

**CITY OF PAULS VALLEY**  
June 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Pauls Valley, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pauls Valley, Oklahoma, as of and for the year ended June 30, 2014, 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 of material misstatement.

An audit involves 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 principles 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 opinion.

### Basis for Adverse Opinion on the Pauls Valley Hospital Authority (a major enterprise fund) and Qualified Opinion on the Business-Type Activities

Management has not included the Pauls Valley Hospital Authority in the City's financial statements referred to above. Accounting principles generally accepted in the United States of America require the Pauls Valley Hospital Authority to be presented as a part of the business-type activities, thus increasing the activity's assets, liabilities, revenues and expenses by an undetermined amount. Also this financial information it is anticipated would decrease the business-type net position by an undetermined amount. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses

of the omitted major enterprise fund entitled Pauls Valley Hospital Authority is the same amount listed above.

### **Adverse Opinion**

In our opinion because of the significance of the matter described in the “Basis for Adverse Opinion on the Pauls Valley Hospital (a major enterprise fund)” paragraph, the financial statements referred to above do not present fairly the financial position of the Pauls Valley Hospital Authority of the City of Pauls Valley as of June 30, 2014, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters discussed in the “Basis for Qualified Opinion on the Business-type Activity” paragraph the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Pauls Valley, Oklahoma, as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund other than the Pauls Valley Hospital Authority, and the aggregate remaining fund information of the City of Pauls Valley, Oklahoma, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents 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 inquires of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Pauls Valley has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate economic or history context. Our opinion on the basic financial statements is not affected by the missing information.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pauls Valley’s financial statements as a whole. The combining and individual nonmajor fund financial statements, the combining general fund statements and the schedule of federal and

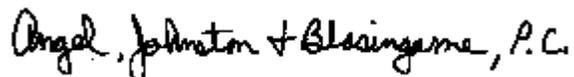
state awards are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the combining general fund statements and the schedule of federal and state awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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, the combining general fund statements and the schedule of federal and state awards information is fairly stated in all material respects in relation to the financial statements taken as a whole.

#### **Pauls Valley Hospital Authority Going Concern**

As noted in the paragraph "Basis for Adverse Opinion on the Pauls Valley Hospital Authority and Qualified Opinion on the Business-Type Activities" the Pauls Valley Hospital Authority financial information is not included in the City's financial statements. In addition as described in note 3. B. the Hospital has filed a voluntary petition for debt restructuring under Chapter 9 of the Federal Bankruptcy Code and was authorized to continue managing the Hospital as a debtor subject to the control and supervision of the bankruptcy court. Those conditions raise substantial doubt about the Hospital's ability to continue as a going concern.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Chickasha, Oklahoma  
January 14, 2015



## **BASIC FINANCIAL STATEMENTS**



**BASIC FINANCIAL STATEMENTS**

**GOVERNMENTAL-WIDE FINANCIAL STATEMENTS**



**CITY OF PAULS VALLEY, OKLAHOMA**

**Statement of Net Position**

**June 30, 2014**

|  | <b>Primary Government</b>      |                                 |                      | <b>Component Units</b>            |
|--|--------------------------------|---------------------------------|----------------------|-----------------------------------|
|  | <b>Governmental Activities</b> | <b>Business-Type Activities</b> | <b>Total</b>         | <b>Pauls Valley Airport Auth.</b> |
| <b><u>Assets</u></b>                       |                                |                                 |                      |                                   |
| Current Assets:                            |                                |                                 |                      |                                   |
| Cash and Cash Equivalents                  | \$ 3,231,313                   | \$ 818,531                      | \$ 4,049,844         | \$ 106,964                        |
| Investments                                | 191,116                        | 508,777                         | 699,893              | -                                 |
| Receivables, net                           | 1,088,058                      | 283,972                         | 1,372,030            | 20,125                            |
| Inventory                                  | -                              | -                               | -                    | 23,860                            |
| Prepaid Expenses                           | 19,803                         | 18,792                          | 38,595               | -                                 |
| Advance to Component Unit                  | 33,700                         | -                               | 33,700               | -                                 |
| Land and construction in progress          | 1,477,083                      | 344,526                         | 1,821,609            | 1,210,497                         |
| Other capital assets, net                  | 18,376,038                     | 22,609,824                      | 40,985,862           | 3,264,731                         |
| <i>Total Assets</i>                        | <u>24,417,111</u>              | <u>24,584,422</u>               | <u>49,001,533</u>    | <u>4,626,177</u>                  |
| <b><u>Liabilities</u></b>                  |                                |                                 |                      |                                   |
| Current Liabilities:                       |                                |                                 |                      |                                   |
| Accounts Payable                           | 531,207                        | 67,023                          | 598,230              | -                                 |
| Accrued Expenses                           | 81,605                         | 21,402                          | 103,007              | -                                 |
| Accrued Interest Payable                   | 2,874                          | 77,744                          | 80,618               | 2,378                             |
| Due to Depositors                          | -                              | 130,264                         | 130,264              | -                                 |
| Landfill closure and postclosure liability | -                              | 97,082                          | 97,082               | -                                 |
| Advance from Primary Government            | -                              | -                               | -                    | 33,700                            |
| AT&T 911 Fee Advances                      | 52,996                         | -                               | 52,996               | -                                 |
| Capital Leases, Current Portion            | 138,483                        | 113,963                         | 252,446              | -                                 |
| Contract Payable, Current Portion          | -                              | 99,967                          | 99,967               | -                                 |
| Notes Payable, Current Portion             | 115,076                        | 326,300                         | 441,376              | -                                 |
| Compensated Absences                       | 162,287                        | 88,317                          | 250,604              | -                                 |
| <i>Total Current Liabilities</i>           | <u>1,084,528</u>               | <u>1,022,062</u>                | <u>2,106,590</u>     | <u>36,078</u>                     |
| Noncurrent Liabilities:                    |                                |                                 |                      |                                   |
| Capital Leases/Contract/Notes Payable      | 3,021,983                      | 7,148,247                       | 10,170,230           | -                                 |
| <i>Total Liabilities</i>                   | <u>4,106,511</u>               | <u>8,170,309</u>                | <u>12,276,820</u>    | <u>36,078</u>                     |
| <b><u>Net Position</u></b>                 |                                |                                 |                      |                                   |
| Net Investment in Capital Assets           | 16,574,705                     | 15,265,873                      | 31,840,578           | 4,475,228                         |
| Restricted:                                |                                |                                 |                      |                                   |
| Nonexpendable endowment                    | 50,000                         | -                               | 50,000               | -                                 |
| Debt Service                               | 38,529                         | -                               | 38,529               | -                                 |
| Capital Projects                           | 50,907                         | -                               | 50,907               | -                                 |
| Economic Development                       | 486,381                        | -                               | 486,381              | -                                 |
| Streets                                    | 1,737,528                      | -                               | 1,737,528            | -                                 |
| Public Safety                              | 29,352                         | -                               | 29,352               | -                                 |
| Ambulance                                  | 877                            | -                               | 877                  | -                                 |
| Culture and recreation                     | 672,891                        | -                               | 672,891              | -                                 |
| Airport                                    | -                              | -                               | -                    | 114,872                           |
| Cemetery                                   | 10,424                         | -                               | 10,424               | -                                 |
| Unrestricted                               | 659,006                        | 1,148,240                       | 1,807,246            | -                                 |
| <i>Total Net Position</i>                  | <u>\$ 20,310,600</u>           | <u>\$ 16,414,113</u>            | <u>\$ 36,724,713</u> | <u>\$ 4,590,100</u>               |

See accompanying notes to basis financial statements

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Activities**  
**For the Year Ending June 30, 2014**

| <u>Functions/Programs</u>   | <u>Program Revenues</u> |                                 |   |   | <u>Net (Expenses) Revenue and Changes in Net Position</u> |                                     |                      | <u>Component Unit<br/>Pauls Valley<br/>Airport<br/>Authority</u> |
|---|-------------------------|---------------------------------|---|---|---|-------------------------------------|----------------------|--|
|   | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                        | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |  |
| <b>Primary Government:</b>  |                         |                                 |   |   |   |                                     |                      |  |
| Governmental Activities:  |                         |                                 |   |   |   |                                     |                      |  |
| General Government  | \$ 964,538              | \$ 39,572                       | \$  | \$  | \$ (924,966)  | \$ -                                | \$ (924,966)         | \$ -   |
| Public Safety   | 2,327,574               | 197,066                         | 24,276  | 16,457  | (2,089,775)   | -                                   | (2,089,775)          | -  |
| Culture, Parks and Recreation                                     | 2,514,204               | 789,178                         | 7,803   | 158,910   | (1,558,313)   | -                                   | (1,558,313)          | -  |
| Streets   | 790,890                 |                                 | 61,030  |   | (729,860)   | -                                   | (729,860)            | -  |
| Cemetery  | 190,465                 | 36,261                          |   |   | (154,204)   | -                                   | (154,204)            | -  |
| Airport (payments for Airport Auth)                               | 27,270                  |                                 |   | 899,825   | 872,555   | -                                   | 872,555              | -  |
| Ambulance Contract  | 98,345                  |                                 |   |   | (98,345)  | -                                   | (98,345)             | -  |
| Economic Development  | 241,007                 |                                 |   |   | (241,007)   | -                                   | (241,007)            | -  |
| Interest on Long-term Debt  | 134,006                 |                                 |   |   | (134,006)   | -                                   | (134,006)            | -  |
| <i>Total Governmental Activities</i>                              | <u>7,288,299</u>        | <u>1,062,077</u>                | <u>93,109</u>                                     | <u>1,075,192</u>                                | <u>(5,057,921)</u>  | <u>-</u>                            | <u>(5,057,921)</u>   | <u>-</u>   |
| Business-Type Activities:   |                         |                                 |   |   |   |                                     |                      |  |
| Water   | 1,583,740               | 1,299,994                       | -   | -   | -   | (283,746)                           | (283,746)            | -  |
| Sewer   | 465,769                 | 383,283                         | -   | -   | -   | (82,486)                            | (82,486)             | -  |
| Sanitation  | 1,151,758               | 1,441,615                       | -   | -   | -   | 289,857                             | 289,857              | -  |
| Water Distribution  | 272,645                 | -                               | -   | -   | -   | (272,645)                           | (272,645)            | -  |
| Hospital  | -                       | -                               | -   | -   | -   | -                                   | -                    | -  |
| Lake  | 143,746                 | 50,019                          | -   | -   | -   | (93,727)                            | (93,727)             | -  |
| Administration  | 562,872                 | -                               | -   | -   | -   | (562,872)                           | (562,872)            | -  |
| <i>Total Business-Type Activities</i>                             | <u>4,180,530</u>        | <u>3,174,911</u>                | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>(1,005,619)</u>                  | <u>(1,005,619)</u>   | <u>-</u>   |
| <i>Total Primary Government</i>                                   | <u>11,468,829</u>       | <u>4,236,988</u>                | <u>93,109</u>                                     | <u>1,075,192</u>                                | <u>(5,057,921)</u>  | <u>(1,005,619)</u>                  | <u>(6,063,540)</u>   |  |
| <b>Component Unit:</b>  |                         |                                 |   |   |   |                                     |                      |  |
| Airport Authority   | 515,165                 | 306,945                         | -   | -   | -   | -                                   | -                    | (208,220)  |
| <i>Total Component Unit</i>                                       | <u>515,165</u>          | <u>306,945</u>                  | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>-</u>                            | <u>-</u>             | <u>(208,220)</u>   |
| General Revenues:   |                         |                                 |   |   |   |                                     |                      |  |
| Taxes:  |                         |                                 |   |   |   |                                     |                      |  |
| Sales and Use Taxes   |                         |                                 |   |   | 5,813,326   | -                                   | 5,813,326            | -  |
| Franchise Taxes   |                         |                                 |   |   | 364,536   | -                                   | 364,536              | -  |
| Hotel/Motel Taxes   |                         |                                 |   |   | 339,870   | -                                   | 339,870              | -  |
| E-911 Taxes   |                         |                                 |   |   | 27,011  | -                                   | 27,011               | -  |
| Advalorem Taxes   |                         |                                 |   |   | 252,141   | -                                   | 252,141              | -  |
| Intergovernmental Revenue   |                         |                                 |   |   | 272,271   | -                                   | 272,271              | -  |
| Investment Income   |                         |                                 |   |   | 8,253   | 5,143                               | 13,396               | 19   |
| Miscellaneous   |                         |                                 |   |   | 39,957  | 55,861                              | 95,818               | -  |
| Payments from Primary Government                                  |                         |                                 |   |   | (924,880)   | -                                   | (924,880)            | 924,880  |
| Transfers - Internal Activity (Remaining balance relates to PVHA) |                         |                                 |   |   | (853,662)   | 556,218                             | (297,444)            | -  |
| <i>Total General Revenues and Transfers</i>                       |                         |                                 |   |   | <u>5,338,823</u>  | <u>617,221</u>                      | <u>5,956,044</u>     | <u>924,899</u>   |
| <i>Change in Net Position</i>                                     |                         |                                 |   |   | 280,902   | (388,397)                           | (107,495)            | 716,679  |
| <i>Net Position - Beginning - Restated</i>                        |                         |                                 |   |   | 20,029,698  | 16,802,510                          | 36,832,208           | 3,873,421  |
| <i>Net Position - Ending</i>                                      |                         |                                 |   |   | <u>\$ 20,310,600</u>                                      | <u>\$ 16,414,113</u>                | <u>\$ 36,724,713</u> | <u>\$ 4,590,100</u>  |

See accompanying notes to basic financial statements

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Balance Sheet**  
**Governmental Funds**  
**6/30/2014**

|  | <b>General</b>      | <b>One Cent<br/>Fund</b> | <b>Capital Project<br/>PV Airport<br/>Project<br/>Fund</b> | <b>Non-major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|--------------------------|--|---|---|
| <b>Assets</b>  |                     |                          |  |   |   |
| Cash and cash equivalents  | \$ 529,722          | \$ 1,656,357             | \$ 62,160  | \$ 983,073                                  | \$ 3,231,312                            |
| Investments  |                     | 38,529                   |  | 152,587                                     | 191,116                                 |
| Receivables:   |                     |                          |  |   |   |
| Interest   |                     |                          |  | 70  | 70                                      |
| Accounts   | 49,956              |                          |  |   | 49,956                                  |
| Taxes  | 637,654             | 175,946                  |  | 43,094                                      | 856,694                                 |
| Due from other funds   | 62,000              |                          |  | 40,000                                      | 102,000                                 |
| Due from other governments   |                     |                          | 181,337  |   | 181,337                                 |
| Prepaid expenses   | 19,803              |                          |  |   | 19,803                                  |
| Advance to component unit  | 33,700              |                          |  |   | 33,700                                  |
|  | <u>1,332,835</u>    | <u>1,870,832</u>         | <u>243,497</u>   | <u>1,218,824</u>                            | <u>4,665,988</u>                        |
| <i>Total Assets</i>  |                     |                          |  |   |   |
| <b>Liabilities</b>   |                     |                          |  |   |   |
| Accounts payable   | 55,168              |                          | 175,868  | 300,170                                     | 531,206                                 |
| Accrued liabilities  | 81,605              |                          |  |   | 81,605                                  |
| Due to other funds   | 40,000              |                          | 60,000   | 2,000                                       | 102,000                                 |
| AT&T 911 fee advances  | -                   |                          |  | 52,996                                      | 52,996                                  |
|  | <u>176,773</u>      | <u>-</u>                 | <u>235,868</u>   | <u>355,166</u>                              | <u>767,807</u>                          |
| <i>Total Liabilities</i>   |                     |                          |  |   |   |
| <b>Deferred Inflow of Resources</b>  |                     |                          |  |   |   |
| Police fines unavailable   | 18,204              |                          |  |   | 18,204                                  |
|  | <u>18,204</u>       | <u>-</u>                 | <u>-</u>   | <u>-</u>                                    | <u>18,204</u>                           |
| <i>Total Deferred Inflow of Resources</i>                                    |                     |                          |  |   |   |
| <b>Fund Balances</b>   |                     |                          |  |   |   |
| Nonspendable   | 53,503              |                          |  | 50,000                                      | 103,503                                 |
| Restricted   | 297,620             | 1,820,044                |  | 699,545                                     | 2,817,209                               |
| Committed  |                     |                          |  |   | -                                       |
| Assigned   | 58,373              | -                        | 7,629  | 143,679                                     | 209,681                                 |
| Unassigned   | 728,362             | 50,788                   |  | (29,564)                                    | 749,586                                 |
|  | <u>1,137,858</u>    | <u>1,870,832</u>         | <u>7,629</u>   | <u>863,660</u>                              | <u>3,879,979</u>                        |
| <i>Total Fund Balances</i>   |                     |                          |  |   |   |
| <i>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Balances</i> | <u>\$ 1,332,835</u> | <u>\$ 1,870,832</u>      | <u>\$ 243,497</u>  | <u>\$ 1,218,826</u>                         | <u>\$ 4,665,990</u>                     |

See accompanying notes to basic financial statements

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ending June 30, 2014**

|  | <u>General</u>      | <u>One Cent<br/>Fund</u> | <u>PV Airport<br/>Project<br/>Fund</u> | <u>Non-major<br/>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|--------------------------|--|---|---|
| <b>Revenues</b>                                      |                     |                          |  |   |   |
| Taxes  | \$ 4,827,873        | \$ 1,349,989             | \$ -                                   | \$ 619,022  | \$ 6,796,884                            |
| Intergovernmental                                    | 333,301             |                          | 899,825                                | 7,053   | 1,240,179                               |
| Charges for services                                 | 859,710             | -                        | -                                      | 13,970  | 873,680                                 |
| Fines and forfeitures                                | 186,060             | -                        | -                                      | 15  | 186,075                                 |
| Licenses and permits                                 | 39,572              | -                        | -                                      | -   | 39,572                                  |
| Investment income                                    | 1,927               | 2,657                    | -                                      | 3,635   | 8,219                                   |
| Expense Reimbursement                                | -                   | -                        | -                                      | -   | -                                       |
| Miscellaneous  | 217,827             |                          | -                                      | 23,117  | 240,944                                 |
| <i>Total Revenues</i>                                | <u>6,466,270</u>    | <u>1,352,646</u>         | <u>899,825</u>                         | <u>666,812</u>  | <u>9,385,553</u>                        |
| <b>Expenditures</b>                                  |                     |                          |  |   |   |
| <b>Current:</b>                                      |                     |                          |  |   |   |
| Administration                                       | 807,127             | -                        | -                                      |   | 807,127                                 |
| Police   | 1,170,059           | -                        | -                                      | 6,949   | 1,177,008                               |
| Fire   | 716,638             | -                        | -                                      | -   | 716,638                                 |
| Emergency 911  |                     | -                        | -                                      | 53,814  | 53,814                                  |
| Special Ambulance Service                            |                     | -                        | -                                      | 98,345  | 98,345                                  |
| Streets  | 498,537             | -                        | -                                      |   | 498,537                                 |
| Shop   | 92,147              | -                        | -                                      |   | 92,147                                  |
| Park   | 154,365             | -                        | -                                      |   | 154,365                                 |
| Cemetery   | 176,643             | -                        | -                                      |   | 176,643                                 |
| Golf   | 320,556             | -                        | -                                      |   | 320,556                                 |
| Library  | 153,928             | -                        | -                                      | 8,344   | 162,272                                 |
| Senior center  | 55,567              | -                        | -                                      | 750   | 56,317                                  |
| Airport  | 27,270              | -                        | -                                      |   | 27,270                                  |
| Aquatic  | 293,959             | -                        | -                                      |   | 293,959                                 |
| Recreation   | 579,003             | -                        | -                                      | 15,360  | 594,363                                 |
| Animal control                                       | 122,705             | -                        | -                                      |   | 122,705                                 |
| Economic development                                 |                     | -                        | -                                      | 194,610   | 194,610                                 |
| Capital outlay                                       | 642,727             | 117,612                  | -                                      | 851,040   | 1,611,379                               |
| Debt service   | 167,338             | 251,015                  | -                                      |   | 418,353                                 |
| <i>Total Expenditures</i>                            | <u>5,978,569</u>    | <u>368,627</u>           | <u>-</u>                               | <u>1,229,212</u>                                      | <u>7,576,408</u>                        |
| Excess (Deficiency) of Revenues over<br>Expenditures | <u>487,701</u>      | <u>984,019</u>           | <u>899,825</u>                         | <u>(562,400)</u>                                      | <u>1,809,145</u>                        |
| <b>Other Financing Sources (Uses)</b>                |                     |                          |  |   |   |
| Proceeds from leases/loans                           | 15,963              |                          |  |   | 15,963                                  |
| Transfers in   | 933,411             | -                        | -                                      | 26,855  | 960,266                                 |
| Transfers out  | (1,458,556)         | (413,120)                | -                                      | (100,117)   | (1,971,793)                             |
| Contribution Income/(Expense)                        | 270,438             | -                        | -                                      | -   | 270,438                                 |
| Transfers to component units                         | (134,174)           | -                        | (903,280)                              | -   | (1,037,454)                             |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(372,918)</u>    | <u>(413,120)</u>         | <u>(903,280)</u>                       | <u>(73,262)</u>                                       | <u>(1,762,580)</u>                      |
| Net Change in Fund Balances                          | 114,783             | 570,899                  | (3,455)                                | (635,662)   | 46,565                                  |
| Fund Balances - Beginning - <i>restated</i>          | <u>1,023,075</u>    | <u>1,299,933</u>         | <u>11,084</u>                          | <u>1,499,322</u>                                      | <u>3,833,414</u>                        |
| Fund Balances - Ending                               | <u>\$ 1,137,858</u> | <u>\$ 1,870,832</u>      | <u>\$ 7,629</u>                        | <u>\$ 863,660</u>                                     | <u>\$ 3,879,979</u>                     |

See accompanying notes to basic financial statements

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Governmental Funds**  
**June 30, 2013**

**Reconciliation to Statement of Net Assets:**

|  |    |             |
|--|----|-------------|
| Fund balances of governmental funds  | \$ | 3,879,979   |
| Amounts reported for governmental activities in the Statement of Net Assets are different because:                       |    |             |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds: |    | 19,853,121  |
| Certain non-current assets are not available to pay current fund liabilities and, therefore, are deferred in the funds:  |    |             |
| Police fines receivable, net of allowance for doubtful accounts  |    | 18,204      |
| Long-term liabilities are not due and payable from current period and, therefore are not reported in the funds:          |    |             |
| Long term debt obligations   |    | (3,278,417) |
| Accrued compensated absences   |    | (162,287)   |
|  |    | 20,310,600  |
| Net assets of governmental activities  | \$ | 20,310,600  |

**Reconciliation to Statement of Activities:**

|  |    |             |
|--|----|-------------|
| Net change in fund balances of governmental funds  | \$ | 46,565      |
| Amounts reported for governmental activities on the Statement of Activities are different because:   |    |             |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:  |    |             |
| Capital asset purchases capitalized in governmental funds  |    | 1,375,333   |
| Loss on disposal of assets   |    | -           |
| Depreciation expense   |    | (1,411,319) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:   |    |             |
| Change in deferred inflows   |    | (10,957)    |
| Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets: |    |             |
| Long term debt payments  |    | 280,894     |
| Note payable proceeds  |    | -           |
| Lease proceeds   |    | (15,963)    |
| Change in accrued interest   |    | 3,453       |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:  |    |             |
| Change in accrued compensated absences   |    | 12,896      |
|  |    | 280,902     |
| Change in net assets of governmental activities  | \$ | 280,902     |

See accompanying notes to basic financial statements

**BASIC FINANCIAL STATEMENTS**

**PROPRIETARY FUNDS**

**CITY OF PAULS VALLEY, OKLAHOMA**

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2014**

|   | <u>Pauls Valley<br/>Municipal<br/>Authority</u> | <u>Non-Major<br/>Enterprise Fund<br/>Sanitation Capital<br/>Improvement</u> | <u>Total<br/>Proprietary<br/>Funds</u> |
|---|---|---|--|
| <b><u>Assets</u></b>                                  |   |   |  |
| Current Assets:                                       |   |   |  |
| Cash and cash equivalents                             | \$ 586,052                                      | \$ 44,642   | \$ 630,694                             |
| Restricted cash and cash equivalents                  | 44,814  | -   | 44,814                                 |
| Investments   | 376,025   | -   | 376,025                                |
| Accrued interest receivable                           | 354   | -   | 354                                    |
| Accounts receivable, net                              | 283,618   | -   | 283,618                                |
| Prepaid expenses                                      | 18,792  | -   | 18,792                                 |
| <i>Total Current Assets</i>                           | <u>1,309,655</u>                                | <u>44,642</u>   | <u>1,354,297</u>                       |
| Noncurrent Assets:                                    |   |   |  |
| Restricted cash and cash equivalents                  | 143,023   | -   | 143,023                                |
| Restricted investments                                | 132,752   | -   | 132,752                                |
| Land and construction in progress                     | 344,526   | -   | 344,526                                |
| Other capital assets, net of accumulated depreciation | 22,609,824                                      | -   | 22,609,824                             |
| <i>Total Noncurrent Assets</i>                        | <u>23,230,125</u>                               | <u>-</u>  | <u>23,230,125</u>                      |
| <i>Total Assets</i>                                   | <u>24,539,780</u>                               | <u>44,642</u>   | <u>24,584,422</u>                      |
| <b><u>Liabilities</u></b>                             |   |   |  |
| Current Liabilities:                                  |   |   |  |
| Accounts payable                                      | 67,024  | -   | 67,024                                 |
| Accrued liabilities                                   | 21,402  | -   | 21,402                                 |
| Accrued interest payable                              | 77,744  | -   | 77,744                                 |
| Due to depositors                                     | 130,264   | -   | 130,264                                |
| Landfill closure and postclosure liability            | 97,082  | -   | 97,082                                 |
| Capital lease obligations payable                     | 113,963   | -   | 113,963                                |
| Contract payable                                      | 99,967  | -   | 99,967                                 |
| Notes payable   | 326,300   | -   | 326,300                                |
| Accrued compensated absences                          | 88,317  | -   | 88,317                                 |
| <i>Total Current Liabilities</i>                      | <u>1,022,063</u>                                | <u>-</u>  | <u>1,022,063</u>                       |
| Noncurrent Liabilities:                               |   |   |  |
| Capital lease obligations payable                     | 88,667  | -   | 88,667                                 |
| Contract payable                                      | 433,484   | -   | 433,484                                |
| Notes payable   | 6,626,096                                       | -   | 6,626,096                              |
| <i>Total Noncurrent Liabilities</i>                   | <u>7,148,247</u>                                | <u>-</u>  | <u>7,148,247</u>                       |
| <i>Total Liabilities</i>                              | <u>8,170,310</u>                                | <u>-</u>  | <u>8,170,310</u>                       |
| <b><u>Net Position</u></b>                            |   |   |  |
| Invested in capital assets, net of related debt       | 15,799,324                                      | -   | 15,799,324                             |
| Restricted  | -   | -   | -                                      |
| Unrestricted  | 570,147   | 44,642  | 614,789                                |
| <i>Total Net Position</i>                             | <u>\$ 16,369,471</u>                            | <u>\$ 44,642</u>  | <u>\$ 16,414,113</u>                   |

See accompanying notes to basic financial statements

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ending June 30, 2014**

|  | <b>Pauls Valley<br/>Municipal<br/>Authority</b> | <b>Non-Major<br/>Enterprise Fund<br/>Sanitation Capital<br/>Improvement</b> | <b>Total<br/>Proprietary<br/>Funds</b> |
|--|---|---|--|
| <b>Operating Revenues</b>                            |   |   |  |
| Charges for Services:                                |   |   |  |
| Water revenue  | \$ 1,285,540                                    | \$ -  | \$ 1,285,540                           |
| Sewer revenue  | 378,312   | -   | 378,312                                |
| Sanitation revenue                                   | 1,415,368                                       | 7,609   | 1,422,977                              |
| Hospital revenue                                     | -   | -   | -                                      |
| Penalties  | 38,022  | -   | 38,022                                 |
| Lake revenue   | 50,019  | -   | 50,019                                 |
| <i>Total Operating Revenues</i>                      | <u>3,167,261</u>                                | <u>7,609</u>  | <u>3,174,870</u>                       |
| <b>Operating Expenses</b>                            |   |   |  |
| Water operations                                     | 690,418   | -   | 690,418                                |
| Sewer operations                                     | 289,999   | -   | 289,999                                |
| Sanitation operations                                | 1,023,601                                       | -   | 1,023,601                              |
| Administration                                       | 540,257   | -   | 540,257                                |
| Water Distribution                                   | 272,645   | -   | 272,645                                |
| Lake operations                                      | 94,571  | -   | 94,571                                 |
| Hospital operation                                   | -   | -   | -                                      |
| Depreciation expense                                 | 955,243   | -   | 955,243                                |
| <i>Total Operating Expenses</i>                      | <u>3,866,734</u>                                | <u>-</u>  | <u>3,866,734</u>                       |
| <br><i>Operating Income (Loss)</i>                   | <br><u>(699,473)</u>                            | <br><u>7,609</u>  | <br><u>(691,864)</u>                   |
| <b>Nonoperating Revenues (Expenses)</b>              |   |   |  |
| Investment income                                    | 5,143   | 41  | 5,184                                  |
| Interest expense and fiscal charges                  | (310,117)                                       | -   | (310,117)                              |
| Insurance Proceeds                                   | 48,500  | -   | 48,500                                 |
| Hospital Subsidy                                     | -   | -   | -                                      |
| Miscellaneous revenue                                | 3,682   | -   | 3,682                                  |
| <i>Total Nonoperating Revenues (Expenses)</i>        | <u>(252,792)</u>                                | <u>41</u>   | <u>(252,751)</u>                       |
| Net Income (Loss) Before Contributions and Transfers | (952,265)                                       | 7,650   | (944,615)                              |
| Capital contributions                                | -   | -   | -                                      |
| Contribution expense                                 | (455,310)                                       | -   | (455,310)                              |
| Transfers in   | 1,408,845                                       | -   | 1,408,845                              |
| Transfers out  | (397,318)                                       | -   | (397,318)                              |
| <br><i>Change in Net Position</i>                    | <br><u>(396,048)</u>                            | <br><u>7,650</u>  | <br><u>(388,398)</u>                   |
| <br><i>Net Position - Beginning - Restated</i>       | <br><u>16,765,518</u>                           | <br><u>36,992</u>   | <br><u>16,802,510</u>                  |
| <br><i>Net Position - Ending</i>                     | <br><u>\$ 16,369,471</u>                        | <br><u>\$ 44,642</u>  | <br><u>\$ 16,414,113</u>               |

See accompanying notes to basic financial statements.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ending June 30, 2014**

|  | <u>Pauls Valley<br/>Municipal<br/>Authority</u> | <u>Non-Major<br/>Enterprise Fund<br/>Sanitation Capital<br/>Improvement</u> | <u>Total<br/>Proprietary<br/>Funds</u> |
|--|---|---|--|
| <b>Cash Flows From Operating Activities</b>  |   |   |  |
| Receipts from customers  | \$ 3,043,406                                    | \$ 7,609  | \$ 3,051,015                           |
| Vendors and others paid  | (2,878,571)                                     | -   | (2,878,571)                            |
| Other receipts (payments)  | 4,350   | -   | 4,350                                  |
| <i>Net Cash Provided by Operating Activities</i>   | <u>169,186</u>                                  | <u>7,609</u>  | <u>176,795</u>                         |
| <b>Cash Flows From Noncapital Financing Activities</b>   |   |   |  |
| Miscellaneous revenues   | 58,154  | -   | 58,154                                 |
| Ambulance Subsidy  | -   | -   | -                                      |
| Hospital Subsidy   | (91,483)  | -   | (91,483)                               |
| Transfers from other funds   | 1,408,845                                       | -   | 1,408,845                              |
| Transfers to other funds   | (852,628)                                       | -   | (852,628)                              |
| <i>Net Cash Provided by Noncapital Financing Activities</i>                                    | <u>522,889</u>                                  | <u>-</u>  | <u>522,889</u>                         |
| <b>Cash Flows From Capital and Related Financing Activities</b>                                |   |   |  |
| Purchase of capital assets   | (144,764)                                       | -   | (144,764)                              |
| Proceeds from issuances  | -   | -   | -                                      |
| Proceeds from debt   | 31,926  | -   | 31,926                                 |
| Principal paid on long-term debt   | (1,142,393)                                     | -   | (1,142,393)                            |
| Interest & fiscal charges paid on long-term debt   | (319,931)                                       | -   | (319,931)                              |
| <i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>                 | <u>(1,575,162)</u>                              | <u>-</u>  | <u>(1,575,162)</u>                     |
| <b>Cash Flows From Investing Activities</b>  |   |   |  |
| Interest received  | 5,382   | 41  | 5,423                                  |
| Collection on notes and other receivables  | -   | -   | -                                      |
| Increase in investments  | (2,801)   | -   | (2,801)                                |
| <i>Net Cash Provided by Investing Activities</i>   | <u>2,581</u>                                    | <u>41</u>   | <u>2,622</u>                           |
| <i>Net Increase in Cash and Cash Equivalents</i>   | (880,506)                                       | 7,650   | (872,856)                              |
| <i>Balance - Beginning of the Year</i>   | <u>1,654,394</u>                                | <u>36,992</u>   | <u>1,691,386</u>                       |
| <i>Balance - End of the Year</i>   | <u>773,888</u>                                  | <u>44,642</u>   | <u>818,530</u>                         |
| <b>Reconciliation to Statement of Net Position:</b>  |   |   |  |
| Cash and cash equivalents  | 586,052   | 44,642  | 630,694                                |
| Restricted cash and cash equivalents   | 143,023   | -   | 143,023                                |
| <i>Total cash and cash equivalents</i>   | <u>729,075</u>                                  | <u>44,642</u>   | <u>773,717</u>                         |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b> |   |   |  |
| Operating income (loss)  | (699,473)                                       | 7,609   | (691,864)                              |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |   |   |  |
| Depreciation and amortization  | 955,243   | -   | 955,243                                |
| Changes in assets and liabilities:   |   |   |  |
| Receivables  | (123,854)                                       | -   | (123,854)                              |
| Due from other funds   | -   | -   | -                                      |
| Prepaid expenses and inventory   | 12,081  | -   | 12,081                                 |
| Accounts payable and accrued expenses  | 20,839  | -   | 20,839                                 |
| Due to depositors  | 4,350   | -   | 4,350                                  |
| <i>Net Cash Provided by Operating Activities</i>   | <u>\$ 169,186</u>                               | <u>\$ 7,609</u>   | <u>\$ 176,795</u>                      |

See accompanying notes to basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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**Note 1 - Summary of Significant Accounting Policies**

**1.A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Pauls Valley), its blended and discretely presented component units. This report includes all activities for which the City of Pauls Valley's City Council is fiscally responsible. In determining the financial reporting entity includes all component units for which the City is financially accountable.

**The City of Pauls Valley** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Pauls Valley is an incorporated municipality with a population of approximately 6,150 located in central Oklahoma. The City is a Home Rule Charter form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, street maintenance, culture, parks and recreation.

**Blended Component Unit:**

**Pauls Valley Municipal Authority** – that operates the water, wastewater, and sewer activities of the City (PVMA).

**Pauls Valley 522 District** - it is authorized to assess three mills of ad valorem tax to be used to provide ambulance service to the City of Pauls Valley. The District contracts with the Pauls Valley Hospital Authority to provide this service.

**Omitted Blended Component Unit:**

**Pauls Valley Hospital Authority** – that operates the City Hospital activities (PVHA).

**Discretely Presented Component Units:**

**Pauls Valley Airport Authority** – that operates the Municipal Airport activities (PVAA).

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets, which are acquired or constructed with Authority debt, or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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The PVMA, the EMS 522 District and the PVHA are required to be included as blended component units due to the financial control and shared board members with the City of Pauls Valley. The PVHA in the past was discretely presented but in May of 2013 the City Council members became the PVHA board members.

The PVAA has a separate board that manages the airport operations. However, due to the relationship described above it is discretely presented.

The Hospital audited financial statements were not available. Therefore, they are not included in the financial statements.

**Inactive Component Unit:**

Pauls Valley Urban Renewal Authority – that operated to identify dilapidated and/or abandoned structures and encourage the owners to rehabilitate the structures or purchase the structures using eminent domain. The Urban and Renewal Authority is financially inactive.

**1.B. Basis of Presentation**

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, fees, licenses and permits, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**1.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus is a term used to describe “how” transactions are recorded within the various fund statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following funds:

**Governmental Funds**

**Major Governmental Funds:**

- General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes the Rose Garden Fund, Wacker Park Fund, and Beautification Fund.
- One Cent Fund – account for one cent sales tax that is 50% for street replacement, 25% for parks and 25% for general government.

*Capital Projects Fund:*

- PV Airport Projects Fund – accounts for grant revenues and expenditures related to airport improvement projects

**Aggregated Non-Major Governmental Funds:**

*Special Revenue Funds:*

- Police Special Fund – accounts for a portion of court fine revenue and miscellaneous donations to be expended for police related expenditures.
- Cemetery Beautification Fund – accounts for miscellaneous donations and monument setting fees to be expended for the beautification of cemeteries.
- Senior Citizens Fund – accounts for revenues, grants and expenditures of the senior citizens' program.
- 911 Account Fund – accounts for E-911 revenues legally restricted for E-911 services.
- Marianne Ewert Bequest Fund – accounts for investment income and principal restricted for park capital improvements.
- Nora Sparks Warren Library Trust Fund – accounts for investment income and donations for library expenditures.
- Tourism/Motel Tax Fund – accounts for revenues of a hotel/motel tax levy to be expended for the promotion of tourism.
- Community Center Fund – accounts for donations and grants to be expended for the community center.
- Special Ambulance Fund – accounts for the 522 District's property taxes collected for the purpose of operating an ambulance service. The service is contracted for through the hospital.

*Capital Projects Funds:*

- Cemetery Care Fund – accounts for 25% of all cemetery revenues of which 12.5% is legally restricted for cemetery capital improvements.

**CITY OF PAULS VALLEY, OKLAHOMA**  
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- TIF Fund – accounts for revenues of ad valorem tax increments generated in the increment district boundaries to be expended for expenses of the Pauls Valley Economic Development Project Plan.

**Proprietary Funds**

**Major Enterprise Fund:**

- Pauls Valley Municipal Authority – operates the water, sewer, and sanitation services of the City (blended component unit).

**Non-Major Enterprise Fund:**

- Sanitation Capital Improvement Fund – accounts for a \$.25 fee assessed and collected from sanitation customers to be expended on capital improvements of the City’s sanitation service.

The City’s policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**1.D. Assets, Liabilities and Fund Equity**

Cash and Investments - The City’s cash and cash equivalents are considered to be cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less from the date of acquisition. Investments for the City, as well as for its component units, are reported at fair market value.

Inventories – The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase. The Pauls Valley Airport Authority has fuel inventory that is recorded at cost using the first-in/first-out method.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These costs are allocated to expense as used or consumed or with the passage of the applicable time period.

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

**CITY OF PAULS VALLEY, OKLAHOMA**  
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Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Receivables in governmental funds and governmental activities include tax accruals and intergovernmental revenue such as grant requests, since they are both measurable and available. Revenue from non-exchange transactions collectible but not available are deferred.

Proprietary fund and business-type activities receivables include revenues earned at year end but not yet received. Billed and unbilled utility accounts receivable comprise the majority of the receivables. All such receivables are shown net of an allowance for uncollectible accounts.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits, debt service and construction proceeds.

Capital Assets – The accounting for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide statements, capital assets are accounted for as capital assets. Capital assets consist of land, construction in progress, building, improvements, machinery and equipment, and infrastructure. Recorded assets are reported at actual or estimated historical cost. A capitalization threshold of \$3,500 is used to report capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. Prior to July 1, 2001, governmental activities’ infrastructure assets were not capitalized. These assets have not been valued or recorded as capital assets. Only infrastructure additions subsequent to July 1, 2001, have been included in the balances of capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The depreciable capital assets of the primary government and the Pauls Valley Airport Authority are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 50 years
- Improvements other than buildings 20-30 years
- Machinery, furniture and equipment 5-24 years
- Utility property and improvements 15-50 years
- General Infrastructure 15-50 years

In the fund financial statements, capital assets used in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the governmental-wide statements.

Capital lease acquired assets are depreciated in the same manner as other capital assets.

Due to Depositors - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

**CITY OF PAULS VALLEY, OKLAHOMA**  
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Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and compensatory time in varying amounts according to policies and contracts. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

Governmental funds report only the matured compensated absences payable to currently terminating employees.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the governmental funds long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* – 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 attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the 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.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the governmental fund financial statements fund equity is classified as fund balance. The fund balance is further classified as follows:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources 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.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority, (i.e. ordinance).
- d. *Assigned* – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority.

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- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy that the order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Negative amounts shall not be reported for restricted, committed, or assigned funds.

### **1.E. Fund Balance Deficit Prohibition**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts). The City's Senior Citizens Fund and TIF had negative fund balances of \$1,966 and \$27,598 respectively for the year ended June 30, 2014.

### **1.F. Sales Tax Revenue**

Sales Tax - The City presently levies a four-cent 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. By enabling legislation 3.25% is available for general government, .50% is restricted for street replacement and maintenance and .25% is restricted for park and recreation facilities and programs. Three cents is recorded in the General Fund and the remaining one-cent is recorded in the One Cent Sales Tax Fund. The restricted portion of the sales tax is tracked through the One Cent Sales Tax Fund. The City is also required by contract to transfer one cent of its General Fund three-cent sales tax to the PVMA for debt retirement of the 2008 OWRB note and a lease-purchase agreement with Pauls Valley National Bank.

### **1.G. Tax Incremental Financing (TIF)**

TIF is a method of obtaining financing using future gains in taxes to finance current improvements which will create the conditions for those gains. When a public project is carried out, the increase in the value of surrounding real estate, and perhaps new investment, generates increased property tax revenues dedicated to finance debt issued to pay for the project. The City uses TIF to stimulate economic development. The TIF Fund is used to account for the advalorem tax received from Garvin County for payment of project costs until the expiration of the TIF district on December 31, 2022.

### **1.H. Use of Estimates**

In preparing the City of Pauls Valley's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **1.I. Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering good and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures and expenses in the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

**CITY OF PAULS VALLEY, OKLAHOMA**  
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In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), debt service and capital outlay.

Proprietary Fund – By operating and non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

### **1.J. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

### **1.G. New Accounting Pronouncements**

The City has no significant accounting standards implemented in the fiscal year ended June 30, 2014.

### **1.H. Property Tax Revenue**

Property Tax - Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by the voters. At present time the City levies no property tax to fund annual debt service requirements. However, Pauls Valley has organized an EMS District and it levies 3.00 mills for property taxes to fund the annual operations.

The property tax levy request is submitted to the county excise board for approval. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1; the county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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**Note 2 – Detailed Notes on all Funds**

**2.A. Deposits and Investments Risk**

At June 30, 2014, the primary government reporting entity had the following deposits and investments:

| <u>Type of Deposits and Investments</u>             | <u>Carrying Value</u> |
|---|-----------------------|
| <b>Deposits:</b>                                    |                       |
| Demand deposits                                     | \$ 4,013,685          |
| Time deposits                                       | 661,405               |
| Cavanal Hill US Treasury                            | Aaa-mf 143,025        |
| First United Money Market Funds                     | 38,581                |
| <b>Total Deposits</b>                               | <u>\$ 4,856,696</u>   |
| <b>Reconciliation to Statement of Net Position:</b> |                       |
| Cash and cash equivalents                           | \$ 3,605,533          |
| Investments   | 528,653               |
| Restricted Cash and cash equivalents                | 589,758               |
| Restricted Investments                              | 132,752               |
|   | -                     |
| <b>Total Cash and Investments</b>                   | <u>\$ 4,856,696</u>   |

*Custodial Credit Risk - 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 to it. The City does have a written deposit policy for custodial credit risk that requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2014, the City was exposed to custodial credit risk of \$50,023.35 for the Pauls Valley Municipal Authority. The City of Pauls Valley accounts were fully collateralized.

*Investment Credit Risk* – The City does have a written investment policy that limits its investment choices according to the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC.

Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

As of June 30, 2014, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

*Investment Interest Rate Risk* – The City does have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. All certificates of deposit have maturities of one year or less.

*Concentration of Investment Credit Risk* – The City places no limit on the amount it may invest in any one issuer.

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**2.B. Restricted Assets**

Amounts reported as restricted assets in the proprietary fund Statement of Net Position are comprised of amounts due to depositors related to utility deposits. The restricted assets as of June 30, 2014 were as follows:

| <u>Type of Restricted Assets</u> | <u>Cash and Cash<br/>Equivalents</u> | <u>Investments</u> |
|----------------------------------|--------------------------------------|--------------------|
|                                  | -                                    | \$ -               |
| Bank of OK MM – Water Plant Note | 143,026                              |                    |
| Utility Deposits                 | <u>44,814</u>                        | <u>132,752</u>     |
| Total Restricted Assets          | <u>\$ 6,145,639</u>                  | <u>\$ 132,752</u>  |

**2.C. Receivables**

Accounts receivable consist of customer utilities services provided, both billed and unbilled, due at year-end, reported net of allowance for uncollectible amounts, in the enterprise fund and taxes and police fines in the governmental funds. Interest receivable on investments is also recorded. Receivables as of June 30, 2014, including the applicable allowances for uncollectible accounts are as follows:

|                                    | Governmental      | Business-Type     |                     | Presented CU     |
|------------------------------------|-------------------|-------------------|---------------------|------------------|
| <u>Receivables:</u>                | <u>Activities</u> | <u>Activities</u> | <u>Total</u>        | <u>PVAA</u>      |
| Interest                           | \$ 70             | \$ 354            | \$ 424              | \$ -             |
| Police Fines                       | 433,181           | -                 | 433,181             | -                |
| Accounts                           | -                 | 258,198           | 258,198             | 21,333           |
| Unbilled Accounts                  | 13,156            | 45,469            | 58,625              |                  |
| Taxes                              | 856,694           | -                 | 856,694             |                  |
| Gross Receivables                  | 1,303,101         | 304,021           | 1,607,122           | 21,333           |
| Less: Allowance for Uncollectibles | (396,381)         | (20,049)          | (406,291)           | (1,208)          |
| Net Total Receivables              | <u>\$ 906,720</u> | <u>\$ 283,972</u> | <u>\$ 1,200,831</u> | <u>\$ 20,125</u> |
|                                    |                   |                   |                     |                  |
|                                    |                   |                   |                     |                  |





**CITY OF PAULS VALLEY, OKLAHOMA**  
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| <b>Discretely Presented Component Unit</b>   |                 |                  |                  |                 |
|--|-----------------|------------------|------------------|-----------------|
|  | <b>Balance</b>  |                  |                  | <b>Balance</b>  |
|  | <b>06/30/13</b> | <b>Additions</b> | <b>Disposals</b> | <b>06/30/14</b> |
| <b>Pauls Valley Airport Authority:</b>       |                 |                  |                  |                 |
| Capital assets, not being depreciated:       |                 |                  |                  |                 |
| Land   | \$ 94,942       |                  |                  | \$ 94,942       |
| Construction in Progress                     | 228,275         | 1,035,516        | (148,236)        | 1,115,555       |
| Total capital assets, not being depreciated  | 323,217         | 1,035,516        | (148,236)        | \$ 1,210,497    |
| Capital assets, being depreciated:           |                 |                  |                  |                 |
| Buildings                                    | 520,090         | 148,236          |                  | 668,326         |
| Improvements                                 | 5,355,454       | -                |                  | 5,355,454       |
| Machinery, furniture and equipment           | 265,436         | -                |                  | 265,436         |
| Total capital assets, being depreciated      | 6,140,980       | 148,236          | -                | 6,289,216       |
| Less accumulated depreciation for:           |                 |                  |                  |                 |
| Buildings                                    | 332,900         | 43,545           |                  | 376,445         |
| Improvements                                 | 2,210,904       | 190,688          |                  | 2,401,592       |
| Machinery, furniture and equipment           | 242,799         | 3,650            |                  | 246,449         |
| Total accumulated depreciation               | 2,786,603       | 237,883          | -                | 3,024,486       |
| Total capital assets, being depreciated, net | 3,354,377       | (89,647)         | -                | 3,264,730       |
| Governmental activities capital assets, net  | \$ 3,677,594    | \$ 945,869       | \$ (148,236)     | \$ 4,475,227    |

Depreciation expense was charged to functions/programs of the primary government as follows in the Statement of Activities:

**Governmental Activities:**

|                               |              |
|-------------------------------|--------------|
| General Government            | \$ 111,190   |
| Public Safety                 | 210,849      |
| Culture, Parks and Recreation | 878,251      |
| Streets                       | 203,856      |
| Cemetery                      | <u>7,173</u> |

Total depreciation expense - governmental activities \$1,411,319

**Business-Type Activities:**

|                |               |
|----------------|---------------|
| Water          | \$ 601,967    |
| Sewer          | 161,728       |
| Sanitation     | 120,027       |
| Administration | 22,615        |
| Lake           | <u>48,906</u> |

Total depreciation expense - business-type activities \$ 955,243

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**2.E. Long-Term Debt**

Long-term liability activity for the year ended June 30, 2014, was as follows:

|                                       | <u>Balance</u>      |                  |                     | <u>Balance</u>      | <u>Due Within</u> |
|---------------------------------------|---------------------|------------------|---------------------|---------------------|-------------------|
|                                       | <u>6/30/13</u>      | <u>Additions</u> | <u>Reductions</u>   | <u>6/30/14</u>      | <u>One Year</u>   |
| <b>Governmental Activities:</b>       |                     |                  |                     |                     |                   |
| Capital Lease Obligations             | \$ 410,647          | \$ 15,963        | \$ 170,216          | \$ 256,394          | \$ 138,483        |
| Note Payable                          | 3,129,826           | -                | 110,678             | 3,019,148           | 115,076           |
| Compensated Absences                  | <u>175,183</u>      | -                | <u>12,896</u>       | <u>162,287</u>      | -                 |
| Total Long-term Liabilities           | <u>\$ 3,715,656</u> | <u>\$ 15,963</u> | <u>\$ 293,790</u>   | <u>\$ 3,437,829</u> | <u>\$ 253,559</u> |
| <b>Business-Type Activities PVMA:</b> |                     |                  |                     |                     |                   |
| Capital Lease Obligations             | \$ 235,714          | \$ 31,926        | \$ 65,010           | \$ 202,630          | \$ 113,963        |
| Notes Payable                         | 7,952,035           | -                | 999,639             | 6,952,396           | 326,300           |
| Contract Payable                      | 614,259             | -                | 80,808              | 533,451             | 99,967            |
| Compensated Absences                  | <u>88,296</u>       | <u>21</u>        | <u>-</u>            | <u>88,317</u>       | -                 |
| Total Long-term Liabilities           | <u>\$ 8,890,304</u> | <u>\$ 31,947</u> | <u>\$ 1,145,457</u> | <u>\$ 7,776,794</u> | <u>\$ 540,230</u> |

Governmental Activities - State statutes prohibit the City from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2014, the long-term debt payable from governmental fund resources consisted of the following:

Capital Lease Obligations:

|  |                   |
|--|-------------------|
| \$462,337 lease obligation with Oshkosh Capital for an aerial ladder truck, payable in annual installments of \$58,752, final payment due August 2014 with interest at 4.69%   | 56,120            |
| \$146,188 lease obligation with Oshkosh Capital for a tanker truck, payable in annual installments of \$18,689, final payment due October 2014 with interest at 4.69%  | 17,852            |
| \$41,808 lease obligation with National City for a reelmaster mower, payable in monthly installments of \$702, final payment due April 2015 with interest at 6.669%  | 6,148             |
| \$88,253 lease obligation with Caterpillar Financial for a Caterpillar 420EL, payable in monthly installments of \$1,593.63, final payment due June 2017 with interest at 3.20%  | 54,625            |
| \$47,889 lease obligation with Caterpillar Finance for a skid steer loader payable in monthly installments of \$1,396.86 final payment due November 2016 with interest at 6.0%. The use and debt is considered 1/3 street dept. and 2/3 PVMA | 12,523            |
| \$176,623 lease obligation with Pauls Valley National Bank for a fire rescue truck payable in monthly installments of \$3,213, final payment due June 2017 with interest at 3.3%.  | <u>109,126</u>    |
| Total Capital Lease Obligations  | <u>\$ 256,394</u> |
| Current portion  | 138,483           |
| Non-current portion  | <u>117,911</u>    |
| Total Capital Lease Obligations  | <u>\$ 256,394</u> |

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Notes Payable:

|  |                     |
|--|---------------------|
| \$3,200,000 notes payable to First United Bank, payable in monthly installments, final payment due October 2032 with interest at 3.85% | 3,019,148           |
| Current portion  | 115,076             |
| Non-current portion  | <u>2,904,072</u>    |
| Total Notes Payable  | <u>\$ 3,019,148</u> |

Business-Type Activities – As of June 30, 2014, long-term debt payable from proprietary fund resources consisted of the following:

**PVMA Long-term Debt:**

Capital Lease Obligations:

|  |                   |
|--|-------------------|
| \$101,110 lease obligation with Caterpillar Financial for a Caterpillar D4K2XL, payable in monthly installments of \$1,904.60, final payment due January 2016 with interest at 3.20%   | 72,675            |
| \$175,800 lease obligation with Caterpillar Financial for a Caterpillar 930H, payable in monthly installments of \$2,474, final payment due March 2015 with interest at 3.90%  | 70,419            |
| \$47,889 lease obligation with Caterpillar Finance for a skid steer loader payable in monthly installments of \$1,396.86 final payment due November 2016 with interest at 6.0%. The use and debt is considered 1/3 street dept. and 2/3 PVMA | 25,045            |
| \$91,270 lease obligation with Welch State Bank for a Caterpillar backhoe, payable in monthly installments of \$1,148, final payment due March 2017 with interest at 5.339%  | <u>34,491</u>     |
| Total Capital Lease Obligations  | <u>\$ 202,630</u> |
| Current portion  | 113,963           |
| Non-current portion  | <u>88,667</u>     |
| Total Capital Lease Obligations  | <u>\$ 202,630</u> |

Notes Payable:

|  |        |
|--|--------|
| \$193,529 note obligation with PVNB for a 2012 Peterbuilt payable in monthly installments of \$5,714, final payment due August 2014 with interest at 4.0%  | 11,300 |
| \$900,000 notes payable to Oklahoma Water Resources Board, secured by water, sewer and sanitation revenues, payable in semi-annual installments, final payment due March 2025 with interest at 3.10% Paid off this year. | -0-    |

**CITY OF PAULS VALLEY, OKLAHOMA**  
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\$10,325,000 notes payable to Oklahoma Water Resources Board, secured by water, sewer and sanitation revenues and pledged sales tax, payable in semi-annual installments, final payment due September 2030 with interest at 3.79%, all funds had not been drawn as of June 30, 2010 6,941,096

Total Notes Payable \$ 6,952,396

Current portion 326,300

Non-current portion 6,626,096

Total Notes Payable \$ 6,952,396

Contract Payable:

\$1,051,600 face amount, noninterest bearing contract payable to Garvin County RWD#4 for certain water infrastructure, payable monthly as a reduction of the sellers account receivable utility account, final payment due March 2019 with imputed interest at 4.18%, (less unamortized discount based on imputed interest rate - \$172,086), See also contingent liability note. 533,451

Current portion 99,967

Non-current portion 433,484

Total Contract Payable \$ 533,451

Annual debt service requirements to maturity are as follows:

Governmental Activities:

| Year Ending<br>June-30 | Capital Lease Obligations |                    | Notes Payable         |                       |
|------------------------|---------------------------|--------------------|-----------------------|-----------------------|
|                        | Principal                 | Interest           | Principal             | Interest              |
| 2014                   | 138,482.81                | 8,548.42           | 115,076.46            | 115,814.34            |
| 2015                   | 60,319.17                 | 2,950.62           | 119,344.54            | 111,546.26            |
| 2016                   | 57,592.05                 | 984.96             | 124,392.51            | 106,498.29            |
| 2017                   | -                         | -                  | 129,335.95            | 101,554.85            |
| 2018                   | -                         | -                  | 134,475.85            | 96,414.95             |
| 2019-2023              | -                         | -                  | 756,443.91            | 398,010.09            |
| 2024-2029              | -                         | -                  | 919,546.27            | 234,907.73            |
| 2029-2033              | -                         | -                  | 720,532.68            | 49,100.96             |
|                        | <u>\$256,394.03</u>       | <u>\$12,484.00</u> | <u>\$3,019,148.16</u> | <u>\$1,213,847.47</u> |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

BusinessType Activities PVMA:

| Year Ending<br>June-30            | Capital Lease Obligations |                   | Notes Payable         |                       | Contracts Payable   |                    |
|-----------------------------------|---------------------------|-------------------|-----------------------|-----------------------|---------------------|--------------------|
|                                   | Principal                 | Interest          | Principal             | Interest              | Principal           | Interest           |
| 2014                              | 113,963.32                | 6,221.66          | 326,300.40            | 265,072.16            | 99,967.06           | 20,397.50          |
| 2015                              | 75,595.76                 | 1,898.06          | 325,000.00            | 252,982.50            | 104,226.68          | 16,137.88          |
| 2016                              | 13,071.17                 | 208.11            | 340,000.00            | 240,475.50            | 108,667.81          | 11,696.75          |
| 2017                              | -                         | -                 | 355,000.00            | 227,494.75            | 113,298.15          | 7,066.41           |
| 2018                              | -                         | -                 | 365,000.00            | 213,945.50            | 107,291.53          | 2,241.53           |
| 2019-2023                         | -                         | -                 | 2,060,000.00          | 847,917.75            | -                   | -                  |
| 2024-2029                         | -                         | -                 | 2,470,000.00          | 424,101.00            | -                   | -                  |
| 2029-2034                         | -                         | -                 | 848,253.97            | 32,025.50             | -                   | -                  |
|                                   | <u>\$202,630.25</u>       | <u>\$8,327.83</u> | <u>\$7,089,554.37</u> | <u>\$2,504,014.66</u> | <u>\$533,451.23</u> | <u>\$57,540.07</u> |
| Less amount remaining to be drawn |                           |                   | (137,158.47)          |                       |                     |                    |
|                                   |                           |                   | <u>\$6,952,395.90</u> |                       |                     |                    |

Interest and Admin expense were charged to functions as follows in the Statement of Activities:

| Business Type Activities |                  |
|--------------------------|------------------|
| Water                    | 291,355          |
| Sewer                    | 14,042           |
| Sanitation               | 8,129            |
| Lake                     | 270              |
|                          | <u>\$313,796</u> |

**Utility Revenues Pledged**

The City has pledged future water, sewer, and sanitation customer revenues, net of specified operating expenses, to repay a \$10,325,000 in a promissory note to OWRB-Series 2008 DWSRF Bond, the Series 2008 note has not been fully drawn down as of June 30, 2014. Proceeds from the 2008 note were for water system improvements. The notes are payable from water, sewer, and sanitation customer net revenues and future sales tax revenue (discussed below) and are payable through 2031, respectively. The total principal and interest payable for the remainder of the life of this note is \$9,445,054. Total customer net revenues for the current year were \$3,117,242. The required debt service payments of \$638,205 for the current fiscal year were 20.47% of the net water, sewer and sanitation utility revenues.

**Sales Tax Revenues Pledged**

The City has pledged one half of one cent sales tax revenues to repay \$10.325 million in a promissory note to OWRB issued January 2008. This note has not been fully drawn down as of June 30, 2014. Proceeds

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

from the note provided financing for water system improvements. The note is payable from future sales tax revenue and net utility revenue (discussed above). The total principal and interest remaining to be paid on the note is \$9,445,054, payable through September 2031. Pledged sales tax received in the current year was \$674,994. Debt Service payments of \$572,091 for the current fiscal year were 84.75% of pledged sales taxes.

**Debt Service Coverage Requirement**

The OWRB & FUB debt agreements require that Net Revenue Available for Debt Service must equal 125% of maximum annual debt service. Actual coverage was as follows:

|  | <b>OWRB</b>        | <b>First</b>  |
|--|--------------------|---------------|
|  | <b>Series 2008</b> | <b>United</b> |
|  |                    | <b>Bank</b>   |
| Net Revenue Available for Debt Service:      |                    |               |
| Sales Tax Revenues                           | \$ -               | \$3,378,291   |
| Operating Revenues                           | \$ 3,174,911       | \$ -          |
| Less Lake Revenue                            | \$ (50,019)        | \$ -          |
| Total Operating Revenue                      | 3,124,892          | 3,378,291     |
| Operating Expenses                           | 4,180,530          | -             |
| Less Lake Expenses                           | (143,746)          | -             |
| Less Administration Expenses                 | (562,872)          | -             |
| Less Depreciation/Amortization               | (932,628)          | -             |
| Total Operating Expenses                     | 2,541,284          | -             |
| 1/2 Sales Tax Transfer (Sr. 2008)            | 670,850            | -             |
| Net Revenues Available for Debt Service      | \$ 1,254,458       | \$3,378,291   |
| <br><b><u>Debt Service Requirements:</u></b> |                    |               |
| Annual debt service payments - OWRB 2004     | -                  | -             |
| Annual debt service payments - OWRB 2008     | 581,670            | -             |
| Annual debt service payments – FUB Pool      | -                  | 230,891       |
| Annual debt service payments - FUB Hospital  | -                  | 241,146       |
| Total Debt Service Requirement               | 581,670            | 472,037       |
| <br>Coverage                                 | 215%               | 715%          |
| <br>Coverage Requirement                     | 125%               | 125%          |

Note: Operating revenues and expenses include only the following leased systems: water, sewer, and sanitation.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**2.F. Landfill Closure and Post Closure Requirements**

A \$97,082 accrued liability has been recognized in Pauls Valley Municipal Authority to represent the total estimated amount owed by the Authority for closure and post closure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 15.80% of the estimated capacity of the landfill. It is estimated that an additional \$614,308 will be recognized as closure and post closure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and post closure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The City expects to close the landfill in April 2087. The estimated remaining landfill life is 73 years. Currently, the City is in compliance with DEQ assurances.

**2.G. Interfund Receivables, Payables, and Transfers**

**Reconciliation to Statement of Net Position:**

|                          | <u>Due From</u>   | <u>Due To</u>     | <u>Net<br/>Internal Balances</u> |
|--------------------------|-------------------|-------------------|----------------------------------|
| Governmental Activities  | \$ 102,000        | \$ 102,000        | \$ 0                             |
| Business-Type Activities | <u>0</u>          | <u>0</u>          | <u>0</u>                         |
| Total                    | <u>\$ 102,000</u> | <u>\$ 102,000</u> | <u>\$ 0</u>                      |

Expenses paid from General Fund for Tourism Fund of \$40,000 to be reimbursed and expense to be reimbursed from the General Fund to the Senior Citizens Fund and PV Airport Project Fund of \$2,000 and \$60,000 respectively.

Transfers between funds and legal entities are comprised of the following:

| <u>Transfer Out</u>     | <u>Transfer In</u>  | <u>Amount</u>       | <u>Purpose of Transfer</u>  |
|-------------------------|---------------------|---------------------|-----------------------------|
| One Cent Sales Tax Fund | General Fund        | \$ 255,421          | Operating subsidy           |
| General Fund            | Police Special Fund | 4,855               | To fund capital purchases   |
| PVMA                    | General Fund        | 276,710             | Operating subsidy           |
| General Fund            | PVMA                | 1,341,701           | Sales tax transfer          |
| General Fund            | PVMA                | 90,000              | To fund capital purchases   |
| General Fund            | PVMA                | 143,463             | To fund Hospital            |
| General Fund            | 911 Account Fund    | 22,000              | Operating subsidy           |
| One Cent Sales Tax Fund | General Fund        | 77,695              | A/P Reimbursement           |
| Tourism/Motel Tax       | General Fund        | 100,000             | To fund pool savings        |
| One Cent Sales Tax Fund | Community Center Fd | 80,004              | Per grant agreement         |
| Marianne Ewert Fund     | Wacker Park Fund    | 60                  | Transfer of interest income |
| Marianne Ewert Fund     | Rose Garden Fund    | <u>60</u>           | Transfer of interest income |
|                         |                     | <u>\$ 3,316,849</u> |                             |
|                         |                     |                     |                             |
| PVMA                    | PVHA                | 184,872             | Operating subsidy           |
| General Fund            | PVHA                | 63,821              | Operating subsidy           |
| General Fund            | PVHA                | <u>48,752</u>       | Debt Activity               |
|                         |                     | <u>\$ 297,445</u>   |                             |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
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**Reconciliation to Fund Financial Statements:**

|                    | <b>Transfers In</b> | <b>Transfers Out</b>  | <b>Net Transfers</b> |
|--------------------|---------------------|-----------------------|----------------------|
| Governmental Funds | \$ 960,266          | \$ (1,971,793)        | \$ (1,011,527)       |
| Enterprise Funds   | 1,408,845           | (397,318)             | 1,011,527            |
| Total              | <u>\$ 2,369,111</u> | <u>\$ (2,369,111)</u> | <u>\$ -</u>          |

**Reconciliation to Statement of Activities – governmental and business-type activities:**

|  |                   |
|--|-------------------|
| Net Transfers  | \$ 1,011,527      |
| Capital assets paid for government funds                 | -                 |
| Payment of governmental debt by business-type activities | (714,083)         |
| Transfers-Internal Activity                              | <u>\$ 297,444</u> |

**Reconciliation to Statement of Activities – primary government and component units:**

|  |                   |
|--|-------------------|
| Transfers from general fund to component unit-PVAA at the fund level | \$ 21,600         |
| Transfers from non-major govern funds to PVAA component unit         | 903,280           |
| Payments from primary government                                     | <u>\$ 924,880</u> |

**2.H. Fund Equity/Net Position**

**Prior Period Adjustment** - Adjustments were made to beginning net positions and/or fund balances to reflect the cumulative effect of changes in accounting principles, correction of errors, and /or changes in accounting estimates as follows:

|   | <u>Governmental</u><br><u>General Fund</u> |
|---|--|
| Beginning net position (as previously reported) | \$ 943,748                                 |
| Prior period adjustment to adjust receivables:  |  |
| Uncollectible receivables                       | <u>3,778</u>                               |
| Beginning net position, restated                | <u>\$ 947,526</u>                          |

|   | <u>Proprietary</u><br><u>PVMA</u> |
|---|-----------------------------------|
| Beginning net position (as previously reported) | \$ 15,129,284                     |
| Prior period adjustment to reclassify debt:     |                                   |
| Debt reclassified to PVHA                       | <u>1,636,234</u>                  |
| Beginning net position, restated                | <u>\$ 16,765,518</u>              |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**Governmental Fund Balances** – Fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 is as follows:

|                           | General<br>Fund | One<br>Cent Tax<br>Fund | One<br>PV Airport<br>Project Fund | Other<br>Governmental<br>Funds | Total     |
|---------------------------|-----------------|-------------------------|-----------------------------------|--------------------------------|-----------|
| <i>Fund Balance:</i>      |                 |                         |                                   |                                |           |
| <b>Nonspendable:</b>      |                 |                         |                                   |                                |           |
| Nonexpendable Perm.       |                 |                         |                                   |                                |           |
| Endowment-Parks           | -               |                         |                                   | 50,000                         | 50,000    |
| Prepaid expenses          | 19,803          |                         |                                   | -                              | 19,803    |
| Long-term receivable      | 33,700          |                         |                                   | -                              | 33,700    |
| <b>Restricted for:</b>    |                 |                         |                                   |                                | -         |
| Cemetery                  | -               |                         |                                   | 9,633                          | 9,633     |
| Senior Citizens           | -               |                         |                                   | -                              | -         |
| Ambulance                 |                 |                         |                                   | 877                            |           |
| Library                   | -               |                         |                                   | 212,536                        | 212,536   |
| TIF District              | -               |                         |                                   | -                              | -         |
| Debt service              |                 | 38,529                  |                                   | -                              | 38,529    |
| Parks and Recreation      |                 | 43,987                  |                                   | -                              | 43,987    |
| Streets                   |                 | 1,737,528               |                                   | -                              | 1,737,528 |
| Economic Dev              | -               |                         |                                   | 474,693                        | 474,693   |
| Pool                      | 17,606          |                         |                                   | -                              | 17,606    |
| Community Center          | 280,014         |                         |                                   | 1,806                          | 281,820   |
| <b>Assigned to:</b>       |                 |                         |                                   |                                | -         |
| Police                    | -               |                         |                                   | 26,214                         | 26,214    |
| Animal Control            | -               |                         |                                   | -                              | -         |
| Parks and Recreation      | 58,373          |                         |                                   | 9                              | 58,382    |
| TIF District              | -               |                         |                                   | -                              | -         |
| Economic Dev              | -               |                         |                                   | 11,688                         | 11,688    |
| Library                   | -               |                         |                                   | 58,038                         | 58,038    |
| 911                       | -               |                         |                                   | 3,138                          | 3,138     |
| Cemetery                  | -               |                         |                                   | 44,070                         | 44,070    |
| Senior Citizens           | -               |                         |                                   | -                              | -         |
| Airport                   | -               |                         |                                   | -                              | -         |
| Community Center          | -               |                         |                                   | 522                            | 522       |
| Other Purposes            |                 |                         |                                   | -                              | -         |
| <b>Unassigned</b>         | 728,362         | 50,788                  | 7,629                             | (29,564)                       | 757,215   |
|                           |                 |                         |                                   |                                | -         |
| <i>Total Fund Balance</i> | 1,137,858       | 1,870,832               | 7,629                             | 863,660                        | 3,879,979 |

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**For the Year Ended June 30, 2014**

**Net Assets Restricted by Enabling Legislation** - The government wide statement of net position reports \$3,076,889 of restricted net assets, of which \$2,267,896 is restricted by enabling legislation.

|                        |  |                     |
|------------------------|--|---------------------|
| Enabling Legislation:  |  |                     |
| TIF Fund               |  | \$ -                |
| Sales Tax Streets      |  | 1,737,528           |
| Sales Tax Parks        |  | 43,987              |
| Tourism/Motel Tax Fund |  | 486,381             |
| Total                  |  | <u>\$ 2,267,896</u> |
|                        |  |                     |

**Note 3 - Other Notes**

**3.A. Risk Management**

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Airport General Liability – Covered through purchase of commercial insurance.
- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Employee's Group Medical – Covered through purchase of commercial insurance.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claim reserves and other purposes for the benefit of the city. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three years.

**3.B. Contingencies**

**Federal and State Award Programs** - The City of Pauls Valley participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Litigation** - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court-assessed judgement rendered against the City. This provision is not applicable to authorities or public trusts. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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.

**Commitments-Construction** – At June 30, 2014, the City had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

| <u>Project</u>          | <u>Contract<br/>Amount</u> | <u>Remaining<br/>Balance</u> | <u>Fund</u> |
|-------------------------|----------------------------|------------------------------|-------------|
| Airport Parallel Runway | \$1,854,829                | \$488,274                    | PVAA        |
| Loftin Road             | \$ 705,102                 | \$705,102                    | TIF         |

**Contingent Liability** – The City of Pauls Valley has a contract with Garvin County Rural Water District No. 4 for the purchase of certain water infrastructure. See Note 2.E. Contract Payable for consideration for sale of infrastructure. Additional consideration for industrial/commercial customers has not been determined as of June 30, 2014. This amount when determined shall be added to the contract payable and capital assets for water infrastructure.

**Below is the debt incurred by the City on behalf of the hospital (hospital financial data has been excluded from this report) –**

Business-Type Activities PVHA:

|               |                    |                    |                  |                     |                  |
|---------------|--------------------|--------------------|------------------|---------------------|------------------|
| Notes Payable | <u>\$1,717,049</u> | <u>\$8,603,951</u> | <u>\$ 37,727</u> | <u>\$10,283,272</u> | <u>\$391,133</u> |
|---------------|--------------------|--------------------|------------------|---------------------|------------------|

This debt is issued in the name of the PVMA and is secured by sales tax of the City. All of these funds were used capital improvements and support for the hospital. See note below about the PVHA as a going concern. Despite the status of the hospital the City will be responsible for this debt.

|   |           |
|---|-----------|
| \$3,150,000 notes payable to First United Bank, secured by Sales Tax revenues, payable in monthly installments, final payment due June 2033 with interest at 4.25%. | 3,123,832 |
|---|-----------|

|   |           |
|---|-----------|
| \$1,025,000 sales tax note payable to Pauls Valley National Bank, secured by sales tax revenues, payable in monthly installments, final payment due June 2033 with interest at 4.25%. | 1,013,441 |
|---|-----------|

|  |           |
|--|-----------|
| \$5,155,000 2014A sales tax revenue note to First United Bank, secured by sales tax revenues, payable in monthly installments, final payment due June 2034 with initial interest of 2.078% | 5,155,000 |
|--|-----------|

|   |                |
|---|----------------|
| \$991,000 2014B sales tax revenue note payable to First United Bank, secured by sales tax revenues, payable in monthly installments, final payment due July 2017 with initial interest of 3.45% | <u>991,000</u> |
|---|----------------|

|                              |                     |
|------------------------------|---------------------|
| Total hospital notes payable | <u>\$10,283,273</u> |
|------------------------------|---------------------|

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**For the Year Ended June 30, 2014**

|                     |                     |
|---------------------|---------------------|
| Current Portion     | 371,133             |
| Non-current portion | <u>9,912,140</u>    |
| Total               | <u>\$10,283,273</u> |

BusinessType Activities PVHA:

| Year Ending<br>June-30 | Capital Lease Obligations |             | Notes Payable          |                       | Contracts Payable |             |
|------------------------|---------------------------|-------------|------------------------|-----------------------|-------------------|-------------|
|                        | Principal                 | Interest    | Principal              | Interest              | Principal         | Interest    |
| 2014                   | -                         | -           | 371,133.46             | 433,280.36            | -                 | -           |
| 2015                   | -                         | -           | 506,204.30             | 413,598.67            | -                 | -           |
| 2016                   | -                         | -           | 533,238.50             | 391,149.14            | -                 | -           |
| 2017                   | -                         | -           | 395,625.53             | 370,785.72            | -                 | -           |
| 2018                   | -                         | -           | 397,014.23             | 354,149.62            | -                 | -           |
| 2019-2023              | -                         | -           | 2,249,550.87           | 1,497,208.51          | -                 | -           |
| 2024-2029              | -                         | -           | 2,765,127.79           | 964,371.37            | -                 | -           |
| 2029-2034              | -                         | -           | 3,065,378.18           | 316,533.12            | -                 | -           |
|                        | <u>\$ -</u>               | <u>\$ -</u> | <u>\$10,283,272.86</u> | <u>\$4,741,076.51</u> | <u>\$ -</u>       | <u>\$ -</u> |

**Going Concern - Pauls Valley Hospital Authority** – The Hospital is a component unit of the City of Pauls Valley. But to uncertainties related to asset valuations in the Hospital bankruptcy proceedings the City has elected to omit the financial information of the Hospital. Also the PVMA has supplemented the operations of the hospital through obtaining \$10,283,273 financing. The citizen approved additional sales tax to liquidate much of this debt.

As a result of sustained annual operating losses caused by declining patient service revenue and increased debt obligations, on March 1, 2013, the Hospital filed a voluntary petition for bankruptcy protection from creditors under Chapter 9 of the Federal Bankruptcy Code.

Upon filing petition, an automatic stay commenced, prohibiting Hospital creditors from taking action against the Hospital, its property, and its officers and inhabitants if the action seeks to enforce a claim against the Hospital for pre-petition debts.

The Hospital intends to prepare a Plan of Adjustment (the Plan) for approval by the Bankruptcy Court. The confirmed Plan will specify how the pre-petition debts of the Hospital will be discharged.

The Hospital has remained open since the filing of the bankruptcy petition. However, there is potential that the ultimate outcome of the bankruptcy will result in termination of the Hospital.

### 3.C. Pension Plans

The City of Pauls Valley participates in four pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) – an agent multiple-employer defined contribution plan

**CITY OF PAULS VALLEY, OKLAHOMA**  
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- 
4. Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) – an agent multiple-employer defined contribution plan

**Firefighters’ Retirement Plan** – Pursuant to the requirements of Title 11, section 22-102, the City of Pauls Valley participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) on behalf of both paid and volunteer firefighters. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 14% for the year ended June 30, 2014. Participating members are required to contribute 9%. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Schedule of Retirement Plan Contributions – OFPRS

| <u>Fiscal<br/>Year</u> | <u>Required<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|------------------------|----------------------------------|-----------------------------------|
| 2010                   | \$39,711                         | 100%                              |
| 2011                   | \$40,002                         | 100%                              |
| 2012                   | \$42,430                         | 100%                              |
| 2013                   | \$40,954                         | 100%                              |
| 2014                   | \$46,801                         | 100%                              |

**Policemen’s Retirement Plan** - The City of Pauls Valley participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS) on behalf of paid officers. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2014. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available financial report that includes financial statements. That report may be obtained by writing to OPPRS, 1001 NW 63<sup>rd</sup> Street, Suite 605, Oklahoma City, OK 73116-7335.

Schedule of Retirement Plan Contributions – OPPRS

| <u>Fiscal<br/>Year</u> | <u>Required<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|------------------------|----------------------------------|-----------------------------------|
| 2010                   | \$55,267                         | 100%                              |
| 2011                   | \$52,717                         | 100%                              |
| 2012                   | \$57,084                         | 100%                              |
| 2013                   | \$63,885                         | 100%                              |
| 2014                   | \$68,833                         | 100%                              |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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**State On Behalf Payments** – For the fiscal year June 30, 2014, the State of Oklahoma contributed estimated payments on behalf of City employees to the Oklahoma Firefighter Pension and Retirement System for \$103,000 and the Oklahoma Police Pension and Retirement System for \$60,000. State contributions are funded by allocations of the state’s insurance premium tax. The City is not legally responsible for these contributions.

**Municipal Retirement Plan** - The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are supervised by OMRF. The defined contribution plan is available to all full-time employees not participating in another plan. Employees are eligible to participate three months from the date of employment. Employees are required to contribute at least 1% but no more than 5% of compensation. Employer contributions shall equal 100% of the total mandatory contributions by employees. City contributions for each employee begin vesting after two years of service and are fully vested after six years. If an employee terminates before becoming fully vested, the employer’s contributions are forfeited and may be used to reduce the City’s current period contribution requirements. The authority to amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2014, employee contributions were \$63,125 and the employer contributions were \$57,818.

**City Manager Retirement Plan** - The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the “Plan”) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) available only to the city manager. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are supervised by OMRF. The city manager is required to contribute to the Plan 3.5% of compensation. The City Council determines the City’s contribution rate each year. However, the maximum contribution amount from employee and employer is limited to \$46,000. City contributions for the city manager begin vesting immediately. The authority to amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2014, employee contributions were \$3,591 and the employer contributions were \$8,638.

**3.D. Prior Period Restatements**

In the PVMA and Business-Type Activities there were the following prior period adjustments:

|                                     | <u>PVMA</u>         | <u>Business-Type</u> |
|-------------------------------------|---------------------|----------------------|
| Prior Year Net Position             | \$16,765,518        | \$16,802,510         |
| Removed hospital activity from PVMA | <u>1,636,237</u>    | <u>1,636,237</u>     |
| Adjusted beginning Net Position     | <u>\$15,129,284</u> | <u>\$15,166,276</u>  |



**UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ending June 30, 2014**

|   | Budgeted Amounts |                   | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive (Negative) |
|---|------------------|-------------------|---------------------|--|
|   | Original         | Final             |                     |  |
| <b>Beginning Budgetary Fund Balance</b>     | \$ -             | \$ 300,000        | \$ 642,272          | \$ (342,272)   |
| <b>Revenue</b>                              |                  |                   |                     |  |
| Taxes                                       | 4,745,000        | 4,829,685         | 4,813,032           | 16,653   |
| Intergovernmental                           | 226,000          | 177,000           | 168,360             | 8,640  |
| Charges for Services                        | 655,500          | 883,800           | 849,508             | 34,292   |
| Fines and Forfeitures                       | 162,000          | 199,000           | 198,032             | 968  |
| Licenses and Permits                        | 30,000           | 39,000            | 38,357              | 643  |
| Investment Income                           | 2,500            | 2,500             | 1,927               | 573  |
| Miscellaneous                               | 184,004          | 431,504           | 420,166             | 11,338   |
| Loan Proceeds                               | -                | 356,000           | 355,995             | 5  |
| Transfers In                                | 244,996          | 755,421           | 1,053,199           | (297,778)  |
| <b>Total Revenues</b>                       | <u>6,250,000</u> | <u>7,673,910</u>  | <u>7,898,576</u>    | <u>(224,666)</u>                                     |
| <b>Amounts available for appropriations</b> | <u>6,250,000</u> | <u>7,973,910</u>  | <u>8,540,848</u>    | <u>(566,938)</u>                                     |
| <b>Expenses</b>                             |                  |                   |                     |  |
| Transfers                                   | 1,320,280        | 1,368,701         | 1,368,556           | 145  |
| Administration                              | 673,265          | 1,017,765         | 1,012,750           | 5,015  |
| Police                                      | 1,090,190        | 1,165,690         | 1,162,591           | 3,099  |
| Fire  | 584,488          | 615,413           | 613,597             | 1,816  |
| Street                                      | 599,967          | 505,267           | 504,467             | 800  |
| Shop  | 115,023          | 129,523           | 129,017             | 506  |
| Park  | 139,806          | 162,306           | 160,763             | 1,543  |
| Cemetery                                    | 189,203          | 189,203           | 184,827             | 4,376  |
| Golf  | 338,336          | 348,886           | 348,028             | 858  |
| Library                                     | 123,171          | 154,531           | 154,045             | 486  |
| Senior Center                               | 58,795           | 58,795            | 55,504              | 3,291  |
| Airport                                     | 43,584           | 47,359            | 47,002              | 357  |
| Aquatic                                     | 306,362          | 306,362           | 298,252             | 8,110  |
| Recreation                                  | 477,273          | 1,559,073         | 1,557,519           | 1,554  |
| Animal Control                              | 126,359          | 126,359           | 123,363             | 2,996  |
| <b>Total Expenses</b>                       | <u>6,186,102</u> | <u>7,755,233</u>  | <u>7,720,281</u>    | <u>34,952</u>  |
| <b>Ending Budgetary Fund Balance</b>        | <u>\$ 63,898</u> | <u>\$ 218,677</u> | <u>\$ 820,567</u>   | <u>\$ (601,890)</u>                                  |
| Reconciliation of Budget to GAAP            |                  |                   |                     |  |
| Loan Proceeds received prior year           |                  |                   | (355,995)           |  |
| Accruals                                    |                  |                   | 614,913             |  |
| Fund Balance - GAAP                         |                  |                   | <u>\$ 1,079,485</u> |  |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**One Cent Fund**  
**For the Year Ending June 30, 2014**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive (Negative)</u> |
|---|-------------------------|------------------|---------------------------|---|
|   | <u>Original</u>         | <u>Final</u>     |                           |   |
| <b>Beginning Budgetary Fund Balance</b>     | \$ -                    | \$ -             | \$ 1,299,932              | \$ (1,299,932)  |
| <b>Revenue</b>                              |                         |                  |                           |   |
| Taxes                                       | 1,300,000               | 1,341,700        | 1,341,700                 | (0)   |
| Investment Income                           | 1,300                   | 2,700            | 2,657                     | 43  |
| Miscellaneous revenue                       |                         |                  |                           | -   |
| Transfer In                                 |                         |                  |                           | -   |
| <b>Total Revenues</b>                       | <u>1,301,300</u>        | <u>1,344,400</u> | <u>1,344,357</u>          | <u>43</u>   |
| <b>Amounts available for appropriations</b> | <u>1,301,300</u>        | <u>1,344,400</u> | <u>2,644,289</u>          | <u>(1,299,889)</u>  |
| <b>Expenses</b>                             |                         |                  |                           |   |
| Transfers out                               | 244,996                 | 333,116          | 333,116                   | -   |
| Capital Outlay                              | 1,055,004               | 1,008,584        | 448,630                   | 559,954   |
| <b>Total Expenses</b>                       | <u>1,300,000</u>        | <u>1,341,700</u> | <u>781,746</u>            | <u>559,954</u>  |
| <b>Ending Budgetary Fund Balance</b>        | <u>\$ 1,300</u>         | <u>\$ 2,700</u>  | <u>\$ 1,862,543</u>       | <u>\$ (1,859,843)</u>   |
| Reconciliation of Budget to GAAP            |                         |                  |                           |   |
| Debt service accounts                       |                         |                  |                           |   |
| Accruals                                    |                         |                  | 8,289                     |   |
| Fund Balance - GAAP                         |                         |                  | <u>\$ 1,870,832</u>       |   |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**PV Airport Projects**  
**For the Year Ending June 30, 2014**

|   | <u>Budgeted Amounts</u> |                 | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive (Negative)</u> |
|---|-------------------------|-----------------|---------------------------|---|
|   | <u>Original</u>         | <u>Final</u>    |                           |   |
| <b>Beginning Budgetary Fund Balance</b>     | \$ -                    | \$ 11,000       | \$ 11,084                 | \$ (84)   |
| <b>Revenue</b>                              |                         |                 |                           |   |
| Intergovernmental                           | 325,165                 | 725,165         | 718,488                   | 6,677   |
| Investment Income                           |                         |                 |                           | -   |
| Miscellaneous revenue                       |                         |                 |                           | -   |
| Transfer In                                 |                         | 60,000          |                           | 60,000  |
| <b>Total Revenues</b>                       | <u>325,165</u>          | <u>785,165</u>  | <u>718,488</u>            | <u>66,677</u>   |
| <b>Amounts available for appropriations</b> | <u>325,165</u>          | <u>796,165</u>  | <u>729,572</u>            | <u>66,593</u>   |
| <b>Expenses</b>                             |                         |                 |                           |   |
| Transfers out                               | 325,165                 | 788,165         | 787,601                   | 564   |
| Capital Outlay                              |                         |                 |                           | -   |
| <b>Total Expenses</b>                       | <u>325,165</u>          | <u>788,165</u>  | <u>787,601</u>            | <u>564</u>  |
| <b>Ending Budgetary Fund Balance</b>        | <u>\$ -</u>             | <u>\$ 8,000</u> | <u>\$ (58,029)</u>        | <u>\$ 66,029</u>  |
| Reconciliation of Budget to GAAP            |                         |                 |                           |   |
| Debt service accounts                       |                         |                 |                           |   |
| Accruals                                    |                         |                 | 65,658                    |   |
| Fund Balance - GAAP                         |                         |                 | <u>\$ 7,629</u>           |   |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes to Budgetary Comparison Schedules**  
**For the year Ended June 30, 2014**

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**1. Budgetary Information**

The city manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personal services, materials and supplies, other services, capital outlay, debt service and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.



**SUPPLEMENTARY INFORMATION**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**6/30/2014**

|  | Special Revenue   |                            |                    |                  |                              |                         |                            |                         | Capital Projects    |                   | Total            |                       |
|--|-------------------|----------------------------|--------------------|------------------|------------------------------|-------------------------|----------------------------|-------------------------|---------------------|-------------------|------------------|-----------------------|
|  | Police<br>Special | Cemetery<br>Beautification | Senior<br>Citizens | 911<br>Account   | Marianne<br>Ewert<br>Bequest | Tourism<br>Motel<br>Tax | PV<br>Special<br>Ambulance | NSW<br>Library<br>Trust | Community<br>Center | TIF               | Cemetery<br>Care | Governmental<br>Funds |
| <b>Assets</b>                              |                   |                            |                    |                  |                              |                         |                            |                         |                     |                   |                  |                       |
| Cash and Cash Equivalents                  | \$ 26,214         | \$ 10,424                  | \$ 34              | \$ 53,640        | \$ 50,009                    | 412,131                 | \$ -                       | \$ 117,918              | \$ 2,328            | \$ 267,098        | \$ 43,278        | \$ 983,074            |
| Investments                                | -                 | -                          | -                  | -                | -                            | -                       | -                          | 152,587                 | -                   | -                 | -                | 152,587               |
| Receivables:                               |                   |                            |                    |                  |                              |                         |                            |                         |                     |                   |                  |                       |
| Interest                                   | -                 | -                          | -                  | -                | -                            | -                       | -                          | 70                      | -                   | -                 | -                | 70                    |
| Taxes                                      | -                 | -                          | -                  | 2,494            | -                            | 34,250                  | 877                        | -                       | -                   | 5,473             | -                | 43,094                |
| Prepays                                    | -                 | -                          | -                  | -                | -                            | -                       | -                          | -                       | -                   | -                 | -                | -                     |
| Due from Other Funds                       | -                 | -                          | -                  | -                | -                            | 40,000                  | -                          | -                       | -                   | -                 | -                | 40,000                |
| <i>Total Net Position</i>                  | <u>26,214</u>     | <u>10,424</u>              | <u>34</u>          | <u>56,134</u>    | <u>50,009</u>                | <u>486,381</u>          | <u>877</u>                 | <u>270,575</u>          | <u>2,328</u>        | <u>272,571</u>    | <u>43,278</u>    | <u>1,218,826</u>      |
| <b>Liabilities</b>                         |                   |                            |                    |                  |                              |                         |                            |                         |                     |                   |                  |                       |
| Accounts Payable                           | -                 | -                          | -                  | -                | -                            | -                       | -                          | -                       | -                   | 300,170           | -                | 300,170               |
| Due to Other Funds                         | -                 | -                          | 2,000              | -                | -                            | -                       | -                          | -                       | -                   | -                 | -                | 2,000                 |
| AT&T 911 Fee Advances                      | -                 | -                          | -                  | 52,996           | -                            | -                       | -                          | -                       | -                   | -                 | -                | 52,996                |
| <i>Total Liabilities</i>                   | <u>-</u>          | <u>-</u>                   | <u>2,000</u>       | <u>52,996</u>    | <u>-</u>                     | <u>-</u>                | <u>-</u>                   | <u>-</u>                | <u>-</u>            | <u>300,170</u>    | <u>-</u>         | <u>355,166</u>        |
| <b>Fund Balances</b>                       |                   |                            |                    |                  |                              |                         |                            |                         |                     |                   |                  |                       |
| Nonspendable                               | -                 | -                          | -                  | -                | 50,000                       | -                       | -                          | -                       | -                   | -                 | -                | 50,000                |
| Restricted                                 | -                 | 9,633                      | -                  | -                | -                            | 474,693                 | 877                        | 212,536                 | 1,806               | -                 | -                | 699,545               |
| Committed                                  | -                 | -                          | -                  | -                | -                            | -                       | -                          | -                       | -                   | -                 | -                | -                     |
| Assigned                                   | 26,214            | 791                        | -                  | 3,138            | 9                            | 11,688                  | -                          | 58,039                  | 522                 | -                 | 43,278           | 143,679               |
| Unassigned                                 | -                 | -                          | (1,966)            | -                | -                            | -                       | -                          | -                       | -                   | (27,598)          | -                | (29,564)              |
| <i>Total Fund Balances</i>                 | <u>26,214</u>     | <u>10,424</u>              | <u>(1,966)</u>     | <u>3,138</u>     | <u>50,009</u>                | <u>486,381</u>          | <u>877</u>                 | <u>270,575</u>          | <u>2,328</u>        | <u>(27,598)</u>   | <u>43,278</u>    | <u>863,660</u>        |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 26,214</u>  | <u>\$ 10,424</u>           | <u>\$ 34</u>       | <u>\$ 56,134</u> | <u>\$ 50,009</u>             | <u>486,381</u>          | <u>\$ 877</u>              | <u>\$ 270,575</u>       | <u>\$ 2,328</u>     | <u>\$ 272,572</u> | <u>\$ 43,278</u> | <u>\$ 1,218,826</u>   |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

|  | Special Revenue   |                            |                    |                 |                              |                         |                         |                            | Capital Projects    |                    | Total            |                       |
|--|-------------------|----------------------------|--------------------|-----------------|------------------------------|-------------------------|-------------------------|----------------------------|---------------------|--------------------|------------------|-----------------------|
|  | Police<br>Special | Cemetery<br>Beautification | Senior<br>Citizens | 911<br>Account  | Marianne<br>Ewert<br>Bequest | Tourism<br>Motel<br>Tax | NSW<br>Library<br>Trust | PV<br>Special<br>Ambulance | Community<br>Center | TIF                | Cemetery<br>Care | Governmental<br>Funds |
| <b>Revenues</b>  |                   |                            |                    |                 |                              |                         |                         |                            |                     |                    |                  |                       |
| Taxes  | \$ -              | \$ -                       | \$ -               | \$ 27,011       | \$ -                         | \$ 339,870              | \$ -                    | \$ 97,770                  | \$ -                | \$ 154,371         | \$ -             | \$ 619,022            |
| Intergovernmental  | -                 | -                          | -                  | -               | -                            | -                       | 7,053                   | -                          | -                   | -                  | -                | 7,053                 |
| Charges for Services   | -                 | -                          | -                  | 9,218           | -                            | -                       | -                       | -                          | -                   | -                  | 4,752            | 13,970                |
| Fines and Forfeitures  | 15                | -                          | -                  | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | 15                    |
| Investment Income  | 83                | -                          | -                  | -               | 101                          | 2,391                   | 964                     | -                          | -                   | -                  | 96               | 3,635                 |
| Miscellaneous  | 18,174            | 560                        | 784                | -               | -                            | -                       | 3,599                   | -                          | -                   | -                  | -                | 23,117                |
| <i>Total Revenues</i>  | <u>18,272</u>     | <u>560</u>                 | <u>784</u>         | <u>36,229</u>   | <u>101</u>                   | <u>342,261</u>          | <u>11,616</u>           | <u>97,770</u>              | <u>-</u>            | <u>154,371</u>     | <u>4,848</u>     | <u>666,812</u>        |
| <b>Expenditures</b>  |                   |                            |                    |                 |                              |                         |                         |                            |                     |                    |                  |                       |
| Current:   |                   |                            |                    |                 |                              |                         |                         |                            |                     |                    |                  |                       |
| Police   | 6,949             | -                          | -                  | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | 6,949                 |
| Emergency 911  | -                 | -                          | -                  | 53,814          | -                            | -                       | -                       | -                          | -                   | -                  | -                | 53,814                |
| Special Ambulance Service                                    | -                 | -                          | -                  | -               | -                            | -                       | -                       | 98,345                     | -                   | -                  | -                | 98,345                |
| Library  | -                 | -                          | -                  | -               | -                            | -                       | 8,344                   | -                          | -                   | -                  | -                | 8,344                 |
| Senior Citizens  | -                 | -                          | 750                | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | 750                   |
| Recreation   | -                 | -                          | -                  | -               | -                            | -                       | -                       | -                          | 15,360              | -                  | -                | 15,360                |
| Streets  | -                 | -                          | -                  | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | -                     |
| Economic Development   | -                 | -                          | -                  | -               | -                            | 194,610                 | -                       | -                          | -                   | -                  | -                | 194,610               |
| Airport  | -                 | -                          | -                  | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | -                     |
| Capital Outlay   | 34,462            | -                          | 2,000              | -               | -                            | 73,250                  | 7,075                   | -                          | 36,666              | 680,109            | 17,478           | 851,040               |
| Debt Service   | -                 | -                          | -                  | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | -                     |
| <i>Total Expenditures</i>                                    | <u>41,411</u>     | <u>-</u>                   | <u>2,750</u>       | <u>53,814</u>   | <u>-</u>                     | <u>267,860</u>          | <u>15,419</u>           | <u>98,345</u>              | <u>52,026</u>       | <u>680,109</u>     | <u>17,478</u>    | <u>1,229,212</u>      |
| <i>Excess (Deficiency) of Revenues<br/>over Expenditures</i> | <u>(23,139)</u>   | <u>560</u>                 | <u>(1,966)</u>     | <u>(17,585)</u> | <u>101</u>                   | <u>74,401</u>           | <u>(3,803)</u>          | <u>(575)</u>               | <u>(52,026)</u>     | <u>(525,738)</u>   | <u>(12,630)</u>  | <u>(562,400)</u>      |
| <b>Other Financing Sources</b>                               |                   |                            |                    |                 |                              |                         |                         |                            |                     |                    |                  |                       |
| Transfers In   | 4,855             | -                          | -                  | 22,000          | -                            | -                       | -                       | -                          | -                   | -                  | -                | 26,855                |
| Transfers Out  | -                 | -                          | -                  | -               | (117)                        | (100,000)               | -                       | -                          | -                   | -                  | -                | (100,117)             |
| Contribution Expense   | -                 | -                          | -                  | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | -                     |
| Transfers to Component Unit                                  | -                 | -                          | -                  | -               | -                            | -                       | -                       | -                          | -                   | -                  | -                | -                     |
| <i>Total Other Financing Sources</i>                         | <u>4,855</u>      | <u>-</u>                   | <u>-</u>           | <u>22,000</u>   | <u>(117)</u>                 | <u>(100,000)</u>        | <u>-</u>                | <u>-</u>                   | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>(73,262)</u>       |
| Net Change in Fund Balances                                  | (18,284)          | 560                        | (1,966)            | 4,415           | (16)                         | (25,599)                | (3,803)                 | (575)                      | (52,026)            | (525,738)          | (12,630)         | (635,662)             |
| Fund Balances - Beginning                                    | <u>44,498</u>     | <u>9,864</u>               | <u>-</u>           | <u>(1,277)</u>  | <u>50,025</u>                | <u>511,980</u>          | <u>274,378</u>          | <u>1,452</u>               | <u>54,354</u>       | <u>498,140</u>     | <u>55,908</u>    | <u>1,499,322</u>      |
| Fund Balances - Ending                                       | <u>\$ 26,214</u>  | <u>\$ 10,424</u>           | <u>\$ (1,966)</u>  | <u>\$ 3,138</u> | <u>\$ 50,009</u>             | <u>\$ 486,381</u>       | <u>\$ 270,575</u>       | <u>\$ 877</u>              | <u>\$ 2,328</u>     | <u>\$ (27,598)</u> | <u>\$ 43,278</u> | <u>\$ 863,660</u>     |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Balance Sheet**  
**General Fund Accounts**  
**For the Year Ended June 30, 2014**

|  | <b>General<br/>Fund<br/>Account</b> | <b>Rose<br/>Garden Fund<br/>Account</b> | <b>Wacker<br/>Park Fund<br/>Account</b> | <b>Beautification<br/>Fund<br/>Account</b> | <b>Total<br/>General<br/>Fund</b> |
|--|-------------------------------------|---|---|--|-----------------------------------|
| <b>Assets</b>                              |                                     |   |   |  |                                   |
| Cash and cash equivalents                  | \$ 471,349                          | \$ 4,815                                | \$ 43,547                               | \$ 10,011                                  | \$ 529,722                        |
| Accounts receivable, net                   | 49,956                              |   |   |  | 49,956                            |
| Taxes receivable                           | 637,654                             |   |   |  | 637,654                           |
| Due from other funds                       | 62,000                              |   |   |  | 62,000                            |
| Prepaid expenses                           | 19,803                              |   |   |  | 19,803                            |
| Advance to component unit                  | 33,700                              | _____                                   | _____                                   | _____                                      | 33,700                            |
| <i>Total Assets</i>                        | <u>1,274,462</u>                    | <u>4,815</u>                            | <u>43,547</u>                           | <u>10,011</u>                              | <u>1,332,835</u>                  |
| <b>Liabilities</b>                         |                                     |   |   |  |                                   |
| Accounts payable                           | 55,168                              |   |   |  | 55,168                            |
| Accrued liabilities                        | 81,605                              |   |   |  | 81,605                            |
| Due to other funds                         | 40,000                              | _____                                   | _____                                   | _____                                      | 40,000                            |
| <i>Total Liabilities</i>                   | <u>176,773</u>                      | -                                       | -                                       | -  | <u>176,773</u>                    |
| <b>Deferred Inflows of Resources:</b>      |                                     |   |   |  |                                   |
| Police fines unavailable                   | 18,204                              | _____                                   | _____                                   | _____                                      | 18,204                            |
| <i>Total Deferred Inflows of Revenue</i>   | <u>18,204</u>                       | _____                                   | _____                                   | _____                                      | <u>18,204</u>                     |
| <b>Fund Balances</b>                       |                                     |   |   |  |                                   |
| Nonspendable                               | 53,503                              |   |   |  | 53,503                            |
| Restricted                                 | 297,620                             |   |   |  | 297,620                           |
| Committed                                  |                                     |   |   |  | -                                 |
| Assigned                                   |                                     | 4,815                                   | 43,547                                  | 10,011                                     | 58,373                            |
| Unassigned                                 | 728,362                             | _____                                   | _____                                   | _____                                      | 728,362                           |
| <i>Total Fund Balances</i>                 | <u>1,079,485</u>                    | <u>4,815</u>                            | <u>43,547</u>                           | <u>10,011</u>                              | <u>1,137,858</u>                  |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 1,274,462</u>                 | <u>\$ 4,815</u>                         | <u>\$ 43,547</u>                        | <u>\$ 10,011</u>                           | <u>\$ 1,332,835</u>               |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund Accounts**  
**For the Year Ended June 30, 2014**

|  | <u>General<br/>Fund<br/>Account</u> | <u>Rose<br/>Garden Fund<br/>Account</u> | <u>Wacker<br/>Park Fund<br/>Account</u> | <u>Beautification<br/>Fund<br/>Account</u> | <u>Total<br/>General<br/>Fund</u> |
|--|-------------------------------------|---|---|--|-----------------------------------|
| <b>Revenues</b>  |                                     |   |   |  |                                   |
| Taxes  | \$ 4,827,873                        | \$ -                                    | \$ -                                    | \$ -                                       | 4,827,873                         |
| Intergovernmental  | 333,301                             | -                                       | -                                       | -  | 333,301                           |
| Charges for services                                     | 859,710                             | -                                       | -                                       | -  | 859,710                           |
| Fines and forfeitures                                    | 186,060                             | -                                       | -                                       | -  | 186,060                           |
| Licenses and permits                                     | 38,357                              | -                                       | -                                       | 1,215                                      | 39,572                            |
| Investment income  | 1,927                               | -                                       | -                                       | -  | 1,927                             |
| Miscellaneous  | 211,246                             | -                                       | 6,006                                   | 575  | 217,827                           |
| <i>Total Revenues</i>                                    | <u>6,458,474</u>                    | <u>-</u>                                | <u>6,006</u>                            | <u>1,790</u>                               | <u>6,466,270</u>                  |
|  |                                     |   |   |  |                                   |
| <b>Expenditures</b>                                      |                                     |   |   |  |                                   |
| Current:   |                                     |   |   |  |                                   |
| Administration   | 807,128                             | -                                       | -                                       | -  | 807,128                           |
| Police   | 1,170,059                           | -                                       | -                                       | -  | 1,170,059                         |
| Fire   | 716,638                             | -                                       | -                                       | -  | 716,638                           |
| Streets  | 498,537                             | -                                       | -                                       | -  | 498,537                           |
| Shop   | 92,147                              | -                                       | -                                       | -  | 92,147                            |
| Park   | 152,525                             | -                                       | -                                       | 1,840                                      | 154,365                           |
| Cemetery   | 176,643                             | -                                       | -                                       | -  | 176,643                           |
| Golf   | 320,556                             | -                                       | -                                       | -  | 320,556                           |
| Library  | 153,928                             | -                                       | -                                       | -  | 153,928                           |
| Senior center  | 55,567                              | -                                       | -                                       | -  | 55,567                            |
| Airport  | 27,270                              | -                                       | -                                       | -  | 27,270                            |
| Aquatic  | 293,959                             | -                                       | -                                       | -  | 293,959                           |
| Recreation   | 579,003                             | -                                       | -                                       | -  | 579,003                           |
| Animal control   | 122,705                             | -                                       | -                                       | -  | 122,705                           |
| Capital outlay   | 619,477                             | -                                       | 23,250                                  | -  | 642,727                           |
| Debt service   | 167,338                             | -                                       | -                                       | -  | 167,338                           |
| <i>Total Expenditures</i>                                | <u>5,953,479</u>                    | <u>-</u>                                | <u>23,250</u>                           | <u>1,840</u>                               | <u>5,978,569</u>                  |
|  |                                     |   |   |  |                                   |
| <i>Excess (Deficiency) of Revenues over Expenditures</i> | <u>504,995</u>                      | <u>-</u>                                | <u>(17,244)</u>                         | <u>(50)</u>                                | <u>487,701</u>                    |
|  |                                     |   |   |  |                                   |
| <b>Other Financing Sources (Uses)</b>                    |                                     |   |   |  |                                   |
| Transfers in   | 933,293                             | 59                                      | 59                                      | -  | 933,411                           |
| Transfers out  | (1,458,556)                         | -                                       | -                                       | -  | (1,458,556)                       |
| Capital lease/loan proceeds                              | 15,963                              | -                                       | -                                       | -  | 15,963                            |
| Contributed income                                       | 270,438                             | -                                       | -                                       | -  | 270,438                           |
| Hospital M&O   | -                                   | -                                       | -                                       | -  | -                                 |
| Transfers to component unit                              | (134,174)                           | -                                       | -                                       | -  | (134,174)                         |
| <i>Total Other Financing Sources (Uses)</i>              | <u>(373,036)</u>                    | <u>59</u>                               | <u>59</u>                               | <u>-</u>                                   | <u>(372,918)</u>                  |
|  |                                     |   |   |  |                                   |
| Net Change in Fund Balances                              | 131,959                             | 59                                      | (17,185)                                | (50)                                       | 114,783                           |
| Fund Balances - beginning- <i>restated</i>               | <u>947,526</u>                      | <u>4,756</u>                            | <u>60,732</u>                           | <u>10,061</u>                              | <u>1,023,075</u>                  |
|  |                                     |   |   |  |                                   |
| Fund Balances - ending                                   | <u>\$ 1,079,485</u>                 | <u>\$ 4,815</u>                         | <u>\$ 43,547</u>                        | <u>\$ 10,011</u>                           | <u>\$ 1,137,858</u>               |

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Schedule of State Awards**  
**For the Year Ending June 30, 2014**

| <u>Grantor/Program Title</u>            | <u>Award<br/>Amount</u> | <u>Prior Year<br/>Revenues</u> | <u>Current Year<br/>Revenues</u> | <u>Prior Year<br/>Expenditures</u> | <u>Current Year<br/>Expenditures</u> |
|---|-------------------------|--------------------------------|----------------------------------|------------------------------------|--------------------------------------|
| <b>State Awards:</b>                    |                         |                                |                                  |                                    |                                      |
| Okla. Aeronautics Commission PVJ-14-FSA | \$ 92,736               | \$ -                           | \$ 22,421                        | \$ 1,380                           | \$ 44,098                            |
| Okla. Aeronautics Commission PVJ-14-SB  | 13,050                  |                                | 11,745                           |                                    | 11,745                               |
| SODA CENA                               | 2,000                   |                                | 2,000                            |                                    | 2,000                                |
| Dept. Libraries State Aid               | 7,053                   |                                | 7,053                            |                                    | 7,053                                |
| Dept. of Agriculture- Fire Operations   | 4,474                   |                                | 4,474                            |                                    | 4,474                                |
|   | <u>119,313</u>          | <u>-</u>                       | <u>47,693</u>                    | <u>1,380</u>                       | <u>69,370</u>                        |
| Total State Awards                      | <u>119,313</u>          | <u>-</u>                       | <u>47,693</u>                    | <u>1,380</u>                       | <u>69,370</u>                        |

**INTERNAL CONTROL AND COMPLIANCE**



CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council  
City of Pauls Valley, Oklahoma

We have audited 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pauls Valley, Oklahoma, 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 and have issued our report thereon dated January 14, 2015. We issued an adverse opinion on the major enterprise fund, the Pauls Valley Hospital Authority, and qualified our opinion on the Business-type activity, due to the omission of the Pauls Valley Hospital Authority.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 14-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

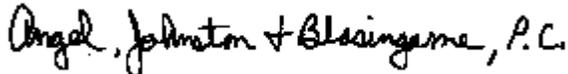
provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Cost as item 14-1.

**City of Pauls Valley's Responses to Findings**

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

**Purpose of This Report**

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



Chickasha, Oklahoma  
January 14, 2015

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the City Council  
City of Pauls Valley, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited City of Pauls Valley's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the compliance for each major program. Our audit does not provide a legal determination of the City's compliance.

**Qualified Opinion on FAA Airport Improvement Program**

In our opinion, the City of Pauls Valley, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the FAA Airport Improvement Program for the year ended June 30, 2014.

**Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 14-1. Our opinion on each major federal program is not modified with respect to these matters.

City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

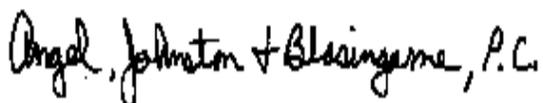
*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-1 to be a significant deficiency.

City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma  
January 14, 2015

**CITY OF PAULS VALLEY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued                           | Unmodified |
| 2. Internal control over financial reporting:                |            |
| a. Material weaknesses identified?                           | No         |
| b. Significant deficiency identified?                        | No         |
| c. Noncompliance material to the financial statements noted? | No         |

Federal Awards

- |   |            |
|---|------------|
| 1. Internal control over major program:   |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiency identified not considered to be material weaknesses?  | Yes        |
| 2. Type of auditor's report issued on compliance for major program:   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes        |

4. Identification of major programs:

CFDA Number

Name of Federal Program

20.106

Airport Improvement Program

Dollar threshold used to distinguish between Type A or Type B programs:

\$300,000

5. Auditee qualified as low-risk auditee?

No

**CITY OF PAULS VALLEY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**Section 2**

Findings-Financial Statement Audit

SIGNIFICANT DEFICIENCY

No financial statement audit findings

**Section 3**

Findings and Question Costs-Major Federal Award Programs Audit

14-1. Criteria – Contractors on federal grant programs are to comply with the Davis Bacon Act.

Condition – On the FAA grant there was one contractor that paid below the prevailing rate for two pay periods.

Cause – The contractor did not fully understand its responsibility. Also despite the contractor submitting payroll detail for each pay period the monitoring processes did not catch the underpayment.

Effect – The employees were underpaid a total of \$218.

Recommendation – Establish clear communication with contractors of the details of their responsibilities. Reinforce monitoring efforts to diligently review for compliance.

Management response – Management agrees and the employees have been paid for the amounts they were under paid.

**CITY OF PAULS VALLEY, OKLAHOMA  
DISPOSITION OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2014**

**Deficiencies of Internal Control, Compliance and Other Matters**

13-1. Criteria –Cash and investments held at depository is required to be incurred or collateralized.

Condition –At June 30, 2013, the Pauls Valley Municipal Authority cash and investments were under collateralized by \$50,023.

Cause – The collateral pledged and account balances were not adequately monitored to insure sufficiency.

Effect – Assets at yearend were at credit risk.

Recommendation – Proper tracking of insurance and pledged collateral is necessary to insure credit risk is avoided.

Management response – Management agrees.

Disposition – This was not noted a problem during the 2013-14 fiscal year.