CITY OF HOLDENVILLE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

THE CITY OF HOLDENVILLE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

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

This page intentionally left blank

TABLE OF CONTENTS

Independent Auditor's Report on Financial Statements 5-7

Other Information:

Management's Discussion and Analysis 9-15

The Basic Financial Statements:

Government-Wide Financial Statements:
Statement of Net Position (Modified Cash Basis) 17
Statement of Activities (Modified Cash Basis) 18

Governmental Funds Financial Statements:
Balance Sheet (Modified Cash Basis) 20
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) 21

Proprietary Funds Financial Statements:
Statement of Net Position (Modified Cash Basis) 23
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) 24
Statement of Cash Flows (Modified Cash Basis) 25

Footnotes to the Basic Financial Statements 26-39

Supplementary and Other Information:

Budgetary Comparison Information

Budgetary Comparison Schedule (Modified Cash Basis) – General Fund 41
Budgetary Comparison Schedules (Modified Cash Basis) – Sales Tax Lake Project Fund 42
Footnotes to Budgetary Comparison Schedules 42

Combining General Fund Accounts Schedules

Combining Balance Sheet (Modified Cash Basis) – General Fund Accounts 43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – General Fund Accounts 44

Combining Non-Major Governmental Fund Statements

Combining Balance Sheet (Modified Cash Basis) 45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) 45

TABLE OF CONTENTS

Combining Proprietary Fund Accounts Schedules

Combining Schedule of Net Position (Modified Cash Basis) - HPWA.....46
Combining Schedule of Revenues, Expenditures and Changes in Net Position (Modified Cash Basis) - Holdenville Public Works Authority..... 47

Combining Schedule of Net Position (Modified Cash Basis) Holdenville Industrial Authority 48
Combining Schedule of Revenues, Expenditures and Changes in Net Position (Modified Cash Basis) Holdenville Industrial Authority..... 49

Schedule of Federal and State Awards Information

Schedule of Expenditures of Federal and State Awards 50

Debt Service Coverage Information

Schedule of Debt Service Coverage Requirement 51
Schedule of Reserve Requirement 51

Internal Control and Compliance over Financial Reporting

Independent Auditor's Report on Internal Control and Compliance..... 53-54

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of the
City of Holdenville, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Holdenville, Oklahoma (the "City"), 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the Holdenville Hospital Authority, a legally separate component unit of the City. Accounting principles generally accepted in the United States of America require financial data for the City's legally separate component units to be reported with the financial date of the City's primary government unless the City also issues financial statements of the financial reporting entity that include the financial data for its component units. The

309 N. Bryant Ave. · Edmond, OK 73034 · 405.348.0615 · Fax 405.348.0931 · www.jmacpas.com
Member of AICPA and OSCPA

City has not issued such reporting entity financial statements. The amount by which this omission would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not determinable.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City as of June 30, 2014, or the changes in financial position for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Holdenville, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position, and where applicable, cash flows, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund schedules – modified cash basis, federal and state awards information, and debt service coverage information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, federal and state awards information, and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Arledge & Associates, P.C.

September 16, 2014

This page intentionally left blank

The management of the City of Holdenville is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2014. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by $423,082, and the assets of the City exceed its liabilities at June 30, 2014, by $4,890,550 (net position). Of this amount, $1,615,658 (unrestricted net position) is available to meet the government's ongoing needs.

- At June 30, 2014, the City's governmental funds reported combined ending fund balances on a modified cash basis of $2,976,278.

- At the end of fiscal 2014, unassigned fund balance on a modified cash basis for the General Fund was $55,326, equivalent to 1.7% of General Fund revenues.

ABOUT THE CITY

The City of Holdenville is an aldermanic form of government with a population of approximately 4,700 located in Hughes County in southeastern Oklahoma. The City is governed by a nine-member Council and operates under state law and City ordinances through three branches of government:

- Legislative – the City Council is a nine-member governing body with eight council members elected by ward and the mayor elected by the citizens at large
- Executive – the City Mayor is the Chief Executive Officer and is elected by the citizenry
- Judicial – the Municipal Judge is a practicing attorney appointed by the Mayor and confirmed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority, and Industrial Authority, certain utility services including water, wastewater, sanitation, and industrial development activities.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Holdenville City Council is financially accountable except for the Holdenville Hospital Authority, which management has excluded. The activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Holdenville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City

- **The Holdenville Public Works Authority (HPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees

- **The Holdenville Industrial Authority (HIA)** - public trust created pursuant to 60 O.S. § 176 that promotes, develops and secures industrial development within the City, with the City Council members serving as the trustees

As mentioned above, **the Holdenville Hospital Authority** is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report due to its use of a different financial reporting framework than the City. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

For each of the above public trusts, the City of Holdenville is the beneficiary of the trusts and the City Council either serves as the governing body of the trusts or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. With the exception of the Holdenville Hospital Authority, the public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The government-wide financial statements present the financial picture of the City as applicable to the modified cash basis of accounting. These statements include current assets of the City as well as current liabilities, resulting from modified cash basis transactions. They present governmental 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.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" 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. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City typically 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

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain 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. The City has two kinds of funds – *governmental and proprietary*.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) 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 the governmental fund financial statements.

Proprietary funds - The City operates two proprietary-type enterprise funds, the Holdenville Public Works Authority (major fund), and the Holdenville Industrial Authority (major fund). When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-39 of this report.

Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the Sales Tax Lake Project Fund, combining and individual fund financial statements and schedules, a schedule of expenditures of federal and state awards, and a debt service coverage requirement schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2014, net position on a modified cash basis for the governmental and business-type activities increased $423,082.

Following is a summary of net position reported on a modified cash basis for the City of Holdenville.

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	$ 2,977	$ 2,695	10%	$ 2,041	$ 1,890	8%	$ 5,018	$ 4,585	9%
Total assets	2,977	2,695	10%	2,041	1,890	8%	5,018	4,585	9%
Current liabilities	1	1	14%	127	117	8%	128	118	9%
Total liabilities	1	1	14%	127	117	8%	128	118	9%
Net postion									
Restricted	2,888	2,690	7%	387	415	-7%	3,275	3,105	5%
Unrestricted	88	4	2260%	1,527	1,358	13%	1,615	1,362	19%
Total net position	$ 2,976	$ 2,694	10%	$ 1,914	$ 1,773	8%	$ 4,890	$ 4,467	9%

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	$ 95	$ 135	-30%	$ 2,962	$ 2,813	5%	$ 3,057	$ 2,948	4%
Operating grants and contributions	103	84	23%	-	-	-	103	84	23%
Capital grants and contributions	167	185	-10%	185	200	-8%	352	385	-9%
Taxes	2,841	2,748	3%	-	-	-	2,841	2,748	3%
Intergovernmental revenue	96	95	1%	-	-	-	96	95	1%
Investment income	5	7	-29%	3	3	-	8	10	-20%
Miscellaneous	63	96	-34%	-	7	100%	63	103	-39%
Total revenues	3,370	3,350	1%	3,150	3,023	4%	6,520	6,373	2%
Expenses									
General government	645	558	16%	-	-	-	645	558	16%
Court and judicial	10	10	-	-	-	-	10	10	-
Public safety	1,048	1,046	-	-	-	-	1,048	1,046	-
Streets	346	244	42%	-	-	-	346	244	42%
Airport	20	14	43%	-	-	-	20	14	43%
Culture, parks and recreation	401	263	52%	-	-	-	401	263	52%
Hospital (payments to component unit)	530	510	4%	-	-	-	530	510	4%
Interest on long-term debt	37	48	-23%	-	-	-	37	48	-23%
Water	-	-	-	1,382	1,429	-3%	1,382	1,429	-3%
Wastewater	-	-	-	1,021	937	9%	1,021	937	9%
Sanitation	-	-	-	400	422	-5%	400	422	-5%
Lake	-	-	-	104	94	11%	104	94	11%
Industrial development	-	-	-	13	18	-28%	13	18	-28%
Work center	-	-	-	140	88	59%	140	88	59%
Total expenses	3,037	2,693	13%	3,060	2,988	-1%	6,097	5,681	7%
Excess (deficiency) before transfers	333	657	-49%	90	35	-157%	423	692	-39%
Transfers	(51)	(239)	79%	51	239	-79%	-	-	-
Change in net position	282	418	33%	141	274	-49%	423	692	-39%
Beginning net position	2,694	2,276	18%	1,773	1,499	18%	4,467	3,775	18%
Ending net position	$ 2,976	$ 2,694	10%	$ 1,914	$ 1,773	8%	$ 4,890	$ 4,467	9%

Governmental Activities

The City's governmental activities had an increase in net position of $281,815. This increase is down from the prior year due primarily to the net effect of an increase in expenses of approximately $344,000 related to more capital purchases and the decrease of transfers to the business-type of approximately $188,000.

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	$ 645	$ 558	16%	$ (563)	$ (350)	-61%
Court and judicial	10	10	-	(11)	(10)	-10%
Public safety	1,048	1,046	-	(906)	(914)	1%
Streets	346	244	42%	(291)	(193)	-51%
Airport	20	14	43%	22	(14)	257%
Culture, parks and recreation	401	263	52%	(357)	(250)	-43%
Hospital	530	510	4%	(530)	(509)	-4%
Principal and interest on long-term debt	37	48	-23%	(37)	(48)	23%
Total	$ 3,037	$ 2,693	13%	$ (2,673)	$ (2,288)	-17%

Business-type Activities

The business-type activities had an increase in net position of $141,267. Charges for services revenue increased 5%, due to an increase in rates during the current year. In addition, expense decreased for all departments except wastewater and lake, which experienced an increase of 9% and 11%, respectively. Work center expenses also increased 59% due to more capital purchases in the current year.

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	$ 1,382	$ 1,429	-3%	$ 40	$ (102)	139%
Wastewater	1,021	937	9%	100	163	-39%
Sanitation	400	422	-5%	30	(2)	1600%
Lake	104	94	11%	(92)	(83)	11%
Industrial development	13	18	-28%	118	106	11%
Work center	140	88	59%	(109)	(57)	91%
Total	$ 3,060	$ 2,988	2%	$ 87	$ 25	248%

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 $2,976,278. For the year ended June 30, 2014, the General Fund's total fund balance increased by $118,763. The proprietary funds reported combined net position of $1,914,272. The HPWA's total net position increased by $131,676 while the HIA's total net position increased by $9,591.

Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues over final estimates by $9,706 or a 0.2% positive variance. General Fund actual expenditures were under final appropriations by $69,934 or a 1.5% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2015 budget is consistent to prior years.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate 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/Treasurer's office at 101 North Creek Street, Holdenville, Oklahoma 74848 or telephone at 405-379-3397.

BASIC FINANCIAL STATEMENTS – STATEMENT OF NET POSITION AND ACTIVITES

Statement of Net Position (Modified Cash Basis) – June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,976,690	$ 1,988,122	$ 4,964,812
Investments	-	53,099	53,099
Total assets	$ 2,976,690	$ 2,041,221	$ 5,017,911
LIABILITIES			
Due to other governments	$ 412	$ -	$ 412
Due to depositors	-	126,949	126,949
Total liabilities	412	126,949	127,361
NET POSITION			
Restricted for:			
Debt service	-	357,160	357,160
Culture and recreation	2,822,894	-	2,822,894
Airport	40,000	-	40,000
Other purposes	25,128	29,710	54,838
Unrestricted	88,256	1,527,402	1,615,658
Total net position	$ 2,976,278	$ 1,914,272	$ 4,890,550

See accompanying notes to these financial statements.

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2014

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants, Contributions, and Debt Proceeds**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government							
Governmental Activities:							
General Government	$ 645,034	$ 16,444	$ 582	$ 64,810	$ (563,198)	$ -	$ (563,198)
Court and Judicial	10,582	-	-	-	(10,582)	-	(10,582)
Public Safety	1,048,277	77,112	8,074	57,308	(905,783)	-	(905,783)
Highways and Streets	345,904	-	54,732	-	(291,172)	-	(291,172)
Airport	19,656	1,300	-	40,000	21,644	-	21,644
Culture and Recreation	401,487	-	39,415	5,150	(356,922)	-	(356,922)
Hospital (payments to component unit)	530,057	-	-	-	(530,057)	-	(530,057)
Principal and Interest on Long-term Debt	36,647	-	-	-	(36,647)	-	(36,647)
Total governmental activities	3,037,644	94,856	102,803	167,268	(2,672,717)	-	(2,672,717)
Business-Type Activities:							
Water	1,381,414	1,421,054	-	-	-	39,640	39,640
Sewer	1,020,802	936,437	-	184,533	-	100,168	100,168
Sanitation	399,820	430,264	-	-	-	30,444	30,444
Lake	103,645	11,714	-	-	-	(91,931)	(91,931)
Industrial Development	12,645	131,091	-	-	-	118,446	118,446
Work Center	140,371	31,261	-	-	-	(109,110)	(109,110)
Total business-type activities	3,058,697	2,961,821	-	184,533	-	87,657	87,657
Total primary government	$ 6,096,341	$ 3,056,677	$ 102,803	$ 351,801	(2,672,717)	87,657	(2,585,060)
	General revenues:						
	Taxes:						
	Sales and use taxes				2,650,287	-	2,650,287
	Franchise taxes and public service taxes				178,320	-	178,320
	E-911 taxes				12,744	-	12,744
	Intergovernmental revenue not restricted to specific programs				95,541	-	95,541
	Unrestricted investment earnings				4,865	2,654	7,519
	Miscellaneous				63,332	399	63,731
	Transfers				(50,557)	50,557	-
	Total general revenues and transfers				2,954,532	53,610	3,008,142
	Change in net position				281,815	141,267	423,082
	Net position - beginning				2,694,463	1,773,005	4,467,468
	Net position - ending				$ 2,976,278	$ 1,914,272	$ 4,890,550

See accompanying notes to these financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014

	General Fund	Sales Tax Lake Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 96,657	$ 2,809,304	$ 70,729	$ 2,976,690
Due from other funds	-	-	919	919
Total assets	$ 96,657	$ 2,809,304	$ 71,648	$ 2,977,609
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	$ 412	$ -	$ -	$ 412
Due to other funds	919	-	-	919
Total liabilities	1,331	-	-	1,331
Fund balances:				
Restricted:				
Airport project	40,000	-	-	40,000
Lake project	-	2,780,462	-	2,780,462
Library	-	-	42,432	42,432
Cemetery	-	-	25,128	25,128
Assigned to:				
Lake project	-	28,842	-	28,842
Library	-	-	4,088	4,088
Unassigned	55,326	-	-	55,326
Total fund balances	95,326	2,809,304	71,648	2,976,278
Total liabilities and fund balances	$ 96,657	$ 2,809,304	$ 71,648	$ 2,977,609

See accompanying notes to these financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis) – Year Ended June 30, 2014

	General Fund	Sales Tax Lake Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,828,607	$ -	$ -	$ 2,828,607
Intergovernmental	154,747	-	18,567	173,314
Charges for services	10,794	-	2,210	13,004
Fines and foreitures	77,112	-	-	77,112
Licenses and permits	4,740	-	-	4,740
Investment income	67	4,272	526	4,865
Miscellaneous	119,776	-	91,290	211,066
Total Revenues	3,195,843	4,272	112,593	3,312,708
EXPENDITURES				
Current:				
General government	393,339	50	1,347	394,736
Court and judicial	10,582	-	-	10,582
Public Safety	993,146	-	-	993,146
Highway and streets	315,705	-	-	315,705
Airport	13,356	-	-	13,356
Culture and recreation	144,769	-	2,223	146,992
Capital Outlay	116,173	224,390	255,860	596,423
Debt Service:				
Principal	35,521	-	-	35,521
Interest and other charges	1,126	-	-	1,126
Total Expenditures	2,023,717	224,440	259,430	2,507,587
Excess (deficiency) of revenues over expenditures	1,172,126	(220,168)	(146,837)	805,121
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	57,308	-	-	57,308
Sales tax payment to hospital	(530,057)	-	-	(530,057)
Transfers in	1,539,615	530,057	-	2,069,672
Transfers out	(2,120,229)	-	-	(2,120,229)
Total other financing sources and uses	(1,053,363)	530,057	-	(523,306)
Net change in fund balances	118,763	309,889	(146,837)	281,815
Fund balances (deficits) - beginning	(23,437)	2,499,415	218,485	2,694,463
Fund balances - ending	$ 95,326	$ 2,809,304	$ 71,648	$ 2,976,278

See accompanying notes to these financial statements.

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2014

	Holdenville Public Works Authority	Holdenville Industrial Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,403,622	$ 123,780	$ 1,527,402
Restricted cash and cash equivalents	341,583	37,391	378,974
Restricted investments	53,099	-	53,099
Total current assets	1,798,304	161,171	1,959,475
Non-current assets:			
Restricted cash and cash equivalents	-	81,746	81,746
Total non-current assets	-	81,746	81,746
Total assets	$ 1,798,304	$ 242,917	$ 2,041,221
LIABILITIES			
Current liabilities:			
Deposits subject to refund	$ 126,949	$ -	$ 126,949
Total liabilities	126,949	-	126,949
NET POSITION			
Restricted for inmate services	-	4,702	4,702
Restricted for debt service	267,733	89,427	357,160
Restricted for capital improvements	-	25,008	25,008
Unrestricted	1,403,622	123,780	1,527,402
Total net position	$ 1,671,355	$ 242,917	$ 1,914,272

See accompanying notes to these financial statements.

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2014

	Holdenville Public Works Authority	Holdenville Industrial Authority	Total Enterprise Funds
OPERATING REVENUES			
Water charges	$ 1,374,207	$ -	$ 1,374,207
Sewer charges	905,757	-	905,757
Sanitation charges	402,606	-	402,606
Property cleanup revenue	43,549	-	43,549
Water and sewer taps	750	-	750
Landfill charges	14,109	-	14,109
Penalty charges	9,677	-	9,677
Boat and camping permits	11,714	-	11,714
Reconnect fee	8,899	-	8,899
Rentals	-	46,000	46,000
Telephone and vending commission	-	116,352	116,352
Miscellaneous	28,201	-	28,201
Total operating revenues	2,799,469	162,352	2,961,821
OPERATING EXPENSES			
Administration	266,495	-	266,495
Sewer	618,285	-	618,285
Water	699,517	-	699,517
Sanitation	296,402	-	296,402
Landfill	63,422	-	63,422
Lake	103,645	-	103,645
Industrial development	-	12,645	12,645
Work center	-	66,815	66,815
Total operating expenses	2,047,766	79,460	2,127,226
Operating income	751,703	82,892	834,595
NON-OPERATING REVENUES (EXPENSES)			
Investment income	2,298	356	2,654
Principal expense	(673,652)	(40,000)	(713,652)
Interest expense	(184,263)	(33,556)	(217,819)
Capital grants and contributions	184,533	-	184,533
Miscellaneous revenue	-	399	399
Total non-operating revenue (expenses)	(671,084)	(72,801)	(743,885)
Income before transfers	80,619	10,091	90,710
Transfers in	1,590,172	-	1,590,172
Transfers out	(1,539,115)	(500)	(1,539,615)
Change in net position	131,676	9,591	141,267
Total net position - beginning	1,539,679	233,326	1,773,005
Total net position- ending	$ 1,671,355	$ 242,917	$ 1,914,272

See accompanying notes to these financial statements.

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2014

	Holdenville Public Works Authority	Holdenville Industrial Authority	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 2,799,469	$ 170,251	$ 2,969,720
Payments to suppliers	(1,328,737)	(79,460)	(1,408,197)
Payments to employees	(719,029)	-	(719,029)
Receipts of customer meter deposits	37,811	-	37,811
Refunds of customer meter deposits	(28,285)	-	(28,285)
Received from other funds	11,794	(15)	11,779
Net cash provided by operating activities	773,023	90,776	863,799
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,590,172	-	1,590,172
Transfers to other funds	(1,539,115)	(500)	(1,539,615)
Net cash provided by (used in) noncapital financing activities	51,057	(500)	50,557
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipt of capital grant	184,533	-	184,533
Principal paid on debt	(673,652)	(40,000)	(713,652)
Interest and fiscal agent fees paid on debt	(184,263)	(33,556)	(217,819)
Net cash provided by (used in) capital and related financing activities	(673,382)	(73,556)	(746,938)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(266)	-	(266)
Interest and dividends	2,298	356	2,654
Net cash provided by investing activities	2,032	356	2,388
Net increase in cash and cash equivalents	152,730	17,076	169,806
Balances - beginning of year	1,592,475	225,841	1,818,316
Balances - end of year	$ 1,745,205	$ 242,917	$ 1,988,122
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	$ 1,403,622	$ 123,780	$ 1,527,402
Restricted cash and cash equivalents - current	341,583	37,391	378,974
Restricted cash and cash equivalents - noncurrent	-	81,746	81,746
Total cash and cash equivalents, end of year	$ 1,745,205	$ 242,917	$ 1,988,122
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 751,703	$ 82,892	$ 834,595
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous revenue	-	399	399
Change in assets and liabilities:			
Due from other funds	11,794	7,500	19,294
Due to other funds	-	(15)	(15)
Deposits subject to refund	9,526	-	9,526
Net cash provided by operating activities	$ 773,023	$ 90,776	$ 863,799

See accompanying notes to these financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Holdenville) and two component units.

- **The City of Holdenville**– that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Holdenville Public Works Authority** – that operates the water, wastewater and sanitation services of the City
- **The City of Holdenville Industrial Authority** – that promotes, develops and secures industrial development within the City

The Holdenville Hospital Authority is also a component unit of the City that issues a separate financial statement report, but is not included in this financial statement report, due to its use of a different financial reporting framework from the City's. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including water, wastewater, and sanitation, and industrial development activities.

The component units (Authorities) have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

In determining the financial reporting entity, the City fully complies, with the exception of the omission of the Holdenville Hospital Authority, with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and Statement Number 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*." that requires all component units of which the City is financially accountable be included in the financial report.

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

- General government: License and permits, mowing fees, operating and capital grants
- Public safety: Fine revenue, impound fees, fire runs and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Operating and capital grants

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

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

Combined as account of the General Fund:

- CDBG Grant Account – accounts for revenues and expenditures of certain CDBG grant projects

Special Revenue Fund:

- Sales Tax Lake Project Fund – accounts for sales tax designated for the construction of a new lake

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Fund:
- Library Fund – accounts for all library revenues retained for library use only

Capital Project Fund:
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The City's proprietary funds are comprised of the following:

Major Funds:
- Holdenville Public Works Authority (HPWA) Enterprise Fund – accounts for the operation of the water, wastewater, and sanitation activities
- Holdenville Industrial Authority (HIA) Enterprise Fund – accounts for industrial development activities

The proprietary funds are reported on a modified cash basis, as defined above.

For purposes of the statement of revenues, expenses and changes in fund 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.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 7.

E. Fund Balances and Net Position

Fund Balances:

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, which is 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.

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.

Net Position:

Net position is displayed in two components:

a. *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.

b. *Unrestricted net position* - All other net position that do not meet the definition of "restricted."

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.

F. Internal and Interfund Balances and Transfers

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

2. Deposits and Investments

For the year ended June 30, 2014, the City recognized $7,519 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2014, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		$ 4,845,355
Time deposits-certificates of deposits		53,099
Cash on hand		320
		4,898,774
Investments:		
First United Money Market Funds	not rated	119,137
		119,137
Total deposits and investments		$ 5,017,911
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		$ 4,964,812
Investments		53,099
		$ 5,017,911

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name. As of June 30, 2014, the City was fully collateralized and therefore was not exposed to custodial credit risk 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.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2014 are as follows:

Type of Restricted Assets	Current Cash and cash equivalents	Non-current Cash and cash equivalents	Investments	Total
HPWA - Utilities				
Utility Deposits	$ 73,850	$ -	$ 53,099	$ 126,949
Bond Indenture Accounts:				
Bond Account	208,224	-	-	208,224
OWRB Construction	59,509	-	-	59,509
Total HPWA - Utilities	341,583	-	53,099	394,682
HIA Work Center:				
Bond Indenture Accounts:				
Bond Fund Interest Account	7,681	-	-	7,681
Bond Fund Reserve Account	-	51,736	-	51,736
Capital Expenditures Fund Account	25,008	-	-	25,008
Operating Reserve Account	-	30,010	-	30,010
Welfare Account	4,702	-	-	4,702
Total Work Center	37,391	81,746	-	119,137
Total Enterprise Funds	$ 378,974	$ 81,746	$ 53,099	$ 513,819

3. Sales Tax Revenue

Sales tax revenue represents a 5 cent tax on each dollar of taxable sales of which three cents are transferred to the Holdenville Public Works Authority and used to secure debt payments. Two cents are then transferred back to the General Fund. One cent is voter-restricted for the Hospital Authority and one cent is voter-restricted for lake improvements.

4. Internal Balances and Transfers Between Funds and Legal Entities

Internal balances between funds and legal entities are comprised of the following:

Due From	Due To	Amount	Nature of Balance
General Fund	Cemetery Care Fund	$ 919	12.5% not yet transferred
Total		$ 919	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	$ 919	$ (919)	$ -
Proprietary Funds	-	-	-
Total	$ 919	$ (919)	$ -

Internal transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
HPWA	General Fund	$ 1,060,115	Return of sales tax
HPWA	General Fund	479,000	Operating
HIA	General Fund	500	Operating
General Fund	HPWA	1,590,172	Sales tax transfer
General Fund	Sales Tax Lake Project Fund	530,057	Sales tax transfer
Total		$ 3,659,844	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	$ 2,069,672	$ (2,120,229)	$ (50,557)
Proprietary Funds	1,590,172	(1,539,615)	50,557
	$ 3,659,844	$ (3,659,844)	$ -

5. 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, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Building and Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee's Group Health and Life – Covered through purchase of commercial insurance - HealthChoice.

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

6. Retirement Plan Participation

The City of Holdenville participates in two pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide multiple-employer cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – a statewide multiple-employer, cost sharing plan

OFPRS:
The City of Holdenville, 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 full-time and 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. OFPRS plan members are now required to contribute 9% to the plan. The City is now required by state law to contribute 14% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2014, the City's annual required contribution was $30,804 for the OFPRS plan and was equal to the City's actual contribution.

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.

OPERS:
The City participates in a statewide cost-sharing multiple employer defined benefit pension benefit for all of its full-time employees with the exception of the fire department, through the Oklahoma Public Employees Retirement System (OPERS). The employee's contribution rate is 3.5%. City's contribution rate is 16.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

Schedule of Retirement Plan Contributions – OFPRS and OPERS Cost-Sharing Plans:

Oklahoma Public Employees Retirement System			Oklahoma Firefighter's Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2012	$145,052	100%	2012	$28,143	100%
2013	$160,118	100%	2013	$29,666	100%
2014	$164,544	100%	2014	$30,804	100%

7. Commitments and Contingencies

Commitments:

In June 2014, the Oklahoma Department of Corrections (DOC) renewed its lease with the Holdenville Industrial Authority to lease the Davis Correctional Work Center for a period from July 1, 2014 through June 30, 2015, automatically renewable for one year periods beginning each July 1, subject to legislative appropriation sufficient to pay the rentals hereunder, so long as the bond financing for the facility remained outstanding or until the provision of payment is made in accordance with a bond indenture and a subordinate bond indenture. Under the terms of the lease, rent is to be paid quarterly in the amount of $7,500.

Upon the payment of all indebtedness incurred by Holdenville in connection with the Facility, including indebtedness secured by the Bond Indentures and upon substantial use and occupancy of the Facility by the DOC, Holdenville will convey title to the Facility to the DOC by gift deed, retaining any required utility easements.

Long-Term Debt and Debt Service Requirements

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

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Capital lease payable	$ 24,784	$ 57,308	$ 35,521	$ 46,571	$ 25,125
Total Governmental Activities	$ 24,784	$ 57,308	$ 35,521	$ 46,571	$ 25,125
Business-Type Activities:					
Notes payable	$ 1,762,844	$ -	$ 223,652	$ 1,539,192	$ 227,153
Revenue bonds payable	4,765,000	-	490,000	4,275,000	510,000
Total Business-Type Activities	6,527,844	-	713,652	5,814,192	737,153
Total Long-Term Debt	$ 6,552,628	$ 57,308	$ 749,173	$ 5,860,763	$ 762,278

Governmental Activities:

At June 30, 2014, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Obligations Payable

$54,468 lease obligation for the purchase of backhoe, payable in monthly installments of $1,582 with an annual interest rate of 2.91%, final payment due November 2014.	$	6,290
$27,130 lease obligation for the purchase of a police car, payable in 3 annual installments of $10,012 with an annual interest rate of 6.5%, final payment due May 2016.		18,228
$30,178 lease obligation for the purchase of a Kubota/cutter, payable in monthly installments of $876 with an annual interest rate of 2.87%, final payment due September 2016.		22,053
Total Capital Leases Payable	$	46,571

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2014, includes the following:

Notes Payable:

1997 Note Payable to Oklahoma Department of Commerce for sewer line improvements of $175,000, payable in monthly installments of $730, zero percent interest, final payment due August 2020.	$	54,550
1998 Note Payable to Oklahoma Water Resources Board for water plant construction, payable in varying semi-annual installments, varible interest rates payable plus an administrative fee of 0.5% per annum, final payment due September 2020. Total note authorized at $4,177,000.		1,484,642
Total Notes Payable	$	1,539,192

Revenue Bonds Payable:

2012 Taxable Refunding Revenue Bonds, original issue amount of $4,695,000 dated March 30, 2012, issued by Holdenville Public Works Authority, secured by certain utility revenue and pledged sales tax, and interest rate 3.750%, final payment due October 2021.	$ 3,810,000
2001 Series Work Center Revenue Bonds, original issue amount of $805,000 dated May 15, 2001, issued by Holdenville Industrial Authority, secured by a second mortgage on and a security interest to the Facility, and gross revenues, interest rate at 6.375%, due in semi-annual principal & interest payments beginning October 1, 2001 with final maturity on April 1, 2023.	465,000
Total Revenue Bonds Payable	$ 4,275,000

Long-term debt service requirements to maturity are as follows:

	Governmental Activities	
Year Ending June 30,	Capital Lease obligations	
	Principal	Interest
2015	$ 25,125	$ 1,728
2016	19,700	824
2017	1,746	6
Totals	$ 46,571	$ 2,558

	Business Type Activities			
Year Ending June 30,	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2015	$ 510,000	$ 167,475	$ 227,153	$ 23,210
2016	525,000	147,206	230,658	19,705
2017	550,000	126,281	234,324	16,038
2018	575,000	104,129	237,998	12,364
2019	595,000	81,066	241,732	8,631
2020-2023	1,520,000	101,841	367,327	5,826
Totals	$ 4,275,000	$ 727,998	$ 1,539,192	$ 85,774

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged and transferred three cents (or 60.0%) of future sales tax revenues and net utility revenues to repay the $4,695,000 Series 2012 Refunding Utilities Bonds and the $4,177,000 Series 1998 OWRB Promissory Notes. Proceeds from the bonds provided refunding of bonds issued for capital assets while proceeds from the notes provided for the purchase or construction of capital assets. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds are payable through 2021 while the notes are payable through 2020. The total principal and interest payable for the remainder of the life of these bonds and notes are $5,953,979. Pledged sales taxes received in the current year were $1,590,172 and net utility revenues were $696,417. Debt service payments of $849,153 for the current fiscal year were 37.1% of pledged sales taxes and net utility revenues.

Work Release Center Net Revenues Pledge - The City has also pledged future net rental and commission revenue and investment income of the HIA Work Release Center to repay the $805,000 Series 2001 Work Center Refunding Bonds. Proceeds from the bonds provided refunding of bonds issued for the construction of capital assets. The bonds are payable from net work center revenues and pledged investment income and are payable through 2023. The total principal and interest payable for the remainder of the life of these contracts is $619,435. Net work center revenues and pledged investment income were $31,154. Debt service payments of $73,556 for the current fiscal year were 236.1% of net revenues.

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2014, is summarized as follows:

HPWA – accrued compensated absences $44,801
General Fund – accrued compensated absences $78,207

DEQ Notice of Violation:

The City of Holdenville is currently under a notice of violation (W-20508-12-2) related to the water treatment plant backwash lagoon with the Oklahoma Department of Environmental Quality. Timely compliance with the notice is needed to avoid any fines.

Contingencies:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Holdenville 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 material. 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.

SUPPLEMENTARY AND OTHER INFORMATION

Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance (Deficit)	$ (39,123)	$ (39,123)	$ (24,813)	$ 14,310
Resources (Inflows):				
TAXES:				
Sales tax	2,500,000	2,650,500	2,650,287	(213)
Franchise tax	160,000	176,750	178,320	1,570
Total taxes	2,660,000	2,827,250	2,828,607	1,357
INTERGOVERNMENTAL:				
Alcoholic beverage tax	50,000	62,220	64,206	1,986
Gas excise tax	10,000	10,000	10,450	450
Vehicle tax	38,000	38,000	44,282	6,282
Tobacco tax	33,000	33,000	31,335	(1,665)
Grants	4,400	4,400	4,474	74
Total Intergovernmental	135,400	147,620	154,747	7,127
CHARGES FOR SERVICES:				
Cemetery openings/closing	10,000	10,000	9,494	(506)
Aiport hangar rental	-	-	1,300	1,300
	10,000	10,000	10,794	794
FINES AND FORFEITURES	92,000	92,000	77,112	(14,888)
LICENSES AND PERMITS:				
Inspection and building permits	4,000	4,000	2,365	(1,635)
Other licenses and permits	1,700	1,700	2,375	675
Total licenses and permits	5,700	5,700	4,740	(960)
INVESTMENT INCOME	50	50	67	17
MISCELLANEOUS:				
Rentals/leases	200	200	700	500
911 revenue	13,000	13,000	12,744	(256)
Miscellaneous	30,800	13,800	22,540	8,740
Reimbursements	1,500	1,500	25,494	23,994
Cemetery - sale of lots	12,000	12,000	5,976	(6,024)
Donations	2,000	56,145	46,556	(9,589)
Oil and gas royalty	20,000	6,000	5,766	(234)
Total Miscellaneous	79,500	102,645	119,776	17,131
OTHER FINANCING SOURCES:				
Loan Proceeds	-	57,308	57,308	-
Transfers from other funds	1,373,117	1,540,487	1,539,615	(872)
Total Other Financing Sources	1,373,117	1,597,795	1,596,923	(872)
Total Resources (Inflows)	4,355,767	4,783,060	4,792,766	9,706
Amount available for appropriation	4,316,644	4,743,937	4,767,953	24,016
Charges to Appropriations (Outflows):				
Departmental:				
General Government:				
General government	232,433	282,471	274,644	7,827
Governing Board	39,384	39,384	37,152	2,232
Cemetery	85,605	91,535	86,934	4,601
Court and Judicial:				
City Attorney	3,875	4,306	4,306	-
Municipal court	6,078	6,327	6,276	51
Highways and Streets:				
Street	156,872	270,430	265,750	4,680
Street and Alley	110,265	114,615	107,899	6,716
Airport:				
Airport	14,000	54,000	19,656	34,344
Public Safety:				
Police	567,953	586,750	582,047	4,703
Fire	376,921	380,461	380,364	97
Civil Defense	86,438	95,978	94,768	1,210
Culture and Recreation:				
Parks	50,137	72,027	71,921	106
Library	71,183	79,653	78,410	1,243
Civic Center	15,500	15,500	13,590	1,910
Payment to Hospital (component unit)	500,000	530,100	530,057	43
Transfers to Other Funds	2,000,000	2,120,400	2,120,229	171
Total other financing sources and uses	4,316,644	4,743,937	4,674,003	69,934
Fund balances - ending	$ -	$ -	$ 93,950	$ 93,950

Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2014, (Cont.)

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance		
Fund Balance - ending - Budget to Actual Schedule	$	93,950
CDBG Grant Account		1,376
Fund Balance - ending - Statement of Revenues, Expenditures, and Changes in Fund Balance	$	95,326

Budgetary Comparison Schedules (Modified Cash Basis) – Sales Tax Lake Project Fund - Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	$ 2,504,071	$ 2,504,071	$ 2,499,415	**$ (4,656)**
Resources (Inflows)				
Investment Income	5,000	5,000	4,272	(728)
Transfers from Other Funds	500,000	530,100	530,057	(43)
Amounts Available for Appropriation	3,009,071	3,039,171	3,033,744	(771)
Charges to Appropriations (Outflows)				
General Government	-	100	50	50
Culture and Recreation	505,000	535,000	224,390	310,610
Total Charges to Appropriations	505,000	535,100	224,440	310,660
Fund balances - ending	$ 2,504,071	$ 2,504,071	$ 2,809,304	$ 309,889

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2014

	General Fund	CDBG Grant Account	Total General Fund
ASSETS			
Cash and cash equivalents	$ 95,282	$ 1,375	$ 96,657
Total assets	$ 95,282	$ 1,375	$ 96,657
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds/accounts	$ 920	$ (1)	$ 919
Payable to other governments	412	-	412
Total liabilities	1,332	(1)	1,331
Fund balances:			
Restricted for:			
Airport project	40,000	-	40,000
Unassigned	53,950	1,376	55,326
Total fund balances (deficits)	93,950	1,376	95,326
Total liabilities and fund balances	$ 95,282	$ 1,375	$ 96,657

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2014

	General Fund	CDBG Grant Account	Total General Fund
REVENUES			
Taxes	$ 2,828,607	$ -	$ 2,828,607
Intergovernmental	154,747	-	154,747
Charges for services	10,794	-	10,794
Fines and forfeitures	77,112	-	77,112
Licenses and permits	4,740	-	4,740
Investment income	67	-	67
Miscellaneous	119,776	-	119,776
Total revenues	3,195,843	-	3,195,843
EXPENDITURES			
Current:			
General government	393,339	-	393,339
Court and judicial	10,582	-	10,582
Public Safety	993,146	-	993,146
Highways and streets	315,705	-	315,705
Airport	13,356	-	13,356
Culture and recreation	144,769	-	144,769
Debt Service:			
Principal	35,521	-	35,521
Interest and other charges	1,126	-	1,126
Capital Outlay	116,173	-	116,173
Total Expenditures	2,023,717	-	2,023,717
Excess (deficiency) of revenues over expenditures	1,172,126	-	1,172,126
OTHER FINANCING SOURCES (USES)			
Sales tax payment to hospital	(530,057)	-	(530,057)
Capital lease proceeds	57,308	-	57,308
Transfers in	1,539,615	-	1,539,615
Transfers out	(2,120,229)	-	(2,120,229)
Total other financing sources and uses	(1,053,363)	-	(1,053,363)
Net change in fund balances	118,763	-	118,763
Fund balances (deficits) - beginning	(24,813)	1,376	(23,437)
Fund balances - ending	$ 93,950	$ 1,376	$ 95,326

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2014

	Special Revenue Fund	Capital Projects Fund	
	Library	Cemetery Care Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 46,520	$ 24,209	$ 70,729
Due from other funds	-	919	919
Total assets	$ 46,520	$ 25,128	$ 71,648
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	$ -	$ -	$ -
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Library	42,432	-	42,432
Cemetery	-	25,128	25,128
Assigned to:			
Library	4,088	-	4,088
Total fund balances	46,520	25,128	71,648
Total liabilities and fund balances	$ 46,520	$ 25,128	$ 71,648

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2014

	Special Revenue Fund	Capital Projects Fund	
	Library	Cemetery Care Fund	Total-Other Governmental Funds
REVENUES			
Intergovernmental	$ 18,567	$ -	$ 18,567
Charges for services	-	2,210	2,210
Investment earnings	-	526	526
Miscellaneous	25,998	65,292	91,290
Total revenues	44,565	68,028	112,593
EXPENDITURES			
Current:			
General government	-	1,347	1,347
Culture and recreation	2,223	-	2,223
Capital outlay	10,953	244,907	255,860
Total Expenditures	13,176	246,254	259,430
Net change in fund balances	31,389	(178,226)	(146,837)
Fund balances - beginning	15,131	203,354	218,485
Fund balances - ending	$ 46,520	$ 25,128	$ 71,648

Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – Holdenville Public Works Authority Enterprise Fund – June 30, 2014

	HPWA Operating Account	Water Designation Account	OWRB Drinking Water SRF Account	HPWA Bond Account	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 737,998	$ 665,624	$ -	$ -	$ 1,403,622
Restricted cash and cash equivalents	73,850	-	59,509	208,224	341,583
Restricted investments	53,099	-	-	-	53,099
Total assets	$ 864,947	$ 665,624	$ 59,509	$ 208,224	$ 1,798,304
LIABILITIES					
Current Liabilities:					
Deposits subject to refund	$ 126,949	$ -	$ -	$ -	$ 126,949
Total liabilities	126,949	-	-	-	126,949
NET POSITION					
Restricted for debt service	-	-	59,509	208,224	267,733
Unrestricted	737,998	665,624	-	-	1,403,622
Total net position	$ 737,998	$ 665,624	$ 59,509	$ 208,224	$ 1,671,355

Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) – Holdenville Public Works Authority Enterprise Fund - Year Ended June 30, 2014

	HPWA Operating Account	Water Designation Account	OWRB Drinking Water SRF Account	HPWA Bond Account	Total
OPERATING REVENUES					
Water charges	$ 1,374,207	$ -	$ -	$ -	$ 1,374,207
Sewer charges	905,757	-	-	-	905,757
Sanitation charges	402,606	-	-	-	402,606
Property cleanup charges	43,549	-	-	-	43,549
Water and sewer taps	750	-	-	-	750
Landfill charges	14,109	-	-	-	14,109
Penalty charges	9,677	-	-	-	9,677
Boat and camping permits	11,714	-	-	-	11,714
Reconnect fee	8,899	-	-	-	8,899
Miscellaneous	28,201	-	-	-	28,201
Total operating revenues	2,799,469	-	-	-	2,799,469
OPERATING EXPENSES					
Administration	266,495	-	-	-	266,495
Sewer	618,260	-	-	25	618,285
Water	699,492	-	-	25	699,517
Sanitation	296,402	-	-	-	296,402
Landfill	63,422	-	-	-	63,422
Lake	103,645	-	-	-	103,645
Total Operating Expenses	2,047,716	-	-	50	2,047,766
Operating income (loss)	751,753	-	-	(50)	751,703
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	623	1,285	-	390	2,298
Principal expense	(8,760)	(214,892)	-	(450,000)	(673,652)
Interest expense	-	(26,711)	-	(157,552)	(184,263)
Capital grants and contributions	184,533	-	-	-	184,533
Total non-operating revenue (expenses)	176,396	(240,318)	-	(607,162)	(671,084)
Income (loss) before transfers	928,149	(240,318)	-	(607,212)	80,619
Interaccount transfers in	-	253,942	-	609,016	862,958
Interaccount transfers out	(862,958)	-	-	-	(862,958)
Transfers in	1,590,172	-	-	-	1,590,172
Transfers out	(1,539,115)	-	-	-	(1,539,115)
Change in net position	116,248	13,624	-	1,804	131,676
Total net position - beginning	621,750	652,000	59,509	206,420	1,539,679
Total net position - ending	$ 737,998	$ 665,624	$ 59,509	$ 208,224	$ 1,671,355

Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – Holdenville Industrial Authority Enterprise Fund – June 30, 2014

	HIA Operating Account	HIA Work Release Center Account	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 121,919	$ 1,861	$ 123,780
Restricted cash and cash equivalents	-	37,391	37,391
Total current assets	121,919	39,252	161,171
Non-current assets:			
Restricted:			
Cash and cash equivalents	-	81,746	81,746
Total non-current assets	-	81,746	81,746
Total assets	$ 121,919	$ 120,998	$ 242,917
LIABILITIES			
Current Liabilities:			
Due to other funds	-	-	-
Total liabilities	-	-	-
NET POSITION			
Restricted for inmate services	-	4,702	4,702
Restricted for debt service	-	89,427	89,427
Restricted for capital improvements	-	25,008	25,008
Unrestricted	121,919	1,861	123,780
Total net position	$ 121,919	$ 120,998	$ 242,917

Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) – Holdenville Industrial Authority Enterprise Fund - Year Ended June 30, 2014

	HIA Operating Account	HIA Work Release Center Account	Total
OPERATING REVENUES			
Rentals	$ 16,000	$ 30,000	$ 46,000
Telephone and vending commission	115,091	1,261	116,352
Total operating revenues	131,091	31,261	162,352
OPERATING EXPENSES			
Industrial development	12,645	-	12,645
Work center	-	66,815	66,815
Total Operating Expenses	12,645	66,815	79,460
Operating income (loss)	118,446	(35,554)	82,892
NON-OPERATING REVENUES (EXPENSES)			
Interest income	107	249	356
Miscellaneous revenue	399	-	399
Interest expense	-	(33,556)	(33,556)
Principal expense	-	(40,000)	(40,000)
Total non-operating revenue (expenses)	506	(73,307)	(72,801)
Income (loss) before transfers	118,952	(108,861)	10,091
Interaccount transfers in	-	66,459	66,459
Interaccount transfers out	(66,459)	-	(66,459)
Transfers out	(500)	-	(500)
Change in net position	51,993	(42,402)	9,591
Total net position - beginning	69,926	163,400	233,326
Total net position - ending	$ 121,919	$ 120,998	$ 242,917

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – For year ended June 30, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Award Expenditures
FEDERAL ASSISTANCE:				
U.S. DEPARTMENT OF LIBRARIES:				
Passed through the Oklahoma Department of Libraries:				
Children in Poverty Computer Grant	45.310	Project # 121109	$5,150	$5,150
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Oklahoma Department of Commerce:				
CDBG-Nonentitlement Grant	14.228	15610 CDBG 13	249,999	184,533
TOTAL FEDERAL ASSISTANCE			$ 255,149	$ 189,683
STATE ASSISTANCE:				
OKLAHOMA DEPARTMENT OF AGRICULTURE:				
Rural Fire Defense Operational Grant	N/A	N/A	$4,474	$4,474
OKLAHOMA DEPARTMENT OF LIBRARIES:				
State Aid Grant - 2013	N/A	N/A	9,116	4,267
State Aid Grant - 2014	N/A	N/A	13,417	13,417
Total Oklahoma Department of Libraries			22,533	17,684
TOTAL STATE ASSISTANCE			$27,007	$22,158

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

	1998 OWRB NOTES AND HPWA 2012 REFUNDING BONDS	HIA SERIES 2001 WORK RELEASE BONDS
Gross Revenue Available for Debt Service:		
Operating revenues (water and sanitary sewer systems)	$2,280,714	-
Operating revenues (rentals and commissions)	-	$31,261
Investment income	-	249
Transfer in - sales tax (A)	1,590,172	-
Transfer in	-	66,459
Total Gross Revenues Available	3,870,886	97,969
Public Works Authority operating expenses (administration, water, and sanitary sewer systems)	1,584,297	-
Davis Work Center operating expenses	-	66,815
Net Revenues Available for Debt Service	$2,286,589	$31,154
Debt Service Requirements:		
Aggregate bond service requirements - Refunding Revenue Bonds Series 2012	$607,551	-
Average annual debt service - OWRB 1998 Small Community Drinking Water SRF	241,602	-
Aggregate bond service requirements - Series 2001 Work Release Center	-	$73,556
Total Debt Service Requirements	$849,153	$73,556
Coverage	2.69	0.42
Coverage Requirement	1.25	1.10

(A) Although the bond indenture required that the total four (4) cent sales tax be appropriated and paid to the Authority, the City only appropriated and paid three (3) cents to the Authority. This was sufficient to achieve the coverage requirement.

Schedule of Reserve Requirement

	SERIES 2001 WORK RELEASE BONDS		
	Bond Fund Reserve	Capital Expenditure Account	Operating Reserve Account
Required Balance:			
Reserve Accounts	$ 80,500	$ 25,000	$ 30,000
Investments in Trustee Accounts, June 30, 2014	51,736	25,008	30,010
Excess (Deficiency) of Account Balances over (under) Required Balances	$ (28,764)	$ 8	$ 10

INTERNAL CONTROL AND COMPLIANCE

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 Honorable Mayor and City Council of the
City of Holdenville, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Holdenville, Oklahoma (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 16, 2014. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We issued an adverse opinion on the discretely presented component unit.

Internal Control over Financial Reporting

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

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

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.

309 N. Bryant Ave. · Edmond, OK 73034 · 405.348.0615 · Fax 405.348.0931 · www.jmacpas.com
Member of AICPA and OSCPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.

Arledge & Associates, P.C.

September 16, 2014