



# CITY OF HOLDENVILLE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015

**THE CITY OF HOLDENVILLE,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**This page intentionally left blank**

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**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**.....27-39

**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

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**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 State Awards Information**

Schedule of Expenditures of State Awards .....	50
--	----

**Debt Service Coverage Information**

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

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**INDEPENDENT AUDITOR'S REPORT**



## 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, 2015, 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 in accordance with auditing standards 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 data 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 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, 2015, or the changes in financial position for the year then ended.

**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, as of June 30, 2015, 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 modified cash basis of accounting 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 opinions are 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 21, 2015, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Arlidge & Associates, P.C.*

September 21, 2015



**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**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, 2015. 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 \$606,472, and the assets of the City exceed its liabilities at June 30, 2015, by \$5,497,022 (net position). Of this amount, \$2,286,933 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$3,088,901.
- At the end of fiscal 2015, unassigned fund balance on a modified cash basis for the General Fund was \$186,519, equivalent to 5.1% of General Fund revenues.

### **ABOUT THE CITY**

The City of Holdenville is an aldermanic form of government with a population of approximately 5,771 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 elected to exclude from this report. 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.

**CITY OF HOLDENVILLE, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2015**

*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 beginning on page 27 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 state awards, and a debt service coverage requirement schedule.

**THE CITY AS A WHOLE**

For the year ended June 30, 2015, net position on a modified cash basis for the governmental and business-type activities increased \$606,472.

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

**TABLE 1**  
**NET POSITION (In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Total assets	\$ 3,090	\$ 2,977	4%	\$ 2,540	\$ 2,041	24%	\$ 5,630	\$ 5,018	12%
Total liabilities	1	1	0%	132	127	4%	133	128	4%
Net position									
Restricted	2,830	2,888	-2%	380	387	-2%	3,210	3,275	-2%
Unrestricted	259	88	193%	2,028	1,527	33%	2,287	1,615	42%
<b>Total net position</b>	<u>\$ 3,089</u>	<u>\$ 2,976</u>	4%	<u>\$ 2,408</u>	<u>\$ 1,914</u>	26%	<u>\$ 5,497</u>	<u>\$ 4,890</u>	12%

**CITY OF HOLDENVILLE, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2015**

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>		<b>2015</b>	<b>2014</b>	
<b>Revenues</b>									
Charges for service	\$ 497	\$ 95	423%	\$ 2,844	\$ 2,962	-4%	\$ 3,341	\$ 3,057	9%
Operating grants and contributions	81	103	-21%	-	-	-	81	103	-21%
Capital grants and contributions	30	167	-82%	773	185	318%	803	352	128%
Taxes	2,898	2,841	2%	-	-	-	2,898	2,841	2%
Intergovernmental revenue	98	96	2%	-	-	-	98	96	2%
Investment income	5	5	-	3	3	-	8	8	-
Miscellaneous	62	63	-2%	32	-	100%	94	63	49%
<b>Total revenues</b>	<b>3,671</b>	<b>3,370</b>	<b>9%</b>	<b>3,652</b>	<b>3,150</b>	<b>16%</b>	<b>7,323</b>	<b>6,520</b>	<b>12%</b>
<b>Expenses</b>									
General government	455	645	-29%	-	-	-	455	645	-29%
Court and judicial	12	10	20%	-	-	-	12	10	20%
Public safety	1,052	1,048	-	-	-	-	1,052	1,048	-
Streets	320	346	-8%	-	-	-	320	346	-8%
Airport	61	20	205%	-	-	-	61	20	205%
Culture, parks and recreation	717	401	79%	-	-	-	717	401	79%
Hospital (payments to component unit)	541	530	2%	-	-	-	541	530	2%
Interest on long-term debt	30	37	-19%	-	-	-	30	37	-19%
Water	-	-	-	1,270	1,382	-8%	1,270	1,382	-8%
Wastewater	-	-	-	895	1,021	-12%	895	1,021	-12%
Sanitation	-	-	-	548	400	37%	548	400	37%
Lake	-	-	-	106	104	2%	106	104	2%
Industrial development	-	-	-	611	13	4600%	611	13	4600%
Work center	-	-	-	98	140	-30%	98	140	-30%
<b>Total expenses</b>	<b>3,188</b>	<b>3,037</b>	<b>5%</b>	<b>3,528</b>	<b>3,060</b>	<b>-1%</b>	<b>6,716</b>	<b>6,097</b>	<b>10%</b>
Excess (deficiency) before transfers	483	333	45%	124	90	-38%	607	423	43%
Transfers	(370)	(51)	-625%	370	51	625%	-	-	-
<b>Change in net position</b>	<b>113</b>	<b>282</b>	<b>60%</b>	<b>494</b>	<b>141</b>	<b>250%</b>	<b>607</b>	<b>423</b>	<b>43%</b>
<b>Beginning net position</b>	<b>2,976</b>	<b>2,694</b>	<b>10%</b>	<b>1,914</b>	<b>1,773</b>	<b>8%</b>	<b>4,890</b>	<b>4,467</b>	<b>9%</b>
<b>Ending net position</b>	<b>\$ 3,089</b>	<b>\$ 2,976</b>	<b>4%</b>	<b>\$ 2,408</b>	<b>\$ 1,914</b>	<b>26%</b>	<b>\$ 5,497</b>	<b>\$ 4,890</b>	<b>12%</b>

**Governmental Activities**

The City's governmental activities had an increase in net position of \$112,623. This increase is down from the prior year due primarily to the net effect of an increase in oil lease revenue of approximately \$375,000, an increase in expenses of approximately \$151,000 related to more capital purchases and the return of prior year airport donation money (airport funding for project was not approved) and the decrease of operating transfers from the business-type of approximately \$300,000.

**CITY OF HOLDENVILLE, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2015**

**Net Revenue (Expense) of Governmental Activities**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
	General government	\$ 455		\$ 645	-29%	
Court and judicial	12	10	20%	(12)	(11)	9%
Public safety	1,052	1,048	-	(948)	(906)	5%
Streets	320	346	-8%	(265)	(291)	-9%
Airport	61	20	205%	(52)	22	-336%
Culture, parks and recreation	717	401	79%	(708)	(357)	98%
Hospital	541	530	2%	(541)	(530)	2%
Principal and interest on long-term debt	30	37	-19%	(30)	(37)	-19%
<b>Total</b>	<b>\$ 3,188</b>	<b>\$ 3,037</b>	<b>5%</b>	<b>\$ (2,579)</b>	<b>\$ (2,673)</b>	<b>-4%</b>

**Business-type Activities**

The business-type activities had an increase in net position of \$493,849. Expense increased for sanitation and industrial development, which experienced an increase of 37% and 4,600%, respectively. Capital grants increased approximately \$588,000, mainly the result of an industrial development grant. In addition, the operating transfer from business-type activities to governmental activities decreased by approximately \$300,000.

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

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
	Water	\$ 1,270		\$ 1,382	-8%	
Wastewater	895	1,021	-12%	55	100	-45%
Sanitation	548	400	37%	(1)	30	-103%
Lake	106	104	2%	(89)	(92)	-3%
Industrial development	611	13	4600%	93	118	-21%
Work center	98	140	-30%	(67)	(109)	-39%
<b>Total</b>	<b>\$ 3,528</b>	<b>\$ 3,060</b>	<b>15%</b>	<b>\$ 89</b>	<b>\$ 87</b>	<b>2%</b>

## **A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$3,088,901. For the year ended June 30, 2015, the General Fund's total fund balance increased by \$125,693. The proprietary funds reported combined net position of \$2,408,121. The HPWA's total net position increased by \$406,474 while the HIA's total net position increased by \$87,375.

### **Budgetary Highlights**

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues over final estimates by \$33,208 or a 0.7% positive variance. General Fund actual expenditures were under final appropriations by \$92,543 or a 1.9% positive variance.

## **ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- The FY 2016 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.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**BASIC FINANCIAL STATEMENTS – STATEMENT OF NET POSITION AND ACTIVITIES**

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Statement of Net Position (Modified Cash Basis) – June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,081,377	\$ 2,495,352	\$ 5,576,729
Investments	-	53,263	53,263
Internal balances	8,130	(8,130)	-
Total assets	<u>3,089,507</u>	<u>2,540,485</u>	<u>5,629,992</u>
<b>LIABILITIES</b>			
Due to other governments	606	-	606
Due to depositors	-	132,364	132,364
Total liabilities	<u>606</u>	<u>132,364</u>	<u>132,970</u>
<b>NET POSITION</b>			
Restricted for:			
Debt service	-	350,095	350,095
Culture and recreation	2,805,754	-	2,805,754
Other purposes	24,535	29,705	54,240
Unrestricted	258,612	2,028,321	2,286,933
Total net position	<u>\$ 3,088,901</u>	<u>\$ 2,408,121</u>	<u>\$ 5,497,022</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions, and Debt Proceeds	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities:							
General Government	\$ 454,892	\$ 391,622	\$ 10,100	\$ 29,812	\$ (23,358)	\$ -	\$ (23,358)
Court and Judicial	12,045	-	-	-	(12,045)	-	(12,045)
Public Safety	1,051,832	97,197	7,004	-	(947,631)	-	(947,631)
Highways and Streets	319,799	-	54,721	-	(265,078)	-	(265,078)
Airport	60,971	8,630	-	-	(52,341)	-	(52,341)
Culture and Recreation	717,303	-	8,807	-	(708,496)	-	(708,496)
Hospital (payments to component unit)	540,619	-	-	-	(540,619)	-	(540,619)
Principal and Interest on Long-term Debt	29,915	-	-	-	(29,915)	-	(29,915)
Total governmental activities	<u>3,187,376</u>	<u>497,449</u>	<u>80,632</u>	<u>29,812</u>	<u>(2,579,483)</u>	<u>-</u>	<u>(2,579,483)</u>
Business-Type Activities:							
Water	1,269,956	1,367,897	-	-	-	97,941	97,941
Sewer	894,751	884,396	-	65,466	-	55,111	55,111
Sanitation	548,470	422,409	-	124,600	-	(1,461)	(1,461)
Lake	105,873	16,574	-	-	-	(89,299)	(89,299)
Industrial Development	610,566	121,084	-	582,683	-	93,201	93,201
Work Center	98,266	31,363	-	-	-	(66,903)	(66,903)
Total business-type activities	<u>3,527,882</u>	<u>2,843,723</u>	<u>-</u>	<u>772,749</u>	<u>-</u>	<u>88,590</u>	<u>88,590</u>
Total primary government	<u>\$ 6,715,258</u>	<u>\$ 3,341,172</u>	<u>\$ 80,632</u>	<u>\$ 802,561</u>	<u>(2,579,483)</u>	<u>88,590</u>	<u>(2,490,893)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					2,703,097	-	2,703,097
Franchise taxes and public service taxes					170,655	-	170,655
Payments in lieu of taxes					6,699	-	6,699
E-911 taxes					16,992	-	16,992
Intergovernmental revenue not restricted to specific programs					97,960	-	97,960
Unrestricted investment earnings					4,825	2,776	7,601
Miscellaneous					61,997	32,364	94,361
Transfers					(370,119)	370,119	-
Total general revenues and transfers					<u>2,692,106</u>	<u>405,259</u>	<u>3,097,365</u>
Change in net position					<u>112,623</u>	<u>493,849</u>	<u>606,472</u>
Net position - beginning					<u>2,976,278</u>	<u>1,914,272</u>	<u>4,890,550</u>
Net position - ending					<u>\$ 3,088,901</u>	<u>\$ 2,408,121</u>	<u>\$ 5,497,022</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2015**

	<u>General Fund</u>	<u>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 212,974	\$ 2,826,579	\$ 41,824	\$ 3,081,377
Due from other funds	8,651	-	-	8,651
Total assets	<u>\$ 221,625</u>	<u>\$ 2,826,579</u>	<u>\$ 41,824</u>	<u>\$ 3,090,028</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other governments	\$ 606	\$ -	\$ -	\$ 606
Due to other funds	-	-	521	521
Total liabilities	<u>606</u>	<u>-</u>	<u>521</u>	<u>1,127</u>
Fund balances:				
Restricted:				
Lake project	-	2,793,074	-	2,793,074
Library	-	-	12,680	12,680
Cemetery	-	-	24,535	24,535
Assigned to:				
Budgetary purposes	34,500	-	-	34,500
Lake project	-	33,505	-	33,505
Library	-	-	4,088	4,088
Unassigned	186,519	-	-	186,519
Total fund balances	<u>221,019</u>	<u>2,826,579</u>	<u>41,303</u>	<u>3,088,901</u>
Total liabilities and fund balances	<u>\$ 221,625</u>	<u>\$ 2,826,579</u>	<u>\$ 41,824</u>	<u>\$ 3,090,028</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 2,873,752	\$ -	\$ -	\$ 2,873,752
Intergovernmental	163,864	-	8,675	172,539
Charges for services	392,382	-	3,666	396,048
Fines and forfeitures	97,197	-	-	97,197
Licenses and permits	4,204	-	-	4,204
Investment income	119	4,663	43	4,825
Miscellaneous	91,079	-	662	91,741
Total Revenues	<u>3,622,597</u>	<u>4,663</u>	<u>13,046</u>	<u>3,640,306</u>
<b>EXPENDITURES</b>				
Current:				
General government	398,962	-	2,552	401,514
Court and judicial	12,045	-	-	12,045
Public safety	1,023,980	-	-	1,023,980
Highway and streets	300,808	-	-	300,808
Airport	43,898	-	-	43,898
Culture and recreation	143,540	-	-	143,540
Capital Outlay	122,211	528,007	40,839	691,057
Debt Service:				
Principal	27,229	-	-	27,229
Interest and other charges	2,686	-	-	2,686
Total Expenditures	<u>2,075,359</u>	<u>528,007</u>	<u>43,391</u>	<u>2,646,757</u>
Excess (deficiency) of revenues over expenditures	<u>1,547,238</u>	<u>(523,344)</u>	<u>(30,345)</u>	<u>993,549</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	29,812	-	-	29,812
Sales tax payment to hospital	(540,619)	-	-	(540,619)
Transfers in	1,251,739	540,619	-	1,792,358
Transfers out	(2,162,477)	-	-	(2,162,477)
Total other financing sources and uses	<u>(1,421,545)</u>	<u>540,619</u>	<u>-</u>	<u>(880,926)</u>
Net change in fund balances	125,693	17,275	(30,345)	112,623
Fund balances - beginning	95,326	2,809,304	71,648	2,976,278
Fund balances - ending	<u>\$ 221,019</u>	<u>\$ 2,826,579</u>	<u>\$ 41,303</u>	<u>\$ 3,088,901</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

**CITY OF HOLDENVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2015**

	<u>Holdenville</u> <u>Public Works</u> <u>Authority</u>	<u>Holdenville</u> <u>Industrial</u> <u>Authority</u>	<u>Total Enterprise</u> <u>Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,815,313	\$ 221,138	\$ 2,036,451
Restricted cash and cash equivalents	349,747	33,362	383,109
Restricted investments	53,263	-	53,263
Total current assets	<u>2,218,323</u>	<u>254,500</u>	<u>2,472,823</u>
Non-current assets:			
Restricted cash and cash equivalents	-	75,792	75,792
Total non-current assets	<u>-</u>	<u>75,792</u>	<u>75,792</u>
Total assets	<u>2,218,323</u>	<u>330,292</u>	<u>2,548,615</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to other funds	8,130	-	8,130
Deposits subject to refund	132,364	-	132,364
Total liabilities	<u>140,494</u>	<u>-</u>	<u>140,494</u>
<b>NET POSITION</b>			
Restricted for inmate services	-	4,701	4,701
Restricted for debt service	270,646	79,449	350,095
Restricted for capital improvements	-	25,004	25,004
Unrestricted	1,807,183	221,138	2,028,321
Total net position	<u>\$ 2,077,829</u>	<u>\$ 330,292</u>	<u>\$ 2,408,121</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2015**

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Enterprise Funds</u>
<b>OPERATING REVENUES</b>			
Water charges	\$ 1,338,029	\$ -	\$ 1,338,029
Sewer charges	863,969	-	863,969
Sanitation charges	400,743	-	400,743
Property cleanup revenue	43,426	-	43,426
Water and sewer taps	200	-	200
Landfill charges	12,214	-	12,214
Penalty charges	9,472	-	9,472
Boat and camping permits	16,574	-	16,574
Reconnect fee	8,478	-	8,478
Rentals	-	40,700	40,700
Telephone and vending commission	-	111,747	111,747
Total operating revenues	<u>2,693,105</u>	<u>152,447</u>	<u>2,845,552</u>
<b>OPERATING EXPENSES</b>			
Administration	262,767	-	262,767
Sewer	494,262	-	494,262
Water	588,035	-	588,035
Sanitation	396,130	-	396,130
Landfill	87,270	-	87,270
Lake	105,873	-	105,873
Industrial development	-	610,566	610,566
Work center	-	29,260	29,260
Total operating expenses	<u>1,934,337</u>	<u>639,826</u>	<u>2,574,163</u>
Operating income (loss)	<u>758,768</u>	<u>(487,379)</u>	<u>271,389</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	2,327	449	2,776
Principal payments	(717,911)	(40,000)	(757,911)
Interest expense	(166,802)	(29,006)	(195,808)
Proceeds from capital lease	124,600	-	124,600
Capital grants and contributions	65,466	582,683	648,149
Miscellaneous revenue	-	32,364	32,364
Miscellaneous expenses	(1,829)	-	(1,829)
Total non-operating revenue (expenses)	<u>(694,149)</u>	<u>546,490</u>	<u>(147,659)</u>
Income before transfers	64,619	59,111	123,730
Transfers in	1,621,858	28,764	1,650,622
Transfers out	(1,280,003)	(500)	(1,280,503)
Change in net position	406,474	87,375	493,849
Total net position - beginning	1,671,355	242,917	1,914,272
Total net position- ending	<u>\$ 2,077,829</u>	<u>\$ 330,292</u>	<u>\$ 2,408,121</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2015**

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,693,105	\$ 184,811	\$ 2,877,916
Payments to suppliers	(1,224,744)	(639,826)	(1,864,570)
Payments to employees	(711,422)	-	(711,422)
Receipts of customer meter deposits	32,900	-	32,900
Refunds of customer meter deposits	(27,485)	-	(27,485)
Paid to other funds	8,130	-	8,130
<b>Net cash provided by (used in) operating activities</b>	<u>770,484</u>	<u>(455,015)</u>	<u>315,469</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	1,621,858	28,764	1,650,622
Transfers to other funds	(1,280,003)	(500)	(1,280,503)
<b>Net cash provided by noncapital financing activities</b>	<u>341,855</u>	<u>28,264</u>	<u>370,119</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Receipt of capital grant	65,466	582,683	648,149
Proceeds from debt	124,600	-	124,600
Principal paid on debt	(717,911)	(40,000)	(757,911)
Interest and fiscal agent fees paid on debt	(166,802)	(29,006)	(195,808)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(694,647)</u>	<u>513,677</u>	<u>(180,970)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(164)	-	(164)
Interest and dividends	2,327	449	2,776
<b>Net cash provided by investing activities</b>	<u>2,163</u>	<u>449</u>	<u>2,612</u>
<b>Net increase in cash and cash equivalents</b>	419,855	87,375	507,230
<b>Balances - beginning of year</b>	<u>1,745,205</u>	<u>242,917</u>	<u>1,988,122</u>
<b>Balances - end of year</b>	<u>\$ 2,165,060</u>	<u>\$ 330,292</u>	<u>\$ 2,495,352</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 1,815,313	\$ 221,138	\$ 2,036,451
Restricted cash and cash equivalents - current	349,747	33,362	383,109
Restricted cash and cash equivalents - noncurrent	-	75,792	75,792
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 2,165,060</u>	<u>\$ 330,292</u>	<u>\$ 2,495,352</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income	\$ 758,768	\$ (487,379)	\$ 271,389
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Miscellaneous revenue	-	32,364	32,364
Miscellaneous expense	(1,829)	-	(1,829)
Change in assets and liabilities:			
Due to other funds	8,130	-	8,130
Deposits subject to refund	5,415	-	5,415
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 770,484</u>	<u>\$ (455,015)</u>	<u>\$ 315,469</u>

See accompanying notes to these financial statements.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**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 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 an 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 does 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.

**CITY OF HOLDENVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2015**

**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, 2015, the City recognized \$7,601 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, 2015, the primary government held the following deposits and investments:

<b>Type</b>	<b>Credit Rating</b>	<b>Carrying Value</b>
<b>Deposits:</b>		
Demand deposits		\$ 5,467,305
Time deposits-certificates of deposits		53,263
Cash on hand		270
		5,520,838
<b>Investments:</b>		
First United Money Market Funds	not rated	109,154
		109,154
<b>Total deposits and investments</b>		<b>\$ 5,629,992</b>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 5,576,729
Investments		53,263
		<b>\$ 5,629,992</b>

*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, 2015, the City was under-collateralized by \$73,445 at Security State Bank and therefore was exposed to some 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.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

*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, 2015 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and cash equivalents</u>	<u>Non-current Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
HPWA - Utilities				
Utility Deposits	\$ 79,101	\$ -	\$ 53,263	\$ 132,364
Bond Indenture Accounts:				
Bond Account	211,137	-	-	211,137
OWRB Construction	59,509	-	-	59,509
Total HPWA - Utilities	<u>349,747</u>	<u>-</u>	<u>53,263</u>	<u>403,010</u>
HIA Work Center:				
Bond Indenture Accounts:				
Bond Fund Interest Account	1,159	-	-	1,159
Bond Fund Reserve Account	-	45,787	-	45,787
Bond Fund Principal Account	2,498	-	-	2,498
Capital Expenditures Fund Account	25,004	-	-	25,004
Operating Reserve Account	-	30,005	-	30,005
Welfare Account	4,701	-	-	4,701
Total Work Center	<u>33,362</u>	<u>75,792</u>	<u>-</u>	<u>109,154</u>
Total Enterprise Funds	<u>\$ 383,109</u>	<u>\$ 75,792</u>	<u>\$ 53,263</u>	<u>\$ 512,164</u>

### 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.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**4. Internal Balances and Transfers Between Funds and Legal Entities**

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Library Fund	General Fund	\$ 521	Expense reimbursement
HPWA	General Fund	8,130	Payroll reimbursement
Total		<u>\$ 8,651</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 8,651	\$ (521)	\$ 8,130
Proprietary Funds	-	(8,130)	(8,130)
Total	<u>\$ 8,651</u>	<u>\$ (8,651)</u>	<u>\$ -</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
HPWA	General Fund	\$ 1,081,239	Return of sales tax
HPWA	General Fund	170,000	Operating
HPWA	HIA Work Center	28,764	Debt payments
HIA	General Fund	500	Operating
General Fund	HPWA	1,621,858	Sales tax transfer
General Fund	Sales Tax Lake Project Fund	540,619	Sales tax transfer
Total		<u>\$ 3,442,980</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,792,358	\$ (2,162,477)	\$ (370,119)
Proprietary Funds	1,650,622	(1,280,503)	370,119
	<u>\$ 3,442,980</u>	<u>\$ (3,442,980)</u>	<u>\$ -</u>

**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 2015, the City's annual required contribution was \$32,337 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.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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

<u>Oklahoma Public Employees Retirement System</u>			<u>Oklahoma Firefighter's Pension and Retirement System</u>		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$160,118	100%	2013	\$29,666	100%
2014	\$164,544	100%	2014	\$30,804	100%
2015	\$168,839	100%	2015	\$32,337	100%

**7. Commitments and Contingencies**

*Commitments:*

In June 2015, 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, 2015 through June 30, 2016, automatically renewable for one year periods beginning each July 1, subject to legislative appropriation sufficient to pay the rentals thereunder, 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, 2015, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ 46,571	\$ 29,812	\$ 27,229	\$ 49,154	\$ 25,007
Total Governmental Activities	<u>\$ 46,571</u>	<u>\$ 29,812</u>	<u>\$ 27,229</u>	<u>\$ 49,154</u>	<u>\$ 25,007</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 1,539,192	\$ -	\$ 226,423	\$ 1,312,769	\$ 230,658
Capital lease payable	-	124,600	21,488	103,112	24,104
Revenue bonds payable	4,275,000	-	510,000	3,765,000	525,000
Total Business-Type Activities	<u>5,814,192</u>	<u>124,600</u>	<u>757,911</u>	<u>5,180,881</u>	<u>779,762</u>
Total Long-Term Debt	<u>\$ 5,860,763</u>	<u>\$ 154,412</u>	<u>\$ 785,140</u>	<u>\$ 5,230,035</u>	<u>\$ 804,769</u>

*Governmental Activities:*

At June 30, 2015, the governmental activities long-term payable from taxes and other general revenues include the following:

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

Capital Lease Obligations Payable

\$29,812 lease obligation for the purchase of phone system, payable in monthly installments of \$591 with an annual interest rate of 6.45%, final payment due February 2020.	\$ 27,708
\$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.	9,401
\$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.	12,045
<b>Total Capital Leases Payable</b>	<b>\$ 49,154</b>

*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, 2015, 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.	\$ 46,520
1998 Note Payable to Oklahoma Water Resources Board for water plant construction, payable in varying semi-annual installments, variable interest rates payable plus an administrative fee of 0.5% per annum, final payment due September 2020. Total note authorized at \$4,177,000.	1,266,249
<b>Total Notes Payable</b>	<b>\$ 1,312,769</b>

Capital Lease Payable:

\$124,600 lease obligation for the purchase of a freightliner, payable in 60 monthly installments of \$2,237 with an annual interest rate of 2.96%, final payment due August 2019	\$ 103,112
<b>Total Capital Leases Payable</b>	<b>\$ 103,112</b>

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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. \$ 3,340,000

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. 425,000

Total Revenue Bonds Payable \$ 3,765,000

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

<u>Year Ending June 30.</u>	<u>Governmental Activities</u>					
	Capital Lease Obligations					
	<u>Principal</u>		<u>Interest</u>			
2016	\$ 25,007	\$ 2,611				
2017	7,440	1,406				
2018	6,110	984				
2019	6,555	539				
2020	4,042	96				
Totals	<u>\$ 49,154</u>	<u>\$ 5,636</u>				

  

<u>Year Ending June 30.</u>	<u>Business Type Activities</u>					
	Revenue Bonds Payable		Notes Payable		Capital Lease Obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 525,000	\$ 147,206	\$ 230,658	\$ 19,705	\$ 24,104	\$ 2,745
2017	550,000	126,281	234,324	16,038	24,837	2,012
2018	575,000	104,129	237,998	12,364	25,584	1,264
2019	595,000	81,066	241,732	8,631	26,355	494
2020	615,000	57,253	245,516	4,846	2,232	5
2021-2023	905,000	44,588	122,541	980	-	-
Totals	<u>\$ 3,765,000</u>	<u>\$ 560,523</u>	<u>\$ 1,312,769</u>	<u>\$ 62,564</u>	<u>\$ 103,112</u>	<u>\$ 6,520</u>

*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 \$5,103,907. Pledged sales taxes received in the current year were \$1,621,858 and net utility revenues were \$857,134. Debt service payments of \$852,071 for the current fiscal year were 34.4% 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 \$550,429. Net work center revenues and pledged investment income were \$61,128. Debt service payments of \$69,006 for the current fiscal year were 112.9% 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, 2015, is summarized as follows:

HPWA – accrued compensated absences \$45,556  
General Fund – accrued compensated absences \$83,474

*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.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

*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 2015, the City's involvement in federal and state award programs was 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.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**SUPPLEMENTARY AND OTHER INFORMATION**

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
<b>Beginning Budgetary Fund Balance (Deficit)</b>	\$ 78,513	\$ 78,513	\$ 93,950	\$ 15,437
<b>Resources (Inflows):</b>				
<b>TAXES:</b>				
Sales tax	2,600,000	2,750,000	2,703,097	(46,903)
Franchise tax	160,000	170,000	170,655	655
Total taxes	<u>2,760,000</u>	<u>2,920,000</u>	<u>2,873,752</u>	<u>(46,248)</u>
<b>INTERGOVERNMENTAL:</b>				
Alcoholic beverage tax	60,000	60,000	66,211	6,211
Gas excise tax	8,000	8,000	10,742	2,742
Vehicle tax	40,000	40,000	43,979	3,979
Tobacco tax	30,000	30,000	31,749	1,749
Payments in lieu of taxes	-	-	6,699	6,699
Grants	4,400	4,400	4,484	84
Total Intergovernmental	<u>142,400</u>	<u>142,400</u>	<u>163,864</u>	<u>21,464</u>
<b>CHARGES FOR SERVICES:</b>				
Cemetery openings/closing	9,000	9,000	9,066	66
Aiport hay rights	-	-	2,220	2,220
Other leases	-	374,500	374,686	186
Aiport hangar rental	-	-	6,410	6,410
	<u>9,000</u>	<u>383,500</u>	<u>392,382</u>	<u>8,882</u>
<b>FINES AND FORFEITURES</b>				
	<u>82,500</u>	<u>82,500</u>	<u>97,197</u>	<u>14,697</u>
<b>LICENSES AND PERMITS:</b>				
Dog tags	450	450	1,075	625
Inspection and building permits	2,500	2,500	1,804	(696)
Other licenses and permits	1,500	1,500	1,325	(175)
Total licenses and permits	<u>4,450</u>	<u>4,450</u>	<u>4,204</u>	<u>(246)</u>
<b>INVESTMENT INCOME</b>				
	<u>50</u>	<u>50</u>	<u>119</u>	<u>69</u>
<b>MISCELLANEOUS:</b>				
Rentals/leases	900	900	1,050	150
911 revenue	11,000	11,000	16,992	5,992
Miscellaneous	12,000	12,000	13,218	1,218
Reimbursements	2,000	2,000	13,307	11,307
Cemetery - sale of lots	3,000	3,000	16,603	13,603
Donations	2,000	2,000	24,960	22,960
Oil and gas royalty	5,500	5,500	4,949	(551)
Total Miscellaneous	<u>36,400</u>	<u>36,400</u>	<u>91,079</u>	<u>54,679</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers from other funds	1,523,728	1,271,828	1,251,739	(20,089)
Total Other Financing Sources	<u>1,523,728</u>	<u>1,271,828</u>	<u>1,251,739</u>	<u>(20,089)</u>
<b>Total Resources (Inflows)</b>	<u>4,558,528</u>	<u>4,841,128</u>	<u>4,874,336</u>	<u>33,208</u>
<b>Amount available for appropriation</b>	<u>4,637,041</u>	<u>4,919,641</u>	<u>4,968,286</u>	<u>48,645</u>
<b>Charges to Appropriations (Outflows):</b>				
Departmental:				
<b>General Government:</b>				
General government	248,042	302,104	299,578	2,526
Governing Board	39,384	39,384	35,829	3,555
Cemetery	89,743	93,148	88,387	4,761
<b>Court and Judicial:</b>				
City Attorney	3,875	6,460	6,459	1
Municipal court	6,083	6,083	5,586	497
<b>Highways and Streets:</b>				
Street	232,721	233,109	228,740	4,369
Street and Alley	110,765	110,765	107,888	2,877
<b>Airport:</b>				
Airport	9,000	68,600	60,971	7,629
<b>Public Safety:</b>				
Police	599,665	589,465	583,317	6,148
Fire	384,463	384,833	384,809	24
Civil Defense	88,114	95,014	93,718	1,296
<b>Culture and Recreation:</b>				
Parks	58,404	63,119	58,755	4,364
Library	72,769	81,244	78,295	2,949
Civic Center	15,500	15,500	13,157	2,343
Payment to Hospital (component unit)	520,000	550,450	540,619	9,831
Transfers to Other Funds	2,080,000	2,201,850	2,162,477	39,373
Total other financing sources and uses	<u>4,558,528</u>	<u>4,841,128</u>	<u>4,748,585</u>	<u>92,543</u>
Fund balances - ending	<u>\$ 78,513</u>	<u>\$ 78,513</u>	<u>\$ 219,701</u>	<u>\$ 141,188</u>

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2015, (Cont.)**

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance	
Fund Balance - ending - Budget to Actual Schedule	\$ 219,701
CDBG Grant Account	1,318
Fund Balance - ending - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 221,019</u>

**Budgetary Comparison Schedules (Modified Cash Basis) – Sales Tax Lake Project Fund - Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 2,826,196	\$ 2,826,196	\$ 2,809,304	\$ (16,892)
<b>Resources (Inflows)</b>				
Investment Income	4,000	4,615	4,663	48
Transfers from Other Funds	<u>520,000</u>	<u>550,500</u>	<u>540,619</u>	<u>(9,881)</u>
Amounts Available for Appropriation	<u>3,350,196</u>	<u>3,381,311</u>	<u>3,354,586</u>	<u>(9,833)</u>
<b>Charges to Appropriations (Outflows)</b>				
Culture and Recreation	<u>524,000</u>	<u>555,115</u>	<u>528,007</u>	<u>27,108</u>
Total Charges to Appropriations	<u>524,000</u>	<u>555,115</u>	<u>528,007</u>	<u>27,108</u>
Fund balances - ending	<u>\$ 2,826,196</u>	<u>\$ 2,826,196</u>	<u>\$ 2,826,579</u>	<u>\$ 17,275</u>

**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.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2015**

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Total General Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 211,657	\$ 1,317	\$ 212,974
Due to/from other funds	8,651	-	8,651
Total assets	\$ 220,308	\$ 1,317	\$ 221,625
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds/accounts	\$ 1	\$ (1)	\$ -
Due to other governments	606	-	606
Total liabilities	607	(1)	606
 Fund balances:			
Assigned	34,500	-	34,500
Unassigned	185,201	1,318	186,519
Total fund balances	219,701	1,318	221,019
Total liabilities and fund balances	\$ 220,308	\$ 1,317	\$ 221,625

**CITY OF HOLDENVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2015**

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Total General Fund</u>
<b>REVENUES</b>			
Taxes	\$ 2,873,752	\$ -	\$ 2,873,752
Intergovernmental	163,864	-	163,864
Charges for services	392,382	-	392,382
Fines and forfeitures	97,197	-	97,197
Licenses and permits	4,204	-	4,204
Investment income	119	-	119
Miscellaneous	91,079	-	91,079
Total revenues	<u>3,622,597</u>	<u>-</u>	<u>3,622,597</u>
<b>EXPENDITURES</b>			
Current:			
General government	398,904	58	398,962
Court and judicial	12,045	-	12,045
Public Safety	1,023,980	-	1,023,980
Highways and streets	300,808	-	300,808
Airport	43,898	-	43,898
Culture and recreation	143,540	-	143,540
Debt Service:			
Principal	27,229	-	27,229
Interest and other charges	2,686	-	2,686
Capital Outlay	122,211	-	122,211
Total Expenditures	<u>2,075,301</u>	<u>58</u>	<u>2,075,359</u>
Excess (deficiency) of revenues over expenditures	<u>1,547,296</u>	<u>(58)</u>	<u>1,547,238</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sales tax payment to hospital	(540,619)	-	(540,619)
Capital lease proceeds	29,812	-	29,812
Transfers in	1,251,739	-	1,251,739
Transfers out	<u>(2,162,477)</u>	<u>-</u>	<u>(2,162,477)</u>
Total other financing sources and uses	<u>(1,421,545)</u>	<u>-</u>	<u>(1,421,545)</u>
Net change in fund balances	125,751	(58)	125,693
Fund balances - beginning	93,950	1,376	95,326
Fund balances - ending	<u>\$ 219,701</u>	<u>\$ 1,318</u>	<u>\$ 221,019</u>

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2015**

	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
	<b>Library</b>	<b>Cemetery Care Fund</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,289	\$ 24,535	\$ 41,824
Total assets	\$ 17,289	\$ 24,535	\$ 41,824
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 521	\$ -	\$ 521
Total liabilities	521	-	521
Fund balances:			
Restricted for:			
Library	12,680	-	12,680
Cemetery	-	24,535	24,535
Assigned to:			
Library	4,088	-	4,088
Total fund balances	16,768	24,535	41,303
Total liabilities and fund balances	\$ 17,289	\$ 24,535	\$ 41,824

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor  
Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2015**

	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total-Other Governmental Funds</b>
	<b>Library</b>	<b>Cemetery Care Fund</b>	
<b>REVENUES</b>			
Intergovernmental	\$ 8,675	\$ -	\$ 8,675
Charges for services	-	3,666	3,666
Investment earnings	-	43	43
Miscellaneous	662	-	662
Total revenues	9,337	3,709	13,046
<b>EXPENDITURES</b>			
Current:			
General government	-	2,552	2,552
Capital outlay	39,089	1,750	40,839
Total Expenditures	39,089	4,302	43,391
Net change in fund balances	(29,752)	(593)	(30,345)
Fund balances - beginning	46,520	25,128	71,648
Fund balances - ending	\$ 16,768	\$ 24,535	\$ 41,303

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) –  
Holdenville Public Works Authority Enterprise Fund – June 30, 2015**

	<u>HPWA Operating Account</u>	<u>Water Designation Account</u>	<u>OWRB Drinking Water SRF Account</u>	<u>HPWA Bond Account</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,220,812	\$ 594,501	\$ -	\$ -	\$ 1,815,313
Restricted cash and cash equivalents	79,101	-	59,509	211,137	349,747
Restricted investments	53,263	-	-	-	53,263
Total assets	<u>1,353,176</u>	<u>594,501</u>	<u>59,509</u>	<u>211,137</u>	<u>2,218,323</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Due to other funds	8,130	-	-	-	8,130
Deposits subject to refund	132,364	-	-	-	132,364
Total liabilities	<u>140,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,494</u>
<b>NET POSITION</b>					
Restricted for debt service	-	-	59,509	211,137	270,646
Unrestricted	1,212,682	594,501	-	-	1,807,183
Total net position	<u>\$ 1,212,682</u>	<u>\$ 594,501</u>	<u>\$ 59,509</u>	<u>\$ 211,137</u>	<u>\$ 2,077,829</u>

**CITY OF HOLDENVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**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, 2015**

	<u>HPWA Operating Account</u>	<u>Water Designation Account</u>	<u>OWRB Drinking Water SRF Account</u>	<u>HPWA Bond Account</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Water charges	\$ 1,338,029	\$ -	\$ -	\$ -	\$ 1,338,029
Sewer charges	863,969	-	-	-	863,969
Sanitation charges	400,743	-	-	-	400,743
Property cleanup charges	43,426	-	-	-	43,426
Water and sewer taps	200	-	-	-	200
Landfill charges	12,214	-	-	-	12,214
Penalty charges	9,472	-	-	-	9,472
Boat and camping permits	16,574	-	-	-	16,574
Reconnect fee	8,478	-	-	-	8,478
Total operating revenues	<u>2,693,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,693,105</u>
<b>OPERATING EXPENSES</b>					
Administration	262,767	-	-	-	262,767
Sewer	494,262	-	-	-	494,262
Water	588,035	-	-	-	588,035
Sanitation	396,130	-	-	-	396,130
Landfill	87,270	-	-	-	87,270
Lake	105,873	-	-	-	105,873
Total Operating Expenses	<u>1,934,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,934,337</u>
Operating income (loss)	<u>758,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758,768</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	729	1,185	-	413	2,327
Principal expense	(29,518)	(218,393)	-	(470,000)	(717,911)
Interest expense	(3,123)	(23,210)	-	(140,469)	(166,802)
Capital grants and contributions	65,466	-	-	-	65,466
Proceeds from capital lease	124,600	-	-	-	124,600
Miscellaneous expenses	(1,829)	-	-	-	(1,829)
Total non-operating revenue (expenses)	<u>156,325</u>	<u>(240,418)</u>	<u>-</u>	<u>(610,056)</u>	<u>(694,149)</u>
Income (loss) before transfers	<u>915,093</u>	<u>(240,418)</u>	<u>-</u>	<u>(610,056)</u>	<u>64,619</u>
Interaccount transfers in	-	169,295	-	612,969	782,264
Interaccount transfers out	(782,264)	-	-	-	(782,264)
Transfers in	1,621,858	-	-	-	1,621,858
Transfers out	(1,280,003)	-	-	-	(1,280,003)
Change in net position	474,684	(71,123)	-	2,913	406,474
Total net position - beginning	737,998	665,624	59,509	208,224	1,671,355
Total net position - ending	<u>\$ 1,212,682</u>	<u>\$ 594,501</u>	<u>\$ 59,509</u>	<u>\$ 211,137</u>	<u>\$ 2,077,829</u>

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) –  
Holdenville Industrial Authority Enterprise Fund – June 30, 2015**

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 217,172	\$ 3,966	\$ 221,138
Restricted cash and cash equivalents	-	33,362	33,362
Total current assets	<u>217,172</u>	<u>37,328</u>	<u>254,500</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	-	75,792	75,792
Total non-current assets	<u>-</u>	<u>75,792</u>	<u>75,792</u>
Total assets	<u>\$ 217,172</u>	<u>\$ 113,120</u>	<u>\$ 330,292</u>
<b>NET POSITION</b>			
Restricted for inmate services	-	4,701	4,701
Restricted for debt service	-	79,449	79,449
Restricted for capital improvements	-	25,004	25,004
Unrestricted	217,172	3,966	221,138
Total net position	<u>\$ 217,172</u>	<u>\$ 113,120</u>	<u>\$ 330,292</u>

**CITY OF HOLDENVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**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, 2015**

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Rentals	\$ 10,700	\$ 30,000	\$ 40,700
Telephone and vending commission	110,384	1,363	111,747
Total operating revenues	<u>121,084</u>	<u>31,363</u>	<u>152,447</u>
<b>OPERATING EXPENSES</b>			
Industrial development	610,566	-	610,566
Work center	-	29,260	29,260
Total operating expenses	<u>610,566</u>	<u>29,260</u>	<u>639,826</u>
Operating income (loss)	<u>(489,482)</u>	<u>2,103</u>	<u>(487,379)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	188	261	449
Miscellaneous revenue	32,364	-	32,364
Interest expense	-	(29,006)	(29,006)
Principal expense	-	(40,000)	(40,000)
Capital grants and contributions	582,683	-	582,683
Total non-operating revenue (expenses)	<u>615,235</u>	<u>(68,745)</u>	<u>546,490</u>
Income (loss) before transfers	<u>125,753</u>	<u>(66,642)</u>	<u>59,111</u>
Interaccount transfers in	-	30,000	30,000
Interaccount transfers out	(30,000)	-	(30,000)
Transfers in	-	28,764	28,764
Transfers out	(500)	-	(500)
Change in net position	<u>95,253</u>	<u>(7,878)</u>	<u>87,375</u>
Total net position - beginning	121,919	120,998	242,917
Total net position - ending	<u>\$ 217,172</u>	<u>\$ 113,120</u>	<u>\$ 330,292</u>

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Schedule of Expenditures of State Awards (Modified Cash Basis) – For year ended June 30, 2015**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>State Grantor/Pass through agency Grantor/Program Title</b>	<b>Grant Number</b>	<b>Program or Award Amount</b>	<b>Award Expenditures</b>
<b>STATE ASSISTANCE:</b>			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Defense Operational Grant	N/A	\$ 4,484	\$ 4,484
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid Grant - 2015	N/A	8,675	8,675
<b>TOTAL STATE ASSISTANCE</b>		<u>\$13,159</u>	<u>\$13,159</u>

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2015**

	<b>1998 OWRB NOTES AND HPWA 2012 REFUNDING BONDS</b>	<b>HIA SERIES 2001 WORK RELEASE BONDS</b>
	<u>                    </u>	<u>                    </u>
Gross Revenue Available for Debt Service:		
Operating revenues (water and sanitary sewer systems)	\$2,202,198	-
Operating revenues (rentals and commissions)	-	\$31,363
Investment income	-	261
Transfer in - sales tax (A)	1,621,858	-
Transfer in	<u>-</u>	<u>58,764</u>
Total Gross Revenues Available	3,824,056	90,388
Public Works Authority operating expenses (administration, water, and sanitary sewer systems)	1,345,064	-
Davis Work Center operating expenses	<u>-</u>	<u>29,260</u>
Net Revenues Available for Debt Service	<u>\$2,478,992</u>	<u>\$61,128</u>
Debt Service Requirements:		
Aggregate bond service requirements - Refunding Revenue Bonds Series 2012	\$610,469	-
Average annual debt service - OWRB 1998 Small Community Drinking Water SRF	241,602	-
Aggregate bond service requirements - Series 2001 Work Release Center	<u>-</u>	<u>\$69,006</u>
Total Debt Service Requirements	<u>\$852,071</u>	<u>\$69,006</u>
Coverage	<u>2.91</u>	<u>0.89</u>
Coverage Requirement	<u>1.25</u>	<u>1.10</u>

(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**

	<b>SERIES 2001 WORK RELEASE BONDS</b>		
	<b>Bond Fund Reserve</b>	<b>Capital Expenditure Account</b>	<b>Operating Reserve Account</b>
Required Balance:			
Reserve Accounts	\$ 80,500	\$ 25,000	\$ 30,000
Investments in Trustee Accounts, June 30, 2015	<u>45,787</u>	<u>25,004</u>	<u>30,005</u>
Excess (Deficiency) of Account			
Balances over (under) Required Balances	<u>\$ (34,713) *</u>	<u>\$ 4</u>	<u>\$ 5</u>

\* The City made a deposit to this fund in July 2015 bringing the account back to the required amount.

**CITY OF HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**This page intentionally left blank**

**CITY OF HOLDENVILLE, OKLAHOMA**

**SINGLE AUDIT REPORTS  
AND SUPPLEMENTARY SCHEDULES**

**JUNE 30, 2015**

CITY OF HOLDENVILLE, OKLAHOMA

TABLE OF CONTENTS

PAGE

SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

**Reports related to financial statements of the reporting entity  
Required by GAO Government Auditing Standards:**

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 <i>Government Auditing Standards</i>	1
---	---

**Reports related to Federal Assistance Programs Required by OMB Circular A-133:**

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6
Schedule of Prior Audit Findings	9



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, 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, 2015, 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 21, 2015. Our report included an emphasis of 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.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-01.

### **City's Response to Findings**

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

### **Purpose of this Report**

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

*Arledge & Associates, P.C.*

September 21, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

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

We have audited the City of Holdenville, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

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

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

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 21, 2015, which contained unmodified opinions on those financial statements. Our report included an emphasis of 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. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Arledge & Associates, P.C.*

September 21, 2015

CITY OF HOLDENVILLE, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

<u>Federal Grantor/Pass through agency Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Expended</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Pass through Oklahoma Department of Commerce Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 648,149
Total Expenditures of Federal Awards		<u>\$ 648,149</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The schedule of expenditures of federal awards includes the federal grant activity of the City of Holdenville under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified cash basis of accounting consistent with the Government-Wide Financial Statements.

CITY OF HOLDENVILLE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted?  X  yes \_\_\_\_\_ no

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Reportable condition(s) identified  
not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
OMB Circular A-133, Section .510(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster  
14.228 Community Development Block Grant

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

CITY OF HOLDENVILLE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

See finding 2015-01.

Internal Control Findings

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

CITY OF HOLDENVILLE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

**Finding 2015-01 Cash Collateral**

*Criteria:* Oklahoma State law requires bank deposits that exceed the federal insurance limits to be secured by acceptable collateral.

*Condition:* One of the City's bank accounts was under collateralized by \$73,445 at June 30, 2015.

*Cause and Effect:* The City did not monitor cash balances throughout the fiscal year to ensure the cash balance was below the amount collateralized. The City is not in compliance with state statutes and is exposed to custodial credit risk without appropriate collateralization.

*Recommendation:* We recommend the City review its collateral arrangement with its bank and monitor coverage throughout the year to ensure all accounts are appropriately collateralized.

*City's response:* We received notice in April 2015 that the account was under-collateralized. We contacted the bank and obtained a letter of credit, effective August 10, 2015.

CITY OF HOLDENVILLE, OKLAHOMA

SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2014

Compliance Findings

None to be reported for June 30, 2014 period.

Internal Control Findings

None to be reported for June 30, 2014 period.