

**BASIC FINANCIAL STATEMENTS  
AND  
AUDIT REPORT**

**for the**

***CITY OF PAWHUSKA***

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

**AUDITED BY**

**Alan Chapman CPA**

**401 S. Water**

**TAHLEQUAH, OKLAHOMA**

# *CITY OF PAWHUSKA*

## *Table of Contents*

<b>Independent Auditor’s Report</b> .....	1
<b>Basic Financial Statements:</b>	
Statement of Net Assets.....	3
Balance Sheet-Governmental Funds.....	4
Statement of Revenues, Expenses, and Changes in Fund Net Assets- Governmental Funds.....	5
Statement of Net Assets-Proprietary Fund.....	6
Statement of Revenues, Expenses, and Changes in Fund Net Assets- Proprietary Fund.....	7
Notes to the Basic Financial Statements.....	8
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule-Modified Cash Basis-General Fund.....	22
Notes to the Budgetary Comparison Schedule .....	25
<b>Supplementary Information:</b>	
Combining Balance Sheet-Modified Cash Basis-Nonmajor Governmental Funds.....	26
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis-Nonmajor Governmental Funds.....	27
Report on Internal Control Over Financial Reporting and on Compliance on Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards.....	28

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
City of Pawhuska, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pawhuska, Oklahoma, which collectively comprise the City's basic financial statements as listed in the table of contents, as of and for the year ended June 30, 2014.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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

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

### **Opinions**

In my opinion, except for the matters mentioned in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pawhuska, as of June 30, 2014, and the respective changes in financial position, and, where applicable cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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

### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my reported dated November 18, 2014, on my consideration of the City of Pawhuska's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Pawhuska, Oklahoma's internal control over financial reporting and compliance.

November 18, 2014

A handwritten signature in cursive script that reads "Alan Chapman".

Alan Chapman, CPA

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**JUNE 30, 2014**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,469,125	\$ 522,475	\$ 1,991,600	\$ 555,606
Investments	406,137		406,137	-
Escrow	-		-	37,904
Origination Fees	-		-	-
Accounts Receivable	84,112		84,112	-
Total Assets	<u>1,959,374</u>	<u>522,475</u>	<u>2,481,849</u>	<u>593,510</u>
<b>LIABILITIES</b>				
Bad Check Payable	(507)		(507)	-
Accounts Payable	864		864	-
Sales Tax Revenue Note	-		-	960,000
Total Liabilities	<u>357</u>	<u>-</u>	<u>357</u>	<u>960,000</u>
<b>NET ASSETS</b>				
Restricted		-	-	(367,887)
Unrestricted	1,959,017	522,475	2,481,492	1,397
Total Net Assets	<u>\$ 1,959,374</u>	<u>\$ 522,475</u>	<u>\$ 2,481,849</u>	<u>\$ 593,510</u>

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>FUNCTIONS/PROGRAMS</b>								
<b>Primary Government:</b>								
General Government	\$ 2,637,881	\$ 265,954	\$ 19,336	\$ -	\$ (2,352,591)	\$ -	\$ (2,352,591)	\$ -
Public Safety	1,437,383	392,646	-	-	(1,044,737)	-	\$ (1,044,737)	-
Cemetery	246,962	20,701	-	-	(226,261)	-	\$ (226,261)	-
Streets	196,732	1,175	-	-	(195,557)	-	\$ (195,557)	-
Airport	4,539	1,000	-	-	(3,539)	-	\$ (3,539)	-
Culture and Recreation	149,749	100,384	-	-	(49,365)	-	\$ (49,365)	-
Total Governmental Activities	<u>4,673,246</u>	<u>781,860</u>	<u>19,336</u>	<u>-</u>	<u>(3,872,050)</u>	<u>-</u>	<u>(3,872,050)</u>	<u>-</u>
<b>Business Type Activities:</b>								
Electric	3,456,724	106,280	-	-	-	(3,350,444)	(3,350,444)	-
Water and Sewer	837,684	924,116	-	-	-	86,432	86,432	-
Solid Waste	582,569	502,902	-	-	-	(79,667)	(79,667)	-
Total Business-Type Activities	<u>4,876,977</u>	<u>1,533,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,343,679)</u>	<u>(3,343,679)</u>	<u>-</u>
Total Primary Government	<u>9,550,223</u>	<u>2,315,158</u>	<u>19,336</u>	<u>-</u>	<u>(3,872,050)</u>	<u>(3,343,679)</u>	<u>(7,215,729)</u>	<u>-</u>
Component Units	<u>148,623</u>	<u>4,667,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,518,781</u>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Tax Revenue					1,181,800	-	1,181,800	-
Franchise and Public Services Taxes					60,001	-	60,001	-
Intergovernmental Revenue					109,175	-	109,175	-
Investment Income					30,380	-	30,380	-
Miscellaneous					69,790	32,221	102,011	-
Transfers - Internal Activity					1,111,992	2,675,227	3,787,219	(3,787,221)
Total General Revenues and Transfers					<u>2,563,138</u>	<u>2,707,448</u>	<u>5,270,586</u>	<u>(3,787,221)</u>
Change in Net Assets					(1,308,912)	(636,231)	(1,945,143)	731,560
Net Assets - Beginning					3,267,929	1,158,706	4,426,635	(138,050)
Net Assets - Ending					<u>\$ 1,959,017</u>	<u>\$ 522,475</u>	<u>\$ 2,481,492</u>	<u>\$ 593,510</u>

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

**CITY OF PAWHUSKA, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>General Fund</b>	<b>1999 Sales Tax Improv Fund</b>	<b>Permanent Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 471,972	\$ 68,419	\$ 179,239	\$ 749,495	1,469,125
Investments	-	-	-	406,137	406,137
Accounts Receivable	56,355	21,028	-	6,729	84,112
Total Assets	528,327	89,447	179,239	1,162,361	1,959,374
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Bad Checks Payable	(507)	-	-	-	(507)
Accounts Payable	174	-	-	690	864
Deposits Payable	-	-	-	-	-
Due to General Fund	-	-	-	-	-
Total Liabilities	(333)	-	-	690	357
<b>Fund Balances:</b>					
Unreserved	528,660	89,447	179,239	1,161,672	1,959,017
Total Fund Balances	528,660	89,447	179,239	1,161,672	1,959,017
Total Liabilities and Fund Balances	\$ 528,327	\$ 89,447	\$ 179,239	\$ 1,162,362	\$ 1,959,374

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	1999 Sales Tax Improv. Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 879,956	\$ 268,507	\$ -	\$ 93,338	\$ 1,241,801
Police Fines	57,580	-	-	-	57,580
Charges for Services	466,870	-	-	5,840	472,710
Licenses and Permits	5,030	-	-	27,430	32,460
Investment Income	-	4,597	-	25,783	30,380
Insurance Refunds	61,638	-	-	-	61,638
Billing Charge	219,059	-	-	-	219,059
Donations	-	-	-	700	700
Miscellaneous	8,152	-	-	-	8,152
Hospital Billing Fee	109,175	-	-	-	109,175
Grants	-	-	-	18,686	18,686
Total Revenues	<u>1,807,460</u>	<u>273,104</u>	<u>-</u>	<u>171,777</u>	<u>2,252,341</u>
<b>Expenditures:</b>					
General Government:					
Managerial	90,592	-	-	-	90,592
Municipal Court	44,331	-	-	-	44,331
City Clerk	118,747	-	-	-	118,747
Attorney	29,547	-	-	-	29,547
General	641,713	-	-	-	641,713
Economic Development	-	-	-	2,400	2,400
Public Safety:					
Police	646,727	-	-	-	646,727
Fire	376,548	-	-	-	376,548
Ambulance	414,108	-	-	-	414,108
Cemetery:					
Parks and Cemetery	246,962	-	-	-	246,962
Streets:					
Streets	167,855	-	-	28,877	196,732
Airport:					
Airport	4,539	-	-	-	4,539
Culture and Recreation:					
Library	121,368	-	-	19,370	140,738
Lakes	9,011	-	-	-	9,011
Capital Outlay	202,433	1,212,833	99,565	195,720	1,710,551
Total Expenditures	<u>3,114,481</u>	<u>1,212,833</u>	<u>99,565</u>	<u>246,366</u>	<u>4,673,245</u>
Excess (deficiency) of Revenues Over Expenditures	(1,307,020)	(939,729)	(99,565)	(74,589)	(2,420,904)
Other Financing Sources (Uses)					
Transfers In	1,123,992	-	24,000	24,000	1,171,992
Transfers Out	-	-	-	(60,000)	(60,000)
Total Other Financing Sources (Uses)	<u>1,123,992</u>	<u>-</u>	<u>24,000</u>	<u>(36,000)</u>	<u>1,111,992</u>
Net Change in Fund Balance	<u>(183,028)</u>	<u>(939,729)</u>	<u>(75,565)</u>	<u>(110,589)</u>	<u>(1,308,912)</u>
Fund Balances - Beginning	<u>711,688</u>	<u>1,029,176</u>	<u>254,804</u>	<u>1,272,261</u>	<u>3,267,929</u>
Fund Balances - Ending	<u>\$ 528,660</u>	<u>\$ 89,447</u>	<u>\$ 179,239</u>	<u>\$ 1,161,672</u>	<u>\$ 1,959,017</u>

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF NET ASSETS-MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 522,475
Total Current Assets	<u>522,475</u>
Noncurrent Assets	
Land and construction in progress	-
Other capital assets, net of accumulated depreciation	-
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>522,475</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	-
Total Current Liabilities	<u>-</u>
<b>NONCURRENT LIABILITIES</b>	
Total Noncurrent Liabilities	-
Total Liabilities	<u>-</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	-
Restricted for debt reserve	-
Unrestricted	522,475
Total net Assets	<u>\$ 522,475</u>

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2014**

	<b>Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Electric Utility	\$      120
Water and Sewer	871,081
Solid Waste	488,495
Penalties	173,601
Total Operating Revenues	1,533,297
 <b>OPERATING EXPENSES</b>	
Electric Production	2,841,354
Electric Distribution	463,071
Water Production	399,848
Water Distribution	114,035
Disposal Plant	120,802
Sewer Collection	50,700
Solid Waste	430,270
Administration/General	456,898
Total Operating Expenses	4,876,977
 <b>OPERATING INCOME</b>	(3,343,680)
 <b>NON OPERATING REVENUES (EXPENSES)</b>	
Miscellaneous revenue	32,221
Total Non-Operating Revenues (Expenses)	32,221
 Net Income (Loss) Before Transfers	(3,311,459)
 <b>TRANSFERS</b>	
Transfers in	3,823,220
Transfers out	(1,147,992)
 <b>CHANGES IN NET ASSETS</b>	(636,231)
 <b>TOTAL NET ASSETS - BEGINNING</b>	1,158,706
 <b>TOTAL NET ASSETS - ENDING</b>	\$  522,475

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u><b>Enterprise Funds</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,533,297
Other	32,221
Personel Services	(1,000,196)
Maintenance and Operations	<u>(3,749,178)</u>
Net Cash Provided by Operating Activities	<u>(3,183,855)</u>
 <b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	(1,147,992)
Transfers from Other Funds	<u>3,823,220</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,675,228</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	<u>(127,604)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(127,604)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Cash Provided by Investing Activities	<u>-</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVELANTS</b>	<u>(636,231)</u>
 <b>BALANCE - BEGINNING OF THE YEAR</b>	<u>1,158,706</u>
 <b>BALANCE - END OF THE YEAR</b>	<u><u>\$ 522,475</u></u>

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

**NOTE B - THE REPORTING ENTITY**

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

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

**Criteria**

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Criteria (continued)**

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

**Pawhuska Hospital Authority**

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

**COMPONENT UNITS INCLUDED:**

**Pawhuska Public Works Authority**

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

**Pawhuska Municipal Industrial Development Trust Authority**

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

**Pawhuska Municipal Trust Authority**

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

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

**GOVERNMENTAL FUND CATEGORY**

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

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

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

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

**PROPRIETARY FUND CATEGORY**

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**FIDUCIARY FUND CATEGORY**

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

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

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

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

**ACCOUNT GROUPS**

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

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

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**MEMORANDUM ONLY - TOTAL COLUMN**

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

**NOTE D - BASIS OF ACCOUNTING**

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

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

**Revenue Recognition**

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

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

**Expenditure Recognition**

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

**Reservations of Fund Equity**

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Compensated Absences**

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

**Interfund Transactions**

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

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE E - BUDGETS AND BUDGETARY ACCOUNTING**

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

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

**NOTE F - ENCUMBRANCES**

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

**Requirements for All Budgeted Funds**

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Cash and Investments**

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

**Cash and Cash Equivalents**

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

**Inventories**

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

**Reporting and Accounting**

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

**Fund Balance**

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

**NOTE H - RETIREMENT PLANS**

**Employees and Plans**

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

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

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

**Oklahoma Municipal Retirement Fund**

The plan covers qualified city employees and provides certain retirement, death, and disability benefits. The City contributes 6% of the total wages paid to covered employees. Contributions by the City of Pawhuska amounted to \$87,627.46, for the fiscal year ended June 30, 2014. Each covered employee contributes 3% of individual compensation. The plan provided for retirement benefits upon reaching normal retirement age. Employees become vested after ten (10) years of service.

**Oklahoma Firefighters Pension and Retirement System**

Members of the City's Fire Department participate in the Oklahoma Firefighters Pension and Retirement System, a system administered by the State of Oklahoma. In conformity with state law, the plan covers all full time firemen of the City of Pawhuska and provides certain retirement, death, and disability benefits. In conformity with the state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the firefighters. The firefighters contribute 8% of their compensation to the plan. Contributions by the City to the system for the fiscal year ended June 30, 2014, amounted to \$33,570.47 paid primarily by the general fund.

**Oklahoma Police Pension and Retirement System**

Members of the City's Police Department participate in the Oklahoma Police Pension and Retirement System, a system administered by the State of Oklahoma. The plan covers full-time police officers of the City, and provides retirement, death, and disability benefits. In conformity with state law, the plan does not purport to be an actuarial funded plan; however, benefits are guaranteed by the State of Oklahoma. The contributions to the plan are established by the State, and the City is required to contribute 13% of total compensation paid to the police officers. The police officers contribute 8% of their compensation to the plan. Contributions by the City to the system for the fiscal year ended June 30, 2014, amounted to \$37,251.26 , paid primarily by the General Fund.

**NOTE I - REVENUE EXPENSE AND LIABILITIES**

**Compensated Absences**

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

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Compensated Absences (continued)**

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

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

**NOTE J - LONG TERM DEBT**

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

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2014:

	Bonds	
	Payable	Total
Balance, July 1, 2013	\$ 290,000.00	\$ 290,000.00
Additions	\$ 1,000,000.00	\$ 1,000,000.00
Retirements	\$ (330,000.00)	\$ (330,000.00)
Balance, June 30, 2014	<u>\$ 960,000.00</u>	<u>\$ 960,000.00</u>

Pawhuska Public Works Authority Sales Tax Revenue Note, Series 2013, original issue \$1,000,000.00 interest rate of 2.47%, due in semi-annual installments of \$40,000.00 to \$55,000.00, final payment of \$60,000.00 due September 1, 2023.

Amount  
Outstanding  
\$960,000.00

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Long Term Debt (continued)**

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

Year ending June 30	Principal	Interest	Total
2015	\$ 90,000.00	\$ 23,156.25	\$ 113,156.25
2016	\$ 90,000.00	\$ 20,933.25	\$ 110,933.25
2017	\$ 95,000.00	\$ 18,648.50	\$ 113,648.50
2018	\$ 100,000.00	\$ 16,302.00	\$ 116,302.00
2019	\$ 100,000.00	\$ 13,832.00	\$ 113,832.00
2020-2023	\$ 485,000.00	\$ 30,628.00	\$ 515,628.00
Total	\$ 960,000.00	\$ 123,500.00	\$ 1,083,500.00

**NOTE K - CONTINGENT LIABILITIES**

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

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

<b><u>Grantor/Contract Program Title</u></b>	<b><u>Award Amount</u></b>	<b><u>Revenue Recognized</u></b>	<b><u>Expenditures</u></b>
Library Grants	\$ 14,212	\$ 14,212	\$ 14,212
CDBG10 Contract #14319	13,450	13,450	13,450
Fire Department Grants	4,474	4,474	4,474
Totals	<u>\$ 32,136</u>	<u>\$ 32,136</u>	<u>\$ 32,136</u>

**CITY OF PAWHUSKA, OKLAHOMA**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE M - OMITTED COMPONENT UNIT**

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

**NOTE N - INTERFUND TRANSFERS AND BALANCES**

Transfers between funds of the primary government and between the primary government and discretely presented component units for the year ended June 30, 2014 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>MAJOR FUNDS:</b>		
General Fund	\$ 1,123,992	\$ 0
Total Major Funds	<u>\$ 1,123,992</u>	<u>\$ 0</u>
<b>ENTERPRISE FUNDS:</b>		
Electric Utility Fund	\$ 3,073,220	\$ 0
Solid Waste Administration Fund	\$ 0	\$ 24,000
Water and Sewer Administration Fund	\$ 24,000	\$ 373,992
Total Major Funds	<u>\$ 3,097,220</u>	<u>\$ 397,992</u>
<b>NONMAJOR FUNDS:</b>		
Economic Development Fund	\$ 0	\$ 60,000
Permanent Improvement fun	\$ 24,000	\$ 0
Total Nonmajor Funds	<u>\$ 24,000</u>	<u>\$ 60,000</u>
<b>COMPONENT UNITS:</b>		
Pawhuska Public Works Fund	\$ 0	\$ 3,847,220
Pawhuska Municipal Trust Auth. Fund	\$ 60,000	\$ 0
Total Component Units	<u>\$ 60,000</u>	<u>\$ 3,847,220</u>
<b>TOTAL</b>	<u><u>\$ 4,305,212</u></u>	<u><u>\$ 4,305,212</u></u>

**COMBINING FINANCIAL STATEMENTS**

**CITY OF PAWHUSKA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance:</b>				
<b>Resources (Inflows):</b>				
Taxes:				
Sales tax	\$ 725,000	\$ 725,000	\$ 728,394	\$ 3,394
Franchise tax	75,000	75,000	60,001	(14,999)
Total Taxes	<u>800,000</u>	<u>800,000</u>	<u>788,395</u>	<u>(11,605)</u>
Intergovernmental:				
Alcoholic Beverage Tax	70,000	70,000	86,024	16,024
Utility Billing Charge	230,000	230,000	219,059	(10,941)
Hospital Surcharfe Fee	112,000	112,000	109,175	(2,825)
Total Intergovernmental	<u>412,000</u>	<u>412,000</u>	<u>414,258</u>	<u>2,258</u>
Fines and Forfeitures:				
Police Fines	45,000	45,000	57,580	12,580
Parking Fines	14,000	14,000	465	(13,535)
Juvenile Court	-	-	-	-
Dog Pound	2,500	2,500	877	(1,623)
Total Fines and Forfeitures	<u>61,500</u>	<u>61,500</u>	<u>58,923</u>	<u>(2,577)</u>
Licenses and Permits	<u>6,000</u>	<u>6,000</u>	<u>5,030</u>	<u>(970)</u>
Charges for Services:				
Cemetery lot sales	5,000	5,000	5,850	850
Cemetery open/closings	12,000	12,000	9,713	(2,288)
Cemetery Monuments	1,500	1,500	1,175	(325)
Library	2,800	2,800	2,653	(147)
Swimming Pool	5,000	5,000	8,556	3,556
Health Center	15,000	15,000	16,470	1,470
Lake Fees	5,000	5,000	4,455	(545)
Community Center Rental	2,500	2,500	3,100	600
Ambulance	250,000	250,000	333,022	83,022
Airport	2,400	2,400	1,000	(1,400)
Total Charges for Services	<u>301,200</u>	<u>301,200</u>	<u>385,994</u>	<u>84,794</u>
Miscellaneous:				
Miscellaneous	10,000	10,000	8,048	(1,952)
Rental Income	72,000	72,000	79,534	7,534
Cash Short/Over	-	-	104	104
Donations	-	-	-	-
Grants	-	-	-	-
Return Check Charge	-	-	-	-
In Lieu of Taxes	5,000	5,000	5,537	537
Insurance Refunds	20,000	20,000	61,638	41,638
Total Miscellaneous	<u>107,000</u>	<u>107,000</u>	<u>154,862</u>	<u>47,862</u>
Other Financing Sources:				
Transfers From Other Funds	1,124,000	1,124,000	1,123,992	(8)
Total Other Financing Sources	<u>1,124,000</u>	<u>1,124,000</u>	<u>1,123,992</u>	<u>(8)</u>
Amounts Available for Appropriation	<u>\$ 2,811,700</u>	<u>\$ 2,811,700</u>	<u>\$ 2,931,453</u>	<u>\$ 119,753</u>

(Continued)

**CITY OF PAWHUSKA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive(Negative)</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>Clerk/Treasurer:</b>				
Personal Services	106,200	111,200	115,419	4,219
Materials and Supplies	6,000	2,500	348	(2,152)
Other Services and Charges	4,000	7,500	2,980	(4,520)
Capital Outlay	-	-	-	-
Total Clerk/Treasurer	<u>116,200</u>	<u>121,200</u>	<u>118,747</u>	<u>(2,453)</u>
<b>Attorney:</b>				
Personal Services	29,600	29,750	27,857	(1,893)
Other Services and Charges	1,300	1,300	1,690	390
Total Attorney	<u>30,900</u>	<u>31,050</u>	<u>29,547</u>	<u>(1,503)</u>
<b>Municipal Court:</b>				
Personal Services	42,600	42,750	43,153	403
Materials and Supplies	1,500	1,500	837	(663)
Other Services and Charges	1,000	1,000	341	(659)
Total Municipal Court	<u>45,100</u>	<u>45,250</u>	<u>44,331</u>	<u>(919)</u>
<b>Police:</b>				
Personal Services	558,000	613,000	566,345	(46,655)
Materials and Supplies	9,100	9,100	11,869	2,769
Other Services and Charges	26,050	26,050	68,512	42,462
Capital Outlay	-	-	-	-
Total Police	<u>593,150</u>	<u>648,150</u>	<u>646,726</u>	<u>(1,424)</u>
<b>Fire:</b>				
Personal Services	364,100	364,100	359,085	(5,015)
Materials and Supplies	2,550	8,550	2,030	(6,520)
Other Services and Charges	12,300	12,300	15,433	3,133
Total Fire	<u>378,950</u>	<u>384,950</u>	<u>376,548</u>	<u>(8,402)</u>
<b>Street:</b>				
Personal Services	184,000	184,000	144,798	(39,202)
Materials and Supplies	2,500	2,500	2,070	(430)
Other Services and Charges	13,250	10,650	33,482	22,832
Capital Outlay	9,700	12,500	-	(12,500)
Total Street	<u>209,450</u>	<u>209,650</u>	<u>180,350</u>	<u>(29,300)</u>
<b>Parks and Cemetery:</b>				
Personal Services	197,500	232,500	221,996	(10,504)
Materials and Supplies	6,000	6,000	14,121	8,121
Other Services and Charges	10,700	10,700	10,845	145
Capital Outlay	-	-	-	-
Total Parks and Cemetery	<u>214,200</u>	<u>249,200</u>	<u>246,962</u>	<u>(2,238)</u>

(Continued)

**CITY OF PAWHUSKA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive(Negative)</u>
<b>General Government:</b>				
Personal Services	\$ 253,000	\$ 253,000	\$ 207,399	\$ (45,601)
Materials and Supplies	47,000	47,000	51,869	4,869
Other Services and Charges	383,250	383,250	382,445	(805)
Capital Outlay	75,000	75,000	189,941	114,941
Total General Government	<u>758,250</u>	<u>758,250</u>	<u>831,654</u>	<u>73,404</u>
<b>Library:</b>				
Personal Services	116,450	116,450	99,189	(17,261)
Materials and Supplies	2,000	2,000	2,330	330
Other Services and Charges	20,750	20,750	19,849	(901)
Total Library	<u>139,200</u>	<u>139,200</u>	<u>121,368</u>	<u>(17,832)</u>
<b>Airport</b>				
Personal Services	-	-	-	-
Materials and Supplies	-	-	-	-
Other Services and Charges	4,800	4,800	4,539	(261)
Capital Outlay	-	-	-	-
Total Airport	<u>4,800</u>	<u>4,800</u>	<u>4,539</u>	<u>(261)</u>
<b>Lakes:</b>				
Personal Services	-	-	-	-
Materials and Supplies	1,500	1,500	815	(685)
Other Services and Charges	12,100	12,100	8,196	(3,904)
Capital Outlay	-	-	-	-
Total Lakes	<u>13,600</u>	<u>13,600</u>	<u>9,011</u>	<u>(4,589)</u>
<b>Ambulance:</b>				
Personal Services	311,000	376,000	375,431	(569)
Materials and Supplies	20,150	20,150	16,367	(3,783)
Other Services and Charges	19,800	19,800	22,309	2,509
Capital Outlay	-	-	-	-
Total Lakes	<u>350,950</u>	<u>415,950</u>	<u>414,108</u>	<u>(1,842)</u>
<b>Administrative:</b>				
Personal Services	90,200	90,200	88,826	(1,374)
Materials and Supplies	100	100	129	29
Other Services and Charges	1,700	1,700	1,637	(63)
Total Administrative	<u>92,000</u>	<u>92,000</u>	<u>90,592</u>	<u>(1,408)</u>
Total Charges to Appropriations	<u>2,946,750</u>	<u>3,203,250</u>	<u>3,114,482</u>	<u>(88,768)</u>
Ending Budgetary Fund Balance	<u>\$ (135,050)</u>	<u>\$ (391,550)</u>	<u>\$ (183,029)</u>	<u>\$ 208,521</u>

**CITY OF PAWHUSKA, OKLAHOMA  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2014**

**Budget Law**

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

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

**Basis of Accounting**

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

CITY OF PAWHUSKA, OKLAHOMA  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	SPECIAL REVENUE FUNDS										CAPITAL PROJECTS FUNDS					Nominal/ Governmental Funds	
	Street and Alley Fund	Library Fund	Gerald Ledington Book Fund	Economic Development Fund	CDRC 14319 Fund	EDA 06-79-0464 Fund	Juvenile Court Fund	Carl & Virginia Short Fund	Comstock Care Fund	Municipal Court Fund	Imprest Fund	INCOG 2010 Fund	Capital Improvement Fund	Police Permanent Imp. Fund	Five Dept Permanent Imp. Fund		Louise Snyder Park Fund
ASSETS																	
Cash and cash equivalents	\$ 111,677	\$ 5,975	\$ 27,624	\$ 91,158	\$ -	\$ -	\$ 2,233	\$ 12,702	\$ 79,648	\$ 689	\$ 1,500	\$ 2,428	\$ 218,107	\$ 8,871	\$ 23,389	\$ 897	\$ 160,555
Investments		91,181	84,343	6,729				150,337	80,277								406,137
Accounts receivable				99,887			2,233	163,040	159,925	689	1,500	2,428	218,107	8,871	23,389	897	160,555
Total Assets	\$ 111,677	\$ 97,156	\$ 112,017	\$ 99,887	\$ -	\$ -	\$ 2,233	\$ 163,040	\$ 159,925	\$ 689	\$ 1,500	\$ 2,428	\$ 218,107	\$ 8,871	\$ 23,389	\$ 897	\$ 1,162,361
LIABILITIES AND FUND BALANCES																	
LIABILITIES																	
Accounts payable										689							
Deposits payable										689							
Total Liabilities										689							
FUND BALANCES																	
Unreserved, reported in nonmajor special revenue/capital projects funds	\$ 111,677	\$ 97,156	\$ 112,017	\$ 99,887	\$ -	\$ -	\$ 2,233	\$ 163,040	\$ 159,925	\$ -	\$ 1,500	\$ 2,428	\$ 218,107	\$ 8,871	\$ 23,389	\$ 897	\$ 160,555
Total Liabilities and Fund Balances	\$ 111,677	\$ 97,156	\$ 112,017	\$ 99,887	\$ -	\$ -	\$ 2,233	\$ 163,040	\$ 159,925	\$ 689	\$ 1,500	\$ 2,428	\$ 218,107	\$ 8,871	\$ 23,389	\$ 897	\$ 1,162,361

CITY OF PAHRUSKA, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	SPECIAL REVENUE FUNDS										CAPITAL PROJECTS FUNDS							
	Street and Alley Fund	Library Fund	Gerald Ledington Bank Fund	Economic Development Fund	CD8G 14019 Fund	EDA 08-79-0464 Fund	Juvenile Court Fund	Clart & Virginia Shurt Fund	Cemetery Care Fund	Municipal Court Fund	Imprest Fund	INCOG 2010 Fund	Capital Improvement Fund	Police Permanent Imp. Fund	Fire Dept. Permanent Imp. Fund	Loiside Snyder Park Fund	Water and Sewer Reserve Fund	Nonmajor Governmental Funds
REVENUES:																		
Grants																		
Taxes	3,835			89,502														18,666
Licenses	27,430																	93,338
Donations			700															27,430
Charges for Services								5,138						702				700
Investment Income		624	581					677					22,683					5,840
Miscellaneous																		25,783
Total Revenues	31,265	14,836	1,281	89,502				5,814					22,683	702	4,474			171,775
EXPENDITURES:																		
Streets	28,877																	28,877
Fire															8,610			8,610
Police																		
Library		19,369	3,871															23,241
Parks and Cemetery								4,301										4,551
Water and Sewer																250	60,941	60,941
Permanent Improvement																		
Economic Development				69,764														69,764
Juvenile Court																		
General Government																		
Total Expenditures	28,877	19,369	3,871	69,764				4,301					50,381		8,610	250	60,941	50,381
Excess (Deficiency) of Revenues Over Expenditures	2,388	(4,533)	(2,590)	19,738				1,513				(27,698)	702	(4,136)	(250)	(60,941)	(74,589)	
Other Financing Sources (Uses):																		
Transfers In																		
Transfers Out				(60,000)													24,000	24,000
Total Other Financing Sources(Uses)				(60,000)														(36,000)
Net change in fund balances	2,388	(4,533)	(2,590)	(40,262)				1,513				(27,698)	702	(4,136)	(250)	(36,941)	(110,589)	
Fund Balances - Beginning	109,289	101,689	114,607	140,149			2,223	161,824		1,500	2,428	245,803	8,169	27,225	1,147	197,496	1,272,261	
Fund Balances - Ending	\$ 111,677	\$ 97,156	\$ 112,017	\$ 99,887			\$ 2,223	\$ 163,337		\$ 1,500	\$ 2,428	\$ 218,107	\$ 8,871	\$ 23,389	\$ 897	\$ 160,555	\$ 1,161,672	

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pawhuska, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise the City of Pawhuska, Oklahoma's basic financial statements and have issued my report thereon dated November 18, 2014. Except for the omission of the financial data of the Pawhuska Hospital Inc. and the omission of the general fixed assets in the government wide and business type activities, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered City of Pawhuska, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I considered to be material

weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

I noted certain matters that I reported to management of City of Pawhuska, Oklahoma, in a separate letter dated November 18, 2014.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

November 18, 2014



Alan Chapman, CPA