumulated depreciation	(7,378,806)	(356,080)	(9,422,708)	(17,157,594)
Business-type fixed assets, net	\$ 15,625,524	\$ 827,808	\$ 25,373,437	\$ 41,826,769

Depreciation Expense

Primary Government			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 322,964	Water	\$ 669,539
Public safety & judiciary	438,027	Airport	41,020
Transportation	315,170	Industrial	844,424
Culture, parks and recreation	346,222		
Public service	1,067,294	Total depreciation expense	<u>\$ 1,554,983</u>
Economic development	170,258		
Total depreciation expense	<u>\$ 2,659,935</u>		

B. Liabilities

Notes and Bonds Payable

Business-Type Activities

Notes Payable:

The Elk City Public Works Authority entered into a loan with the City of Sayre for a percentage of Oklahoma Department of Commerce loan funds. The funds were obtained for landfill improvements. The loan is non-interest bearing and has a final maturity date of June 28, 2019. Principal payments of \$521 are due each month. \$ 31,248

In fiscal year 2010, The Elk City Public Works Authority obtained a construction loan not to exceed an original amount \$8,825,000 from the Oklahoma Water Resources Board (OWRB) to finance construction of a waterline. The loan has a fixed interest rate of 3.09% plus an administrative fee of .50% per year and is payable in semi-annual installments of \$117,667 plus interest and administrative fees beginning September 15, 2011. The loan is secured with the Elk City Public Works Authority's assets and future revenues, including water, sewer, and garbage. The loan matures March 15, 2041. The project was completed in January 2012 and the unused funds were de-obligated. The final loan was for \$8,686,856, reduced by \$2,000,000 of principal forgiveness through the American Recovery and Reinvestment Act of 2009. 6,242,052

The Elk City Industrial Authority entered into a loan agreement with First National Bank & Trust for the purpose of constructing a building for Superior Fabrication, Inc. The loan is offset with a note receivable with Superior Fabrication, Inc. (Note 2(A)) which has the same payment terms as this loan. The loan is payable in 180 monthly installments of principal and interest of \$27,408 and matures on August 1, 2022. The loan has a variable interest rate which was 4.75% on June 30, 2014. The loan can be paid off early if Superior Fabrication, Inc. chooses to purchase the building for the remaining cost of the loan. 1,625,403

The Elk City Public Works Authority issued Utility System Revenue Note, Series 2013 on December 30, 2013 in the original amount of \$5,990,000 to construct upgrades and improvements to the water system. The note carries an interest rate of 2.38%, maturing December 1, 2023. Semi-annual payments are required ranging from \$230,000 to \$330,000 per period. The note is secured with water, sewer, and garbage system revenues. 5,760,000

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Conduit Debt Obligations:

The Elk City Industrial Authority entered into two separate loans \$10,000,000 and \$7,000,000 with Bank of America for a total of \$17,000,000 to finance the construction of a school arena complex. Both loans are secured with a 1% sales tax on the gross receipts derived from all sales within the City approved by the citizens of Elk City during fiscal year, 2004. The loans carry a variable interest rate calculated at 65% of 6-month LIBOR plus 150 basis points. The Authority has entered in to an interest rate swap agreement that effectively establishes a fixed rate for each loan 5.43% and 5.4%, respectively. The loans are payable in annual installments ranging from \$709,000-\$1,336,000 plus interest each year until the loans mature in 2023. Refer to conduit debt further described below.

\$ 24,322,703

Conduit Debt

The Elk City Industrial Authority issued three limited obligations to finance the construction of a school arena complex. This facility is owned by the Industrial Authority and leased by Elk City Public Schools and reported as an Industrial Authority asset. The debt is a limited obligation of the Industrial Authority and payable only from the dedicated 1 cent sales tax. This does not constitute a pledge of faith and the Authority has no obligation for the debt beyond the dedicated sales tax. Sales tax proceeds in excess of the required annual debt service are available for use by the City for economic development purposes. The debt is reported under the Industrial Authority. At June 30, 2014, the Industrial Authority reported \$10,664,000 of outstanding conduit debt.

Changes in Long-Term Debt

<u>Type of Debt</u>	<u>Balance at July 1, 2013</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Business-type activities:					
Public Works Authority					
City of Sayre	\$ 37,499	\$ -	\$ 6,250	\$ 31,249	\$ 6,250
OWRB	6,376,319	-	134,268	6,242,051	139,199
Series 2013 Note	-	5,990,000	230,000	5,760,000	545,000
Total Public Works Authority	<u>6,413,818</u>	<u>5,990,000</u>	<u>370,518</u>	<u>12,033,300</u>	<u>690,449</u>
Industrial Authority					
First National Bank (SFI)	1,870,703	-	245,300	1,625,403	257,247
Conduit Debt	11,453,000	-	789,000	10,664,000	831,000
Total Industrial Authority	<u>13,323,703</u>	<u>-</u>	<u>1,034,300</u>	<u>12,289,403</u>	<u>1,088,247</u>
Total business-type debt	<u>\$ 19,737,521</u>	<u>\$ 5,990,000</u>	<u>\$ 1,404,818</u>	<u>\$ 24,322,703</u>	<u>\$ 1,778,696</u>

CITY OF ELK CITY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Annual Debt Service Requirements

Year Ending June 30	Public Works Authority		Industrial Authority		Conduit Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 690,449	\$ 315,346	\$ 257,246	\$ 71,647	\$ 831,000	\$ 45,021
2016	704,960	298,135	269,736	59,159	877,000	47,513
2017	730,840	279,330	282,831	46,064	924,000	50,060
2018	746,335	260,558	296,561	32,333	974,000	52,769
2019	772,031	255,655	310,959	17,935	1,082,000	58,619
2020-2024	3,790,855	975,474	208,070	8,339	5,976,000	82,382
2024-2029	1,073,608	647,486	-	-	-	-
2030-2034	1,285,881	464,771	-	-	-	-
2035-2039	1,540,149	245,923	-	-	-	-
2040-2042	698,192	27,681	-	-	-	-
Totals	\$ 12,033,300	\$ 3,770,359	\$ 1,625,403	\$ 235,477	\$ 10,664,000	\$ 336,364

(3) REVENUES AND EXPENSES

A. Interfund Balances

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
PUBLIC WORKS AUTHORITY	\$ 916,616	\$ 784,915
CAPITAL PROJECTS	50,105	-
NON-MAJOR FUNDS	-	402,718
<i>CAPITAL PROJECTS</i>		
GENERAL FUND	-	50,105
PUBLIC WORKS AUTHORITY	163	-
AIRPORT AUTHORITY	-	173,378
<i>ECONOMIC DEVELOPMENT</i>		
INDUSTRIAL AUTHORITY	5,000,000	-
<i>NON-MAJOR FUNDS</i>		
GENERAL FUND	402,718	-
BUSINESS-TYPE ACTIVITIES		
<i>PUBLIC WORKS AUTHORITY</i>		
GENERAL FUND	784,915	916,616
CAPITAL PROJECTS	-	163
INDUSTRIAL AUTHORITY	169,565	-
<i>AIRPORT AUTHORITY</i>		
CAPITAL PROJECTS	173,378	-
<i>INDUSTRIAL AUTHORITY</i>		
PUBLIC WORKS AUTHORITY	-	169,565
ECONOMIC DEVELOPMENT	-	5,000,000
	<u>\$ 7,497,460</u>	<u>\$ 7,497,460</u>

(4) PENSION AND POST-EMPLOYMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
The Hartford Deferred Comp	457 Deferred Compensation Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Hartford Deferred Comp

Plan Description

Substantially all of the City's full time employees, with the exception of police officers and firefighters, participate in a deferred compensation plan administered by The Hartford. The plan is funded through contributions as elected by the City Commission. Participants may contribute a portion of their salary to the plan under Internal Revenue Code section 457. The City contributes to the plan using a sliding scale dependent upon longevity.

The fair value of the plan assets for the City was \$3,401,873 as of June 30, 2014. For the year ended June 30, 2014, total contributions to the plan were \$346,168.

B. Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description

The City participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	<u>Oklahoma Firefighter's Pension and Retirement System</u>	<u>Oklahoma Police Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	8% of covered payroll	8% of covered payroll
City's contribution rate	13% per year, per firefighter	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years
<i>Annual Required Contributions</i>		
Provision for:		
Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

Contributions are required by Oklahoma State Statute. Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems; Oklahoma Firefighter Pension and Retirement System at 4545 N. Lincoln Blvd., Ste. 265, Oklahoma City, OK 73105 and the Oklahoma Police Pension and Retirement System 1001 N.W. 63rd Street, Suite 305, Oklahoma City, OK 7316-7335.

(5) **COMMITMENTS AND CONTINGENCIES**

A. **Landfill Closure and Post-Closure Care**

State and federal laws and regulations require the City of Elk City to place a final cover on landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure on the current landfill. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, closure costs represent a liability based on landfill capacity used as of June 30, 2014. The landfill is currently in use under permit number 3505009 with an estimated useful life of 729 days remaining. The financial statements reflect an accrual of \$1,504,311 as a liability in current debt to cover the estimated costs. This is consistent with estimated cost in fiscal year 2013. The liability is shown as a current obligation based upon the estimated life of the landfill. This amount is only an estimate based on current circumstances and may change due to inflation, changes in technology, or changes in regulations.

During the fiscal year, the City began operating a second cell of the landfill under permit number 3505012. This cell is currently being used by the City for sanitation disposal. The estimated life of the landfill is 28.9 years with an associated closing cost of \$1,017,251. The financial statements reflect an accrual of \$35,199 as a long term liability which is one year of the estimated cost of closure over the estimated life of the cell.

B. **Litigation**

On or about December 15, 2005, the City of Elk City and Elk City Public Works Authority sued Beckham County Rural Water District No. 3, Case Number CIV-05-1485-E in the United States District Court for the Western District of Oklahoma. The suit alleges that the Oklahoma Statute upon which the Water District relied as providing authority for the Water District to enter into contractual loan obligations with the US Department of Agriculture is unconstitutional under provisions of the Oklahoma Constitution with the result that the Water District did not have authority to enter into the loan agreements with the federal government. Subsequently, Beckham County Rural- Water District No. 3 sued the City of Elk City and the Elk City Public Works Authority alleging that the Water District has a federal right to be protected from any curtailment or limitation of its rights to sell water within the Beckham-3 territory and further alleging that the City of Elk City has deprived the Water District of certain federal statutory rights. A settlement conference is anticipated in January 2015. Trial has been set for April 15, 2015.

The City is a party to various other legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

C. **Grant Program Involvement**

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

City of Elk City Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 5,100,000	\$ 700,000	\$ 5,800,000	\$ 5,002,160	\$ (797,840)
Use tax	1,100,000	(100,000)	1,000,000	857,984	(142,016)
Franchise tax	460,000	56,500	516,500	554,745	38,245
Other taxes	265,000	8,000	273,000	198,793	(74,207)
Licenses and permits	80,000	48,000	128,000	156,242	28,242
Rents & royalties	395,000	(180,000)	215,000	240,454	25,454
Fines and forfeitures	540,000	(40,000)	500,000	497,295	(2,705)
Charges for services	725,000	(55,000)	670,000	944,202	274,202
Intergovernmental revenues	120,000	-	120,000	331,419	211,419
Donations	50,000	9,646	59,646	10,720	(48,926)
Other revenues	100,000	4,000	104,000	49,920	(54,080)
Interest	85,000	-	85,000	102,205	17,205
Total revenues	9,020,000	451,146	9,471,146	8,946,139	(525,007)
EXPENDITURES					
General government:					
Managerial	612,000	(78,700)	533,300	458,188	75,112
Clerk	905,000	76,000	981,000	925,465	55,535
Treasurer	75,500	-	75,500	73,652	1,848
City Attorney	46,000	(500)	45,500	43,702	1,798
Information Technology	147,500	-	147,500	148,323	(823)
Public safety and judiciary:					
Police & DOC	2,555,882	47,646	2,603,528	2,404,593	198,935
Municipal Court	85,500	5,000	90,500	82,472	8,028
Animal Control	210,000	-	210,000	201,688	8,312
Fire/ambulance	2,075,000	237,600	2,312,600	2,207,422	105,178
Culture and recreation:					
Museum	402,500	40,300	442,800	431,382	11,418
Library	190,000	5,850	195,850	192,143	3,707
Civic Center	77,500	-	77,500	73,159	4,341
Park	458,000	5,750	463,750	437,249	26,501
Swimming Pool	85,000	-	85,000	70,187	14,813
Public services					
Cemetery	137,000	16,800	153,800	145,760	8,040
Inspection	160,000	(2,500)	157,500	128,976	28,524
Youth & Family	355,000	32,400	387,400	372,828	14,572
Total expenditures	8,577,382	385,646	8,963,028	8,475,427	410,338
Revenue over (under) expenditures	442,618	65,500	508,118	470,712	(935,345)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	(5,500)	(5,500)	427,717	433,217
Net other financing sources (uses)	-	(5,500)	(5,500)	427,717	433,217
Revenues and other financing sources over (under) expenditures and other uses	442,618	60,000	502,618	898,429	(502,128)
Fund balance at beginning of year (Non-GAAP budgetary basis)				8,451,304	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 9,349,733</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(283,848)	
Fund balance at end of year (GAAP basis)				<u>\$ 9,065,885</u>	

City of Elk City Oklahoma
Capital Projects
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 6,035,000	\$ 700,000	\$ 6,735,000	\$ 6,876,857	\$ 141,857
Interest	100,000	-	100,000	-	(100,000)
Other income	-	22,080	22,080	520,948	498,868
Total revenues	<u>6,135,000</u>	<u>722,080</u>	<u>6,857,080</u>	<u>7,397,805</u>	<u>540,725</u>
EXPENDITURES					
Capital Projects					
Airport	148,885	176,900	325,785	5,346	320,439
Police	207,500	86,000	293,500	239,848	53,652
Fire	306,700	131,700	438,400	285,483	152,917
Cemetery	59,000	30,000	89,000	8,789	80,211
City Hall	49,000	42,000	91,000	63,649	27,351
Court Clerk	3,500	-	3,500	-	3,500
Managerial	150,000	-	150,000	11,249	138,751
Maintenance	10,000	-	10,000	-	10,000
Park	324,000	10,000	334,000	69,188	264,812
Swimming Pool	25,000	-	25,000	-	25,000
Museum	120,000	10,450	130,450	72,913	57,537
Street	2,735,000	288,724	3,023,724	926,726	2,096,998
Right of way	453,750	8,000	461,750	64,360	397,390
Water	326,500	18,250	344,750	19,152	325,598
Wastewater	280,000	10,450	290,450	53,354	237,096
Sanitation	308,500	63,737	372,237	43,328	328,909
Landfill	1,232,000	338,500	1,570,500	1,334,167	236,333
Youth & Family	5,400	-	5,400	5,191	209
Civic Center	50,000	25,550	75,550	43,484	32,066
Inspection	35,000	-	35,000	28,028	6,972
Information Technology	39,000	-	39,000	23,892	15,108
Total expenditures	<u>6,868,735</u>	<u>1,240,261</u>	<u>8,108,996</u>	<u>3,298,147</u>	<u>4,810,849</u>
Revenue over (under) expenditures	(733,735)	(518,181)	(1,251,916)	4,099,658	(4,270,124)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(150,000)	95,000	(308,500)	(173,378)	135,122
Net other financing sources (uses)	<u>(150,000)</u>	<u>95,000</u>	<u>(308,500)</u>	<u>(173,378)</u>	<u>135,122</u>
Revenues and other financing sources over (under) expenditures and other uses	(883,735)	(423,181)	(1,560,416)	3,926,280	
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>9,086,660</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 13,012,940</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				437,016	
Fund balance at end of year (GAAP basis)				<u>\$ 13,449,956</u>	

City of Elk City Oklahoma
Economic Development
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Rental Income	\$ 100,000	\$ -	\$ 100,000	\$ 63,670	\$ (36,330)
Interest	10,000	-	10,000	7,812	(2,188)
Total revenues	110,000	-	110,000	71,482	(38,518)
EXPENDITURES					
<u>Economic Development</u>					
Personal Services	94,000	-	94,000	92,678	1,322
Materials & Supplies	30,000	-	30,000	127,697	(97,697)
Other Charges & Services	150,000	-	150,000	11,708	138,292
Capital Outlay	-	6,638,170	6,638,170	5,153,387	1,484,783
Debt Service	-	-	-	-	-
Total expenditures	274,000	6,638,170	6,912,170	5,385,470	1,526,700
Revenue over (under) expenditures	(164,000)	(6,638,170)	(6,802,170)	(5,313,988)	(1,565,218)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	70,000	5,864,970	5,934,970	5,000,000	(934,970)
Net other financing sources (uses)	70,000	5,864,970	5,934,970	5,000,000	(934,970)
Revenues and other financing sources over (under) expenditures and other uses	(94,000)	(773,200)	(867,200)	(313,988)	
Fund balance at beginning of year (Non-GAAP budgetary basis)				1,280,490	
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 966,502	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				804,958	
Fund balance at end of year (GAAP basis)				\$ 1,771,460	

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2014

	Street & Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund	Municipal Court Fund	Animal Control Fund	Special Library Fund
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 49,877	\$ 83,598	\$ -	\$ 3,098	\$ 5,349	\$ -
Investments	100,000	15,000	2,000	-	57,000	60,000	-	-	60,000
Due from other governments	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 49,877</u>	<u>\$ 140,598</u>	<u>\$ 60,000</u>	<u>\$ 3,098</u>	<u>\$ 5,349</u>	<u>\$ 60,000</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,266	\$ -	\$ 3,098	\$ 750	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,266</u>	<u>-</u>	<u>3,098</u>	<u>750</u>	<u>-</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	100,000	-	-	-	-	60,000	-	-	-
Committed	-	-	-	-	-	-	-	4,599	-
Assigned	-	15,000	2,000	49,877	138,332	-	-	-	60,000
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>100,000</u>	<u>15,000</u>	<u>2,000</u>	<u>49,877</u>	<u>138,332</u>	<u>60,000</u>	<u>-</u>	<u>4,599</u>	<u>60,000</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 49,877</u>	<u>\$ 140,598</u>	<u>\$ 60,000</u>	<u>\$ 3,098</u>	<u>\$ 5,349</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2014

	Revolving Loan Fund	Carousel Maintenance	Museum Exhibit Fund	Landfill	Clearing	Public Facilities	Hotel Tax Fund	Tax Incentive Fund	Total Non-Major Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 10,872	\$ 56,202	\$ -	\$ 744,567	\$ 648,408	\$ 1,601,971
Investments	5,000	100,000	25,000	450,000	-	41,000	600,000	-	1,515,000
Due from other governments	-	-	-	-	-	-	-	2,071	2,071
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 460,872</u>	<u>\$ 56,202</u>	<u>\$ 41,000</u>	<u>\$ 1,344,567</u>	<u>\$ 650,479</u>	<u>\$ 3,119,042</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,114
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,114</u>
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	650,479	810,479
Committed	-	-	-	460,872	-	41,000	1,344,567	-	1,851,038
Assigned	5,000	100,000	25,000	-	-	-	-	-	395,209
Unassigned	-	-	-	-	56,202	-	-	-	56,202
Total fund balances	<u>5,000</u>	<u>100,000</u>	<u>25,000</u>	<u>460,872</u>	<u>56,202</u>	<u>41,000</u>	<u>1,344,567</u>	<u>650,479</u>	<u>3,112,928</u>
Total liabilities and fund balances	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 460,872</u>	<u>\$ 56,202</u>	<u>\$ 41,000</u>	<u>\$ 1,344,567</u>	<u>\$ 650,479</u>	<u>\$ 3,119,042</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2014

	Street & Alley Fund	Improvement Fund	Civil Defense	Police Special Revenue	Fire Special Revenue	Cemetery Corpus Fund	Municipal Court Fund	Animal Control Fund	Special Library Fund
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	5,255	-
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	8,766	44,157	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	109	193	-	-	1	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,875</u>	<u>44,350</u>	<u>-</u>	<u>-</u>	<u>5,256</u>	<u>-</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	4,950	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,950</u>	<u>-</u>
Public safety and judiciary:									
Police	-	-	-	1,683	-	-	-	-	-
Fire	-	-	-	-	43,060	-	-	-	-
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,683</u>	<u>43,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:									
Musuem	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development:									
Economic development	-	-	-	-	-	-	-	-	-
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay									
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,683</u>	<u>43,060</u>	<u>-</u>	<u>-</u>	<u>4,950</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,192</u>	<u>1,290</u>	<u>-</u>	<u>-</u>	<u>306</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	-	4,293	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,293</u>	<u>-</u>
Net change in fund balances	-	-	-	7,192	1,290	-	-	4,599	-
Fund balances - beginning	100,000	15,000	2,000	42,685	137,042	60,000	-	-	60,000
Prior period adjustment	-	-	-	-	-	-	-	-	-
Fund balances - ending	<u>\$ 100,000</u>	<u>\$ 15,000</u>	<u>\$ 2,000</u>	<u>\$ 49,877</u>	<u>\$ 138,332</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 4,599</u>	<u>\$ 60,000</u>

City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2014

	Revolving Loan Fund	Carousel Maintenance	Museum Exhibit Fund	Landfill	Clearing	Public Facilities	Hotel Tax Fund	Tax Incentive Fund	Total Non-Major Funds
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 754,642	\$ 754,642
Charges for services	-	-	-	-	-	-	-	-	5,255
Fines & forfeitures	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	1,019,346	-	1,072,269
Donations	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	2,989	573	-	4,652	987	9,504
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,989</u>	<u>573</u>	<u>-</u>	<u>1,023,998</u>	<u>755,629</u>	<u>1,841,670</u>
EXPENDITURES									
General government:									
General government	-	-	-	-	-	-	-	-	4,950
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,950</u>
Public safety and judiciary:									
Police	-	-	-	-	-	-	-	-	1,683
Fire	-	-	-	-	-	-	-	-	43,060
Ambulance	-	-	-	-	-	-	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,743</u>
Transportation:									
Street	-	-	-	-	-	-	-	-	-
Total transportation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:									
Musuem	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Service:									
Landfill	-	-	-	-	-	-	-	-	-
Total public services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic Development:									
Economic development	-	-	-	-	-	-	706,445	159,594	866,039
Total economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,445</u>	<u>159,594</u>	<u>866,039</u>
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,445</u>	<u>159,594</u>	<u>915,732</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,989</u>	<u>573</u>	<u>-</u>	<u>317,553</u>	<u>596,035</u>	<u>925,938</u>
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	-	-	-	(158,657)	(154,364)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158,657)</u>	<u>(154,364)</u>
Net change in fund balances	-	-	-	2,989	573	-	317,553	437,378	771,574
Fund balances - beginning	5,000	100,000	25,000	457,883	55,629	41,000	1,027,014	213,101	2,341,354
Prior period adjustment	-	-	-	-	-	-	-	-	-
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 460,872</u>	<u>\$ 56,202</u>	<u>\$ 41,000</u>	<u>\$ 1,344,567</u>	<u>\$ 650,479</u>	<u>\$ 3,112,928</u>

City of Elk City, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2014

	Water Meter Deposit Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 150,469	\$ 2,372	\$ 152,841
Investments	96,000	-	96,000
Total assets	<u>\$ 246,469</u>	<u>\$ 2,372</u>	<u>\$ 248,841</u>
LIABILITIES			
Due to other funds	\$ 60,983	-	\$ 60,983
Bonds and deposits subject to refund	185,486	2,372	187,858
Total liabilities	<u>\$ 246,469</u>	<u>\$ 2,372</u>	<u>\$ 248,841</u>



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

To the City Council
City of Elk City, OK

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 City of Elk City, OK, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Elk City, OK's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Elk City, OK'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 City of Elk City, OK's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Elk City, OK's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on

compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FSW&B CPA's-PLLC

FSW&B CPA's-PLLC

Woodward, OK

December 12, 2014