



CITY OF PIEDMONT, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

THE CITY OF PIEDMONT, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS**

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CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Piedmont, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Piedmont, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and 41-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Piedmont, Oklahoma's basic financial statements. The nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2015, on our consideration of the City of Piedmont, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Piedmont, Oklahoma's internal control over financial reporting and compliance.



January 21, 2015

As Management of the City of Piedmont, we offer readers this narrative overview and analysis of the financial activities of the City of Piedmont for the fiscal year ended June 30, 2014. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$1,035,163 and the assets of the City continued to exceed its liabilities at June 30, 2014, by \$11,821,991 (net position). Of this amount, \$1,853,349 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$3,090,138. Of that amount \$709,537 is available for spending at the government's discretion (unassigned fund balance) of the General Fund.
- At the end of fiscal year 2014, unassigned fund balance for the General Fund was \$709,537 or 33% of General Fund total revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Piedmont (the "City") and the Piedmont Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of two categories of activities: governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole - Statements of Net Position and Activities

This discussion and analysis is intended to serve as an introduction to the City of Piedmont's basic financial statements. One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

(Unaudited. See accompanying auditor's report.)

These two statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets deferred outflows and liabilities and deferred inflows – as one way to measure the City's financial condition. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state grants finance most of these activities.
- *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of Piedmont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Piedmont can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer and sanitation services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Notes to the Financial Statements

The notes provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund and the Fire Dept. Restricted Sales Tax Fund, combining financial statements and schedules, and debt service overage schedule.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by \$11,821,991 at the close of the most recent fiscal year.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 3,275	\$ 2,700	21%	\$ 200	\$ 204	-2%	\$ 3,475	\$ 2,904	20%
Capital assets, net	5,167	5,018	3%	10,217	10,436	-2%	15,384	15,454	0%
Other non-current assets	-	-	-	176	185	-5%	176	185	-5%
Total assets	8,442	7,718	9%	10,593	10,825	-2%	19,035	18,543	3%
Current liabilities	123	159	-23%	816	723	13%	939	882	6%
Non-current liabilities	181	219	-17%	6,093	6,655	-8%	6,274	6,874	-9%
Total liabilities	304	378	-20%	6,909	7,378	-6%	7,213	7,756	-7%
Net position									
Net Investment in capital assets	5,033	4,860	4%	3,587	3,343	7%	8,620	8,203	5%
Restricted	1,323	1,549	-15%	26	26	-	1,349	1,575	-14%
Unrestricted	1,782	931	91%	71	78	-9%	1,853	1,009	84%
Total net position	\$ 8,138	\$ 7,340	11%	\$ 3,684	\$ 3,447	7%	\$ 11,822	\$ 10,787	10%

The largest portion of the City's net position reflects its net investment in capital assets used to acquire those assets that are still outstanding. This year, the net investment in capital assets amounted to approximately \$8.6 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The governmental activities had an increase in current assets of approximately \$575,000 mainly due to an increase in cash of approximately \$401,000 and the issuance of two note receivables for the USDA

(Unaudited. See accompanying auditor's report.)

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Revolving Loan Grant. Cash increased in the Street and Alley mainly due to cellular tower rental increasing approximately \$301,000 and a transfer of the road maintenance fee from PMA of approximately \$140,000. Current assets also increased due to an increase in internal balances of approximately \$104,000.

A portion of the City's net position, approximately \$1.3 million, represents resources that are subject to internal and external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,853,349, may be used to meet the government's ongoing obligations to citizens and creditors. The City's business-type activities had \$71,126 of unrestricted net position.

The governmental activities restricted net position decreased approximately \$227,000 due to a decrease in amounts restricted for the Capital Improvement Fund, Street and Alley Fund, and General Fund.

Changes in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 580	\$ 439	32%	\$ 2,520	\$ 2,349	7%	\$ 3,100	\$ 2,788	11%
Operating grants and contributions	328	294	12%	-	-	-	328	294	12%
Capital grants and contributions	-	58	-100%	-	-	-	-	58	-100%
Taxes	2,066	1,981	4%	-	-	-	2,066	1,981	4%
Intergovernmental revenue	45	49	-8%	10	-	100%	55	49	12%
Investment income	1	1	-	-	-	-	1	1	-
Miscellaneous	397	204	95%	187	47	298%	584	251	133%
Total revenues	3,417	3,026	13%	2,717	2,396	13%	6,134	5,422	13%
Expenses									
General government	830	1,334	-38%	-	-	-	830	1,334	-38%
Public safety	1,410	1,427	-1%	-	-	-	1,410	1,427	-1%
Streets	315	265	19%	-	-	-	315	265	19%
Community development	148	200	-26%	-	-	-	148	200	-26%
Culture, parks and recreation	123	113	9%	-	-	-	123	113	9%
Interest on long-term debt	1	2	-50%	-	-	-	1	2	-50%
Water	-	-	-	1,340	1,070	25%	1,340	1,070	25%
Wastewater	-	-	-	331	272	22%	331	272	22%
Sanitation	-	-	-	603	391	54%	603	391	54%
Governmental Interest	-	-	-	9	10	-10%	9	10	-10%
Total expenses	2,827	3,341	-15%	2,283	1,743	31%	5,110	5,084	1%
Excess (deficiency) before transfers	590	(315)	-287%	434	653	-34%	1,024	338	203%
Gain on disposal of assets	-	-	-	11	-	-	11	-	-100%
Transfers	208	253	-18%	(208)	(253)	18%	-	-	-
Increase (decrease) in net position	\$ 798	\$ (62)	-1387%	\$ 237	\$ 400	41%	\$ 1,035	\$ 338	206%

The increase in governmental miscellaneous revenue is due to an increase in cellular tower rent of approximately \$301,000. The decrease of approximately \$503,000 in general government expense is due to a decrease in sanitation expense of approximately \$435,000. The city is now paying all of the sanitation expenses out of business-type activities.

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
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The increase in business-type water expenses of approximately \$270,000 is due to an increased reliance on water purchased from another city. The increase in sanitation expense of approximately \$212,000 is due to the reclassification of expenses out of governmental activities in the current year.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2014	2013		2014	2013	
General government	\$830	\$1,334	-38%	(\$645)	(\$1,059)	39%
Public safety	1,410	1,427	-1%	(906)	(1,004)	10%
Streets	315	265	19%	(246)	(212)	-16%
Community Development	148	200	-26%	(51)	(200)	75%
Culture, parks and recreation	123	113	9%	(70)	(72)	3%
Interest on long-term debt	1	2	-50%	(1)	(2)	50%
Total	\$2,827	\$3,341	-15%	(\$1,919)	(\$2,549)	25%

Business-type Activities

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2014	2013		2014	2013	
Water	\$ 1,340	\$ 1,070	25%	\$ 112	\$ 338	-67%
Wastewater	331	272	22%	(77)	(45)	71%
Sanitation	603	391	54%	210	324	-35%
Governmental Interest	9	10	-10%	(9)	(10)	10%
Total	\$ 2,283	\$ 1,743	31%	\$ 236	\$ 607	-61%

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of approximately \$3.1 million, or a 25% increase from the prior year. The enterprise fund reported net position of approximately \$3.7 million, or a 6.9% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund's total fund balance increased by \$1,306, or 0.2%, while the Capital Improvement's total fund balance decreased by \$94,612 or 8.6%.
- The Piedmont Municipal Authority reported an increase in net position, after transfers, of \$237,410 for the year.

General Fund Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual revenues under final estimates by \$66,949 or a 2.8% negative variance. General Fund actual expenditures were under final appropriations by \$62,495 or a 2.6% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had approximately \$15.4 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net decrease of approximately \$69,960 from last year.

TABLE 5
Primary Government Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 58	\$ 58	\$ 791	\$ 791	\$ 849	\$ 849
Buildings and Improvements	2,315	2,388	2	2	2,317	2,390
Machinery, furniture and equipment	826	867	57	74	883	941
Infrastructure	1,943	1,679	9,334	9,536	11,277	11,215
Intangible water rights	-	-	33	33	33	33
Construction in progress	25	25	-	-	25	25
Totals	<u>\$ 5,167</u>	<u>\$ 5,017</u>	<u>\$ 10,217</u>	<u>\$ 10,436</u>	<u>\$ 15,384</u>	<u>\$ 15,453</u>

Major capital asset additions include:

Road repairs	\$348,398
Fire Department Tahoe	\$34,526
Police Department Tahoes	\$44,997

(Unaudited. See accompanying auditor's report.)

CITY OF PIEDMONT, OKLAHOMA
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Long-Term Debt

At year-end, the City had \$6,889,222 in long-term debt outstanding, which represents a \$491,387 decrease from the prior year.

TABLE 6
Primary Government Long-Term Debt
(In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>Activities</u>		<u>Activities</u>				
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Accrued absences	\$ 82	\$ 94	\$ 43	\$ 35	\$ 125	\$ 129	-3%
Notes payable	115	130	6,508	6,923	6,623	7,053	-6%
Capital leases	19	29	123	170	142	199	-29%
Totals	\$ 216	\$ 253	\$ 6,674	\$ 7,128	\$ 6,890	\$ 7,381	-7%

The Upcoming Year

- The City will continue to move forward with needed road improvements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 314 Edmond Rd NW, Piedmont Oklahoma 73078 or phone at (405) 373-2621.

(Unaudited. See accompanying auditor's report.)

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Position– June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 225,509	\$ 106,368	\$ 331,877
Restricted cash and equivalents	2,221,234	26,090	2,247,324
Receivables:			
Accounts receivable, net of allowance	-	297,350	297,350
Due from other governments	378,304	-	378,304
Court fine receivable, net	130,501	-	130,501
Notes receivable	90,102	-	90,102
Internal Balances	229,722	(229,722)	-
Total current assets	<u>3,275,372</u>	<u>200,086</u>	<u>3,475,458</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	176,324	176,324
Capital Assets:			
Land, improvements and construction in progress	83,376	823,971	907,347
Other capital assets, net of depreciation	5,083,639	9,393,059	14,476,698
Total noncurrent assets	<u>5,167,015</u>	<u>10,393,354</u>	<u>15,560,369</u>
Total assets	<u>8,442,387</u>	<u>10,593,440</u>	<u>19,035,827</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	70,185	45,405	115,590
Accrued interest	-	14,061	14,061
Due to other governmental agencies	4,544	-	4,544
Due to depositors	14,095	176,324	190,419
Long-term liabilities:			
Due within one year:			
Notes payable	15,453	541,243	556,696
Capital leases payable	10,432	34,185	44,617
Compensated absences	8,151	4,341	12,492
Total current liabilities	<u>122,860</u>	<u>815,559</u>	<u>938,419</u>
Non-current Liabilities:			
Due in more than one year:			
Notes payable	99,919	5,966,397	6,066,316
Capital leases payable	8,318	88,362	96,680
Compensated absences	73,358	39,063	112,421
Total noncurrent liabilities	<u>181,595</u>	<u>6,093,822</u>	<u>6,275,417</u>
Total liabilities	<u>304,455</u>	<u>6,909,381</u>	<u>7,213,836</u>
NET POSITION			
Net investment in capital assets	5,032,893	3,586,843	8,619,736
Restricted by:			
External groups and contracts	1,273,230	26,090	1,299,320
Enabling legislation	49,586	-	49,586
Unrestricted	1,782,223	71,126	1,853,349
Total net position	<u>\$ 8,137,932</u>	<u>\$ 3,684,059</u>	<u>\$ 11,821,991</u>

See accompanying notes to the financial statements.

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Statement of Activities – For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 830,568	\$ 185,100	\$ -	\$ -	\$ (645,468)	\$ -	\$ (645,468)
Public Safety	1,410,131	392,973	111,343	-	(905,815)	-	(905,815)
Highways and Streets	314,714	-	68,273	-	(246,441)	-	(246,441)
Community Development	147,772	-	97,000	-	(50,772)	-	(50,772)
Culture and Recreation	122,651	1,457	51,587	-	(69,607)	-	(69,607)
Interest on Long-term debt	1,163	-	-	-	(1,163)	-	(1,163)
Total governmental activities	<u>2,826,999</u>	<u>579,530</u>	<u>328,203</u>	<u>-</u>	<u>(1,919,266)</u>	<u>-</u>	<u>(1,919,266)</u>
Business-type activities:							
Water	1,340,034	1,451,894	-	-	-	111,860	111,860
Sewer	331,423	253,979	-	-	-	(77,444)	(77,444)
Sanitation	603,282	813,743	-	-	-	210,461	210,461
Governmental Interest	8,631	-	-	-	-	(8,631)	(8,631)
Total business-type activities	<u>2,283,370</u>	<u>2,519,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,246</u>	<u>236,246</u>
Total primary government	<u>\$ 5,110,369</u>	<u>\$ 3,099,146</u>	<u>\$ 328,203</u>	<u>\$ -</u>	<u>\$ (1,919,266)</u>	<u>\$ 236,246</u>	<u>\$ (1,683,020)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,867,879	\$ -	\$ 1,867,879
Property taxes, levied for debt service					-	-	-
Franchise taxes					198,290	-	198,290
Grants and contributions not restricted to specific programs					45,035	9,580	54,615
Unrestricted investment earnings					1,092	371	1,463
Miscellaneous					397,053	187,506	584,559
Special item - gain on sale of asset					-	11,377	11,377
Transfers					207,670	(207,670)	-
Total general revenues and transfers					<u>2,717,019</u>	<u>1,164</u>	<u>2,718,183</u>
Change in net position					797,753	237,410	1,035,163
Net position - beginning					7,340,179	3,446,649	10,786,828
Net position - ending					<u>\$ 8,137,932</u>	<u>\$ 3,684,059</u>	<u>\$ 11,821,991</u>

See accompanying notes to the financial statements.

**CITY OF PIEDMONT, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF PIEDMONT, OKLAHOMA
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Governmental Funds Balance Sheet – June 30, 2014

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Fire Dept</u>		<u>Street and Alley</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
			<u>Restricted Sales Tax Fund</u>				
ASSETS							
Cash and cash equivalents	\$ 417,716	\$ 990,943	\$ 180,658	\$ 848,622	\$ 8,804	\$ 2,446,743	
Due from other funds	207,224	-	19,968	28,602	-	255,794	
Court fines receivable	130,501	-	-	-	-	130,501	
Due from other governments	287,150	42,676	42,676	5,802	-	378,304	
Notes receivable	-	-	-	-	90,102	90,102	
Total assets	<u>1,042,591</u>	<u>1,033,619</u>	<u>243,302</u>	<u>883,026</u>	<u>98,906</u>	<u>3,301,444</u>	
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	30,493	-	4,743	2,841	-	38,077	
Due to other funds	-	26,000	72	-	-	26,072	
Deposits held for others	32,108	-	-	-	-	32,108	
Other payables	4,544	-	-	-	-	4,544	
Total liabilities	<u>67,145</u>	<u>26,000</u>	<u>4,815</u>	<u>2,841</u>	<u>-</u>	<u>100,801</u>	
Deferred Inflows of resources:							
Deferred revenue	110,505	-	-	-	-	110,505	
Fund balances:							
Restricted for:							
Capital Projects	-	873,960	-	-	-	873,960	
Fire	-	-	210,984	-	-	210,984	
USDA Revolving Loan	-	-	-	-	98,010	98,010	
Economic Development	-	-	-	-	896	896	
Municipal Court	89,380	-	-	-	-	89,380	
Capital Projects and Debt related to water, wastewater, and roadways	49,586	-	-	-	-	49,586	
Assigned to:							
Streets	-	-	-	880,185	-	880,185	
Capital Projects	-	133,659	-	-	-	133,659	
Fire	-	-	27,503	-	-	27,503	
Municipal Court	16,438	-	-	-	-	16,438	
Unassigned	709,537	-	-	-	-	709,537	
Total fund balances	<u>864,941</u>	<u>1,007,619</u>	<u>238,487</u>	<u>880,185</u>	<u>98,906</u>	<u>3,090,138</u>	
Total liabilities, deferred outflows and fund balances	<u>\$ 1,042,591</u>	<u>\$ 1,033,619</u>	<u>\$ 243,302</u>	<u>\$ 883,026</u>	<u>\$ 98,906</u>	<u>\$ 3,301,444</u>	

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Fire Dept Restricted Sales Tax Fund</u>	<u>Street and Alley</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 1,393,888	\$ 346,396	\$ 346,396	\$ -	\$ -	\$ 2,086,680
Fines and forfeitures	387,134	-	-	-	-	387,134
Licenses and permits	185,032	-	-	-	-	185,032
Intergovernmental	72,845	-	48,256	68,273	97,000	286,374
Charges for services	2,367	-	-	-	-	2,367
Investment earnings	287	510	88	207	-	1,092
Miscellaneous	109,825	-	10,792	340,869	1,010	462,496
Total revenues	<u>2,151,378</u>	<u>346,906</u>	<u>405,532</u>	<u>409,349</u>	<u>98,010</u>	<u>3,411,175</u>
EXPENDITURES						
Current:						
General government	317,479	-	-	-	147,772	465,251
Administrative	271,451	-	-	-	-	271,451
Police	801,843	-	-	-	-	801,843
Municipal court	91,750	-	-	-	-	91,750
Emergency management	3,078	-	-	-	-	3,078
Community development	221,182	-	-	-	-	221,182
Fire	-	-	357,875	-	-	357,875
Library	99,744	-	-	-	-	99,744
Streets	-	10,387	-	190,894	-	201,281
Parks	4,611	-	-	-	-	4,611
Debt Service:						
Principal	-	9,971	14,149	-	-	24,120
Interest and other charges	-	1,163	6,089	-	-	7,252
Capital Outlay	10,700	44,997	49,893	348,397	-	453,987
Total Expenditures	<u>1,821,838</u>	<u>66,518</u>	<u>428,006</u>	<u>539,291</u>	<u>147,772</u>	<u>3,003,425</u>
Excess (deficiency) of revenues over expenditures	<u>329,540</u>	<u>280,388</u>	<u>(22,474)</u>	<u>(129,942)</u>	<u>(49,762)</u>	<u>407,750</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	191,620	-	19,968	760,333	147,772	1,119,693
Transfers out	(519,854)	(375,000)	-	(17,169)	-	(912,023)
Total other financing sources and uses	<u>(328,234)</u>	<u>(375,000)</u>	<u>19,968</u>	<u>743,164</u>	<u>147,772</u>	<u>207,670</u>
Net change in fund balances	1,306	(94,612)	(2,506)	613,222	98,010	615,420
Fund balances - beginning	863,635	1,102,231	240,993	266,963	896	2,474,718
Fund balances - ending	<u>\$ 864,941</u>	<u>\$ 1,007,619</u>	<u>\$ 238,487</u>	<u>\$ 880,185</u>	<u>\$ 98,906</u>	<u>\$ 3,090,138</u>

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA
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Reconciliation of Governmental Fund and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	3,090,138
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,674,773		5,167,015
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Deferred revenue		96,410
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Capital leases payable		(18,750)
Notes payable		(115,372)
Accrued compensated absences		(81,509)
Net Position of Governmental Activities in the Statement of Net Position	\$	8,137,932

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	615,420
Amounts reported for governmental activities in 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		453,987
Depreciation expense		(304,588)
		149,399
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in deferred revenue		(4,094)
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:		
Principal paid on debt		24,120
Change in accrued compensated absences		12,908
		37,028
Change in net position of governmental activities	\$	797,753

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA
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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

CITY OF PIEDMONT, OKLAHOMA
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Proprietary Fund Statement of Net Position – June 30, 2014

	Piedmont Municipal Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 106,368
Restricted cash and cash equivalents	26,090
Accounts receivable, net	297,350
Total current assets	429,808
Non-current assets:	
Restricted cash and cash equivalents	176,324
Capital assets:	
Land and improvements	823,971
Other capital assets, net of depreciation	9,393,059
Total non-current assets	10,393,354
Total assets	10,823,162
LIABILITIES	
Current liabilities:	
Accounts payable	45,405
Accrued interest payable	14,061
Due to other funds	229,722
Due to depositors	176,324
Compensated absences	4,341
Capital lease obligation	34,185
Notes payable	541,243
Total current liabilities	1,045,281
Non-current liabilities:	
Compensated absences	39,063
Capital lease obligation	88,362
Notes payable	5,966,397
Total non-current liabilities	6,093,822
Total liabilities	7,139,103
NET POSITION	
Net investment in capital assets	3,586,843
Restricted for debt service	26,090
Unrestricted	71,126
Total net position	\$ 3,684,059

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2014

	Piedmont Municipal Authority
REVENUES	
Charges for services:	
Water charges	\$ 1,415,336
Sewer charges	247,584
Sanitation charges	793,254
Penalties	51,172
Miscellaneous	12,270
Total operating revenues	2,519,616
OPERATING EXPENSES	
Administrative	338,902
Public works	1,484,423
Depreciation	236,525
Total operating expenses	2,059,850
Operating income	459,766
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	371
Miscellaneous revenue	187,506
Operating grants and contributions	9,580
Interest expense	(223,520)
Gain on sale of capital asset	11,377
Total non-operating revenue (expenses)	(14,686)
Income before transfers and contributions	445,080
Capital contributions	17,169
Transfers in	112,082
Transfers out	(336,921)
Change in net position	237,410
Total net position - beginning	3,446,649
Total net position - ending	\$ 3,684,059

See accompanying notes to the financial statements

CITY OF PIEDMONT, OKLAHOMA
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Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2014

	Piedmont Municipal Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,468,052
Payments to suppliers	(1,257,687)
Payments to employees	(555,703)
Receipt of customer deposits	39,783
Customer meter deposits refunded or applied	(21,988)
Receipts from other funds	103,994
Net Cash Provided by Operating Activities	<u>776,451</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	112,082
Transfers to other funds	(336,921)
Miscellaneous revenues	187,506
Grant funding from federal government	9,580
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(27,753)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Gain on sale of capital assets	11,377
Principal paid on capital debt	(463,100)
Interest and fiscal charges paid on capital debt	(256,763)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(708,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	371
Net Cash Provided by Investing Activities	<u>371</u>
Net Increase in Cash and Cash Equivalents	40,583
Balances - beginning of the year	<u>268,199</u>
Balances - end of the year	<u>\$ 308,782</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 106,368
Current restricted cash and cash equivalents	26,090
Non-current restricted cash and cash equivalents	176,324
Total cash and cash equivalents	<u>\$ 308,782</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 459,766
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	236,525
Change in assets and liabilities:	
Receivables	(51,564)
Due to other funds	103,994
Accounts payable and accrued liabilities	1,198
Meter deposit liability	17,795
Accrued compensated absences	8,737
Net Cash Provided by Operating Activities	<u>\$ 776,451</u>

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA
ANNUAL FINANCIAL REPORT
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Piedmont) and blended component units as noted below. This annual report includes all activities for which the City of Piedmont City Council is fiscally responsible.

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

The City of Piedmont has a population of 5,921 located in central Oklahoma in Canadian County. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government.

- Legislative – the City Council is a six-member governing body with the mayor elected by the citizens at large and five council members elected by each ward.
- 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 a public safety, health and welfare, street and alley maintenance, parks and recreation.

Component Units:

Piedmont Municipal Authority (PMA) – public trust created under 60 O.S. 162 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

Piedmont Special Projects Authority - Created January 28, 2008, to furnish and supply services and facilities for industrial, economic development, cultural, educational and recreational purposes within its territorial boundaries. The Trustees are the governing body of the City of Piedmont. The PSPA is currently being used to remit payment of sales tax to Williams Grocery Inc. The Authority is reported as a blended component unit.

Piedmont Economic Authority - Created August 25, 1998, to provide industrial, cultural and educational facilities within its territorial boundaries. The Trustees are confirmed by the governing body. Any issuances of debt would require a two-thirds approval of the City Council.

Piedmont Library Authority - Created September 19, 2001, to provide services and facilities for cultural, educational, and recreational purposes. The Trustees are appointed by the City Council. Any issuances of debt would require a two thirds approval of the City Council. The PLA is currently inactive.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and non-current are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- General Government: Inspection fees, licenses and permit revenue, operating and capital grants
- Public Safety: Fine revenue, donation revenue, on-behalf pension payments and operating and capital grants
- Highways and Streets: Commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation: Library fines, and library donations, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Funds:

General Fund – accounts for all activities not accounted for in other special-purpose funds

Special Revenue Fund:

- Fire Restricted Sales Tax Fund – accounts for revenues from the voter restricted sales tax for the fire department
- Street and Alley Fund– accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance

Capital Project Fund:

- Capital Improvement Fund - accounts for construction and acquisition of capital facilities

Nonmajor Funds:

Special Revenue Funds:

- USDA Revolving Loan Fund – accounts for USDA grant revolving funds and the loans receivable from those funds.
- Piedmont Special Project Authority – accounts for sales tax remitted to Williams Grocery Inc. per contract agreement

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Capital Project Fund:

- Comprehensive Plan Fund - accounts for HUD grant activity

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

Proprietary Funds:

The City's proprietary fund includes:

Major Enterprise Fund:

- Piedmont Municipal Authority – accounts for the operation of the water, wastewater, and sanitation activities.

The proprietary fund is reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

3. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

At June 30, 2014, the reporting entity held the following deposits and investments:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits		\$ 2,755,525
Total deposits		\$ 2,755,525
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 331,877
Restricted cash and cash equivalents		2,247,324
Non-current restricted cash and cash equivalents		176,324
		\$ 2,755,525

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2014, the City was not exposed to custodial credit as defined above.

Investment Interest Rate Risk – the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City was not exposed to investment interest rate risk.

Investment Credit Risk – the city has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., d. and e.

The City was not exposed to investment credit rate risk.

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

The City was not exposed to concentration of credit risk as defined above.

Restricted Cash and Investments - The amounts reported as restricted assets of the statement of net position are comprised of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill), amounts held by the trustee bank for debt retirement and amounts held for utility deposits. Restricted assets for governmental activities are comprised of municipal court funds, Capital Improvement Fund cash, Fire Department Fund cash, USDA Revolving Loan cash and Street and Alley Fund cash. The restricted assets as of June 30, 2014 are as follows:

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	Current Cash and Cash Equivalents		Current Cash and Cash Equivalents	Noncurrent Cash and Cash Equivalents
Governmental Activities:		Business-Type Activities and Proprietary Funds:		
Capital Improvement Fund	\$990,943	Utility deposits	\$ -	\$ 176,324
Street and Alley Fund	848,622	Trustee Accounts:		
Municipal Court	193,103	Sinking Account	1	-
USDA Revolving Loan Fund	7,908			
Fire Department	180,658	Debt Service account	-	26,090
Total Governmental Activities	\$2,221,234	Total	\$ 1	\$ 202,414

4. Account Receivable

Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectable amounts. The governmental activities receivables include fines receivables, due from other governments and two USDA revolving note receivables that were issued this year.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Notes receivables	\$ 90,102		90,102
Due from other governments	378,304		378,304
Court fines	226,391	(95,890)	130,501
Other	-	-	-
Total Governmental Activities	\$ 694,797	\$ (95,890)	\$ 598,907
Reconciliation to Statement of Net Position:			
Court fine receivable, net			\$ 130,501
Due from other governmental agencies			378,304
Notes receivable, net			90,102
Total			\$ 598,907
Business-Type Activities:			
Utilities	\$ 357,721	\$ (60,371)	\$ 297,350

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5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2014, capital assets balances changed as follows:

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
Governmental activities:				
Non-depreciable:				
Land	\$ 58,273	\$ -	\$ -	\$ 58,273
Construction-in-progress	25,103	-	-	25,103
Total non-depreciable assets at historical cost	<u>83,376</u>	<u>-</u>	<u>-</u>	<u>83,376</u>
Depreciable:				
Buildings	2,908,475	-	-	2,908,475
Improvements	44,075	-	-	44,075
Machinery and equipment	2,210,386	105,588	-	2,315,975
Infrastructure	2,141,490	348,398	-	2,489,888
Total depreciable assets at historical cost	<u>7,304,426</u>	<u>453,986</u>	<u>-</u>	<u>7,758,413</u>
Less accumulated depreciation				
Buildings	(541,952)	(70,817)	-	(612,769)
Improvements	(22,222)	(2,204)	-	(24,426)
Machinery and equipment	(1,343,037)	(147,260)	-	(1,490,297)
Infrastructure	(462,975)	(84,307)	-	(547,282)
Total accumulated depreciation	<u>(2,370,184)</u>	<u>(304,588)</u>	<u>-</u>	<u>(2,674,773)</u>
Net depreciable assets	<u>4,934,242</u>	<u>149,398</u>	<u>-</u>	<u>5,083,639</u>
Governmental activities capital assets, net	<u>5,017,618</u>	<u>149,398</u>	<u>-</u>	<u>5,167,015</u>
Business-type activities				
Non-depreciable:				
Land	790,545	-	-	790,545
Construction-in-progress	-	-	-	-
Water Rights	33,426	-	-	33,426
Total non-depreciable assets at historical cost	<u>823,971</u>	<u>-</u>	<u>-</u>	<u>823,971</u>
Depreciable:				
Buildings	50,440	-	-	50,440
Machinery and equipment	421,019	-	(40,000)	381,019
Infrastructure	11,849,500	17,169	-	11,866,669
Totals depreciable assets at historical cost	<u>12,320,960</u>	<u>17,169</u>	<u>(40,000)</u>	<u>12,298,128</u>
Less accumulated depreciation				
Buildings	(48,083)	(544)	-	(48,627)
Machinery and equipment	(347,159)	(16,954)	40,000	(324,113)
Infrastructure	(2,313,303)	(219,027)	-	(2,532,330)
Total accumulated depreciation	<u>(2,708,545)</u>	<u>(236,525)</u>	<u>40,000</u>	<u>(2,905,070)</u>
Net depreciable assets	<u>9,612,415</u>	<u>(219,356)</u>	<u>-</u>	<u>9,393,058</u>
Business-type capital assets, net	<u>\$ 10,436,386</u>	<u>\$ (219,356)</u>	<u>\$ -</u>	<u>\$ 10,217,029</u>

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Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$1,000 is used to report capital assets. 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 3-24 years, Utility property and improvements and infrastructure 15-50 years.

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 26,454	Water	\$ 167,416
Public safety	158,118	Sewer	69,109
Highways and streets	103,433	Total depreciation	<u>\$ 236,525</u>
Culture and recreation	16,583		
Total depreciation	<u>\$ 304,588</u>		

6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Note Payable	\$ 129,521	\$ -	\$ 14,149	\$ 115,372	\$ 15,453
Capital Leases	28,721	-	9,971	18,750	10,432
Accrued Compensated Absences	94,417		12,908	81,509	8,151
Total Governmental Long-Term Debt	<u>\$ 252,659</u>	<u>\$ -</u>	<u>\$ 37,028</u>	<u>\$ 215,631</u>	<u>\$ 34,036</u>
Business-Type Activities:					
Note Payable	\$ 6,923,214	\$ -	\$ 415,574	\$ 6,507,640	\$ 541,243
Capital Leases	170,073	-	47,526	122,547	34,185
Accrued Compensated Absences	34,667	8,737	-	43,404	4,341
Total BTA Long-Term Debt	<u>\$ 7,127,954</u>	<u>\$ 8,737</u>	<u>\$ 463,100</u>	<u>\$ 6,673,591</u>	<u>\$ 579,769</u>

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Governmental activities long-term debt:

Notes Payable:

161,889 lease with Farmers and Merchant Bank for the purchase of a 2010 International Fire truck, issued December 2010 with an interest rate of 4.50% and maturing December 2020.	<u>115,372</u>
Current portion	\$ 15,453
Non-current portion	<u>99,919</u>
Total	<u><u>\$ 115,372</u></u>

Capital Lease Obligations:

\$73,984 lease with Farmers and Merchant Bank for the purchase of a backhoe, issued March 2010 with an interest rate of 4.75% and maturing April 2016.	<u>18,750</u>
Current portion	\$ 10,432
Non-current portion	<u>8,318</u>
Total	<u><u>\$ 18,750</u></u>

Accrued Compensated Absences:

Current portion	\$ 8,151
Non-current portion	<u>73,358</u>
Total	<u><u>\$ 81,509</u></u>

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Business-type activities long-term debt:

Notes Payable:

Community Center note payable, original issue amount of \$1,718,765 dated October 1, 2003, issued by the Piedmont Municipal Authority, interest rate 4% with a final maturity of September 1, 2023.	\$ 965,485
OWRB Drinking Water SRF note payable, original issue amount of \$4,670,000 dated September 1, 2007, issued by the Piedmont Municipal Authority, interest rate 3.55%, with a final maturity of March 2029.	3,435,712
OWRB Clean Water SRF note payable, original issue amount of \$2,655,000 dated December 1, 2009, issued by the Piedmont Municipal Authority, interest rate 2.68%, with a final maturity to be determined when entire balance of note is drawn. Amount left to draw is \$99,230.	1,379,768
Sewer project note payable, original issue amount of \$900,000 dated September 2010, issued by the Piedmont Municipal Authority, interest rate 4.50%, with a final maturity to be October 2020.	<u>726,675</u>
Total Notes Payable	<u><u>\$ 6,507,640</u></u>
Current portion	\$ 541,243
Non-current portion	<u>5,966,397</u>
Total	<u><u>\$ 6,507,640</u></u>

Capital Lease Obligations:

\$59,000 lease with F&M Bank for the purchase of a Fire Dept. Brush Truck, issued January 2004 with an interest rate of 4.5% and maturing December 2014.	\$ 1,921
\$295,000 lease with F&M Bank for the purchase of a Pierce Fire Truck issued December 2007 with an interest rate of 5.0% and maturing December 2017.	<u>120,626</u>
Total Capital Lease Obligations	<u><u>\$ 122,547</u></u>
Current portion	\$ 34,185
Non-current portion	<u>88,362</u>
Total	<u><u>\$ 122,547</u></u>

Accrued Compensated Absences:

Current portion	\$ 4,341
Non-current portion	<u>39,063</u>
Total	<u><u>\$ 43,404</u></u>

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Long-term debt service requirements to maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	10,432	700	15,453	4,785
2016	8,318	199	16,163	4,075
2017	-	-	16,905	3,332
2018	-	-	17,682	2,556
2019	-	-	18,494	1,744
2020-2022	-	-	30,675	1,006
Totals	<u>\$ 18,750</u>	<u>\$ 899</u>	<u>\$ 115,372</u>	<u>\$ 17,498</u>

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	34,185	5,333	541,243	114,432
2016	33,914	3,633	552,236	103,215
2017	35,649	1,898	563,953	91,433
2018	18,799	271	576,004	79,297
2019	-	-	588,541	66,714
2019-2023	-	-	2,489,776	174,725
2024-2028	-	-	1,043,543	49,333
2029-2031	-	-	152,344	3,392
Totals	<u>\$ 122,547</u>	<u>\$ 11,135</u>	<u>\$ 6,507,640</u>	<u>\$ 682,541</u>

Piedmont Special Projects Authority Promissory Note

The Piedmont Special Projects Authority entered into a promissory note agreement with Williams Grocery Inc. with payments beginning July 1, 2012. On July 1, 2012 the PSPA paid a one-time payment to Williams Grocery Inc. of \$59,104. Monthly payments equal to 3 cents of each \$1 of gross sales from the store operations will be due at the end of each month through June 30, 2027. The Piedmont Special Projects Authority paid Williams Grocery Inc. \$147,772 during this fiscal year ending June 30, 2014.

Pledge of Future Revenues:

Sales Tax and Utility Net Revenues Pledge – The City has pledged future sales tax and net water and sewer revenues to repay \$4,670,000 of the OWRB 2007 Series Drinking Water SRF Promissory Note and \$2,655,000 of the 2009 Series Clean Water SRF Promissory Note. Proceeds from the notes provided financing for utility system capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these notes is \$5,201,528. Pledged sales taxes received in the current year were \$1,408,621 and net utility revenues were (\$108,862). Debt service payments of \$401,715 for the current fiscal year were 31% of both pledged sales taxes and net utility revenues of \$1,299,759.

7. Net Position and Fund Balances

Net position is 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 attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position 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.

The City had \$1,348,906 of restricted net position, of which \$49,586 is restricted by enabling legislation.

- c. *Unrestricted net position* - All other net position balances that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- 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 or regulations of other governments, or (2) laws 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. The City’s highest level of decision-making authority is made by 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. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- 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.

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It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

8. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements 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.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2014 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
PMA	General Fund	\$ 166,620	Operations
PMA	Street and Alley	140,218	Transfer of road maintenance fee
PMA	Street and Alley	10,115	Transfer of assets
PMA	Fire	19,968	Operations
General Fund	Street and Alley	260,000	Transfer for infrastructure enhancement
General Fund	PSPA	147,772	Sales tax transfer
General Fund	PMA	112,082	Transfer for repayment of loan
Street and Alley	PMA	17,169	Transfer of assets
Capital Improvement Fund	General Fund	25,000	Operations
Capital Improvement Fund	Street and Alley	350,000	Capital expenditures budgeted
		<u>\$ 1,248,944</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 147,772	\$ -	\$ 147,772
Enterprise Funds	17,169	112,082	129,251
Total	<u>164,941</u>	<u>112,082</u>	<u>277,023</u>
One-sided transfer of capital assets from governmental fund to proprietary fund	17,169	-	17,169
	<u>\$ 182,110</u>	<u>\$ 112,082</u>	<u>\$ 294,192</u>

Reconciliation to Statement of Activities:

Enterprise Fund Net Transfers	\$ 129,251
One-sided transfer of capital assets from governmental fund to proprietary fund	17,169
Total transfer	<u>\$ 146,420</u>

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Balances:

Interfund receivable and payables at June 30, 2014 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Capital Improvement	General Fund	\$ 25,000	Operating subsidy
PMA	General Fund	166,620	Operating subsidy
Fire	General Fund	72	Sales tax
Capital Improvement	General Fund	72	Sales tax
Capital Improvement	General Fund	928	Debt payment
PMA	Fire	19,968	Operating subsidy
PMA	Street and Alley Fund	35,273	Road maintenance fee
PMA	General Fund	7,861	Police department grant
		<u>\$ 255,794</u>	

Reconciliation to fund financial statements and Statement of Net Position:

	<u>Due From</u>	<u>Due To</u>	<u>Net Balances</u>
Governmental Funds	\$ 255,794	\$ (26,072)	\$ 229,722
Enterprise Funds	-	(229,722)	(229,722)
Total	<u>\$ 255,794</u>	<u>\$ (255,794)</u>	<u>\$ -</u>

9. Sales Tax Revenues

The City levies a five cent sales tax on taxable sales within the city limits in accordance with Ordinance No. 297. The City records three cents in the General Fund for general municipal operations; one cent in the Capital Improvement fund for capital costs and one cent to the Fire Department Restricted Sales Tax Fund for fire operating and capital expenses.

10. Risk Management

The City is 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 and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Workers' Compensation – Workers' compensation is covered through purchased commercial insurance with Compsource
- Employee's Group Medical – Covered through participation in commercial insurance with Blue Cross and Blue Shield

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

11. Contingencies

Litigation:

The City is a defendant in a lawsuit filed on July 31, 2013 by a former police officer alleging wrongful termination. A preliminary hearing has been scheduled however no determination regarding the risk of loss, if any, can be made at this time.

The City is also a defendant in a lawsuit filed by two individuals alleging damages due to a lack of action in approving their plat. The City is seeking to have this matter dismissed. No determination of the outcome or risk of loss, if any, can be made at this time.

Federal and State Award Programs:

The City of Piedmont participates in various federal or state grant/loan programs from year to year. In 2014, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

12. Pension Plan Participation

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Contribution Plan and Trust (OMRF-DCP) – an agent multi-employer defined contribution pension plan
- Oklahoma Municipal Retirement System City Manager Retirement Plan and Trust (OMRF-CMO) – an agent multi-employer defined contribution plan

OFPRS:

The City of Piedmont, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. The City's annual required contribution was \$19,755 for the OFPRS plan and was equal to the City's actual contribution for the fiscal year 2014. The state made on-behalf payments of \$43,782 (or 30.0% of covered payroll) for the fiscal year which is reported as intergovernmental revenue and fire expense.

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The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS

4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

OPPRS:

Pursuant to the requirements of Title 11, section 50-102, the City of Piedmont participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police officer contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

For 2014, the City's annual required contribution was \$37,818 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$33,227 (or 11.4% of covered payroll) for the fiscal year which is reported as intergovernmental revenue and police expense.

OMRF Defined Contribution Plan:

The City contributes to the Employee Retirement System of Piedmont, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Contribution Plan and Trust, an agent multiple employer - defined contribution plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as administrator and securities custodian.

For the year ended June 30, 2014, the total contributions were 5.75 percent of covered payroll, of which 3.50 percent and 2.25 were contributed by the employer and employee respectively. For the year ended June 30, 2014, contributions to the plan amounted to \$37,739 which was equal to the required contribution.

OMRF CMO Plan:

Effective July 1, 2001, the City has also provided a defined contribution plan and trust known as the City of Piedmont City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. The plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund.

For the year ended June 30, 2014, the employer contribution rate is variable. Contributions to the plan for the year ended June 30, 2014 were \$4,893 on a covered payroll of \$81,544.

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OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

Summary of Contributions:

Fiscal	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighter's Pension and Retirement System</u>		<u>Oklahoma Municipal Retirement Fund</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	40,314	100%	16,143	100%	23,161	100%
2013	40,705	100%	17,543	100%	28,312	100%
2014	37,818	100%	19,755	100%	37,739	100%

<u>Oklahoma Municipal Retirement Fund – (CMO Plan)</u>		
Fiscal	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2012	6,673	100%
2013	4,680	100%
2014	4,893	100%

13. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 863,635	\$ 863,635	\$ 863,635	\$ -
Resources (Inflows):				
Taxes	1,330,400	1,435,722	1,393,888	(41,834)
Intergovernmental	36,000	49,855	39,618	(10,237)
Charges for services	2,100	2,100	2,367	267
Fines and Forfeitures	315,500	346,687	387,134	40,447
Licenses and Permits	165,000	190,370	185,032	(5,338)
Miscellaneous	108,900	114,366	109,825	(4,541)
Interest	400	400	287	(113)
Transfers in	237,220	237,220	191,620	(45,600)
Total Resources (Inflows)	<u>2,195,520</u>	<u>2,376,720</u>	<u>2,309,771</u>	<u>(66,949)</u>
Amounts available for appropriation	<u>3,059,155</u>	<u>3,240,355</u>	<u>3,173,406</u>	<u>(66,949)</u>
	Budgeted Amounts	Actual	Variance with	
	Original	Final	Amounts	Final Budget Positive (Negative)
Charges to Appropriations (Outflows):				
General Government	425,289	339,129	317,479	21,650
Administration	242,548	272,548	271,451	1,097
Community Development	218,920	224,920	221,182	3,738
Police	848,703	778,703	768,616	10,087
Municipal Court	97,995	97,995	91,750	6,245
Emergency Management	32,000	22,000	11,878	10,122
Parks and Recreation	5,400	5,400	4,611	789
Library	94,465	97,465	101,644	(4,179)
Transfers out	230,200	532,800	519,854	12,946
Total Charges to Appropriations	<u>2,195,520</u>	<u>2,370,960</u>	<u>2,308,465</u>	<u>62,495</u>
Ending Budgetary Fund Balance	<u>\$ 863,635</u>	<u>\$ 869,395</u>	<u>\$ 864,941</u>	<u>\$ (4,454)</u>

See accompanying notes to budgetary comparison schedules.

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**Budgetary Comparison Schedule (Budgetary Basis) – Fire Department Restricted Sales Tax Fund –
Year Ended June 30, 2014**

	SPECIAL REVENUE - FIRE FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 240,993	\$ 240,993	\$ 240,993	\$ -
Revenues:				
Taxes	330,000	352,155	346,396	(5,759)
Intergovernmental	4,200	4,200	4,474	274
Investment income	75	75	88	13
Miscellaneous	5,000	5,000	10,792	5,792
Transfers in	19,968	19,968	19,968	-
Total Resources (Inflows)	<u>359,243</u>	<u>381,398</u>	<u>381,718</u>	<u>320</u>
Amounts available for appropriation	<u>600,236</u>	<u>622,391</u>	<u>622,711</u>	<u>320</u>
Charges to Appropriations (Outflows):				
Fire	<u>359,243</u>	<u>381,398</u>	<u>384,224</u>	<u>(2,826)</u>
Total Charges to Appropriations	<u>359,243</u>	<u>381,398</u>	<u>384,224</u>	<u>(2,826)</u>
Ending Budgetary Fund Balance	<u>\$ 240,993</u>	<u>\$ 240,993</u>	<u>\$ 238,487</u>	<u>\$ (2,506)</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a GAAP basis with the exception of police pension on behalf payments.

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	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$3,173,406
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(863,635)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(191,620)
Payments to police and fire pension systems made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	33,227
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	\$2,151,378
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$2,308,465
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(519,854)
Payments to police and fire pension systems made by the State of Oklahoma are expenditures for financial reporting purpose but not budgetary purposes	33,227
	1,821,838

2. The legal level of appropriation control is the department level within a fund. The City Manager has the authority to make line item transfers but any overall increases or decreases are to be approved by the City Council.

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SUPPLEMENTARY INFORMATION

**CITY OF PIEDMONT, OKLAHOMA
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Combining Balance Sheet – Nonmajor Funds – City of Piedmont – June 30, 2014

	<u>Piedmont Special Projects Authority</u>	<u>USDA Revolving Loan</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 896	\$ 7,908	\$ 8,804
Notes receivable	-	90,102	90,102
Total assets	896	98,010	98,906
 Fund balances:			
Restricted for:			
USDA Revolving Loan	-	98,010	98,010
Economic Development	896	-	896
Total fund balances	896	98,010	98,906
Total fund balances	\$ 896	\$ 98,010	\$ 98,906

**CITY OF PIEDMONT, OKLAHOMA
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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds
- City of Piedmont - Year Ended June 30, 2014**

	<u>Piedmont Special Projects Authority</u>	<u>USDA Revolving Loan</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ -	97,000	\$ 97,000
Miscellaneous	-	1,010	1,010
Total revenues	<u>-</u>	<u>98,010</u>	<u>98,010</u>
EXPENDITURES			
Current:			
General government	<u>147,772</u>	-	<u>147,772</u>
Total Expenditures	<u>147,772</u>	-	<u>147,772</u>
Excess (deficiency) of revenues over expenditures	<u>(147,772)</u>	<u>98,010</u>	<u>(49,762)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>147,772</u>	-	<u>147,772</u>
Total other financing sources and uses	<u>147,772</u>	-	<u>147,772</u>
Net change in fund balances	-	98,010	98,010
Fund balances - beginning	896	-	896
Fund balances - ending	<u>\$ 896</u>	<u>\$ 98,010</u>	<u>\$ 98,906</u>

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Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2014

Federal/State Grantor/Pass Through Agency Grantor/Program Title	CFDA or Award Number	Award Amount	Awards Expended
FEDERAL AWARDS:			
DEPARTMENT OF AGRICULTURE:			
Rural Development	10.769	\$ 99,999	\$ 97,000
DEPARTMENT OF HOMELAND SECURITY			
Passed through Oklahoma Department of Public Safety:			
Disaster Recovery - 2013 Storm	97.036	9,580	9,580
Passed through Oklahoma Department of Public Safety:			
Disaster Recovery - 2013 Storm	97.036	7,525	7,525
Passed through Oklahoma Department of Public Safety:			
Disaster Recovery - 2013 Storm	97.036	1,685	1,685
Total Department of Homeland Security		<u>18,790</u>	<u>18,790</u>
DEPARTMENT OF JUSTICE:			
Passed through Oklahoma District Attorneys Council			
Justice Assistance Grant - Local Law Enforcement	16.738	8,555	8,555
TOTAL FEDERAL AWARDS		<u>\$ 127,344</u>	<u>\$ 124,345</u>
STATE AWARDS:			
Department of Emergency Management:			
Disaster Recovery - 2013 Storm	DR 4117 PW201	\$ 281	\$ 281
Department of Agriculture:			
Rural Fire Grant	N/A	4,474	4,474
Oklahoma Department of Libraries.			
LEGO Grant	N/A	1,361	1,361
State Aid 14	N/A	5,178	5,178
Total Department of Libraries		<u>6,539</u>	<u>6,539</u>
TOTAL STATE AWARDS		<u>\$ 11,294</u>	<u>\$ 11,294</u>

Footnotes to Schedule of Expenditures of Federal and State Awards:

1. The Schedule of Revenue, Expenditures and Changes in Program Balances of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

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Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2014

GROSS REVENUE AVAILABLE:	
Pledged operating revenues (water and sewer systems)	\$ 1,714,092
Investment income	371
Sales tax pledged from the City General Fund	<u>1,408,621</u>
Total Gross Revenue Available	<u>3,123,084</u>
OPERATING EXPENDITURES:	
Total Operating Expenses (water and sewer systems, excluding depreciation)	<u>1,823,325</u>
Net Revenue Available for Debt Service	<u><u>\$1,299,759</u></u>
Annual Debt Service:	
2007 OWRB DWSRF Loan Payable maximum annual debt service	298,018
2009 OWRB CWSRF Loan Payable maximum annual debt service	<u>103,697</u>
Total Annual Debt Service on Revenues of the Systems	<u><u>\$401,715</u></u>
Computed Coverage	<u><u>324%</u></u>
Coverage Requirement	<u><u>125%</u></u>

**CITY OF PIEDMONT, OKLAHOMA
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INTERNAL CONTROL AND COMPLIANCE

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

To the City Council
City of Piedmont, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Piedmont, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Piedmont, Oklahoma's basic financial statements, and have issued our report thereon dated January 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Piedmont, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Piedmont, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Piedmont, Oklahoma's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "HBC CPAs & Advisors". The signature is written in a cursive, slightly slanted style.

January 21, 2015