

**CITY OF STROUD, OKLAHOMA**  
**Report on Audit of Financial Statements**  
**June 30, 2014**

**City of Stroud  
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June 30, 2014**

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**Independent Auditor's Report**

City Council  
City of Stroud  
Stroud, Oklahoma

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

An audit 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, I 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.

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

**Opinions**

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stroud's financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 1, 2015 on my consideration of the City of Stroud's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering City of Stroud, Oklahoma's internal control over financial reporting and compliance.



Stroud, Oklahoma  
June 1, 2015

## Management's Discussion and Analysis

The following discussion and analysis of the City of Stroud's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014.

### Financial Highlights

- ❖ The assets of the City of Stroud exceeded its liabilities at the close of the most recent fiscal year by \$13,767,494 (net position). Of this amount, \$2,962,507 (unrestricted net position) may be used to meet the government's obligations to citizens and creditors.
- ❖ The government's total net position increased by \$431,179 for the year ended June 30, 2014.
- ❖ As of the close of the current fiscal year the City of Stroud's governmental funds reported combined ending fund balances of \$1,582,910 an increase of \$546,414 in comparison with the prior year. Approximately \$521,882 is available for spending at the government's discretion (unassigned fund balance).
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was \$521,882.
- ❖ The City of Stroud's total debt increased by \$2,542,847 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Stroud's basic financial statements. The City of Stroud's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad view of the City of Stroud's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the City of Stroud's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Stroud is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Stroud that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of

the City of Stroud include general government, public safety, public works, and culture and recreation. The business-type activity of the City of Stroud, the Stroud Utility Authority, provides the City's electric, water, wastewater and sanitation utility operation.

The government-wide financial statements include not only the City of Stroud itself (known as the primary government), but also the legally separate authorities (Stroud Hospital Authority and Stroud Industrial Authority) for which the City of Stroud is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government itself. The Stroud Utility Authority, although also legally separate, functions for all practical purposes as a department of the City of Stroud, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 10-12 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Stroud, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Stroud can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special street tax fund, capital expenditure fund, and special revenue fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

**Proprietary funds.** The City maintains a type of proprietary funds, an Enterprise fund which is used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Stroud Utility Authority.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has three fiduciary funds- the meter deposit fund, the HRA employee benefit fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on page 19 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20-37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 38 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditure for the general fund. Combining and individual fund statements and schedules can be found on pages 39-40 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,767,494 at the close of the most recent fiscal year.

The largest portion of the City's net assets (69%) reflects its investment in capital assets (e.g. land buildings, improvements, vehicles and equipment) less any related debt used to acquire those assets that are still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1  
Net Assets  
(In Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 1,711	\$ 3,394	\$ 5,105
Capital assets	5,787	8,979	14,766
Total assets	<u>7,498</u>	<u>12,373</u>	<u>19,871</u>
Long-term debt outstanding	88	4,967	5,055
Other liabilities	131	917	1,048
Total liabilities	<u>219</u>	<u>5,884</u>	<u>6,103</u>
Net position:			
Invested in capital assets, net of debt	5,784	3,652	9,436
Restricted	85	1,984	2,069
Unrestricted	1,410	853	2,263
Total in net position	<u>\$ 7,279</u>	<u>\$ 6,489</u>	<u>\$ 13,768</u>

A portion of the City's net position (15%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position of \$2,262,923 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities increased the City's net position by \$1,048,426.

Table 2  
Statement of Activities  
(in Thousands)  
Year Ended June 30, 2014

	Governmental Activities	Business-type Activities	Total Primary Government
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$322	\$4,529	\$4,851
Operating grants and contributions	44	-	44
Capital grants and contributions	137	-	137
<b>General Revenue</b>			
Sales and use tax	1,970	-	1,970
Franchise tax/fee	33	-	33
Other tax	93	-	93
Investment income	3	1	4
Other	110	51	161
<b>Total revenues</b>	<b>2,712</b>	<b>4,581</b>	<b>7,293</b>
<b>Expenses</b>			
General Government	528	383	911
Public Safety	949	-	949
Public Works	299	-	299
Culture and recreation	591	-	591
Electric	-	2,357	2,357
Water	-	420	420
Wastewater	-	327	327
Economic Development	-	3	3
Sanitation	-	297	297
Lake	-	121	121
Depreciation	-	469	469
Interest Expense	-	178	178
Maintenance	-	72	72
Debt Issuance Costs	-	79	79
<b>Total expense</b>	<b>2,367</b>	<b>4,706</b>	<b>7,073</b>
Increase/(decr) in net assets before transfers	345	(125)	220
Transfers-internal activity	492	(492)	-
Transfer from SIA/SHA	212	-	212
<b>Change in net assets</b>	<b>1,049</b>	<b>(617)</b>	<b>432</b>
Beginning net position	6,230	7,106	13,336
<b>Ending net position</b>	<b>7,279</b>	<b>6,489</b>	<b>13,768</b>

**Business-type activities.** Business-type activities decreased the City's net position by \$617,247. The key element in this increase is the excess of operating income over operating expenses.

#### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,582,910 an increase of \$546,414, in comparison with the prior year. Approximately 33% of this total amount or \$521,882 constitutes unassigned fund balance in the general fund, which is available for spending at the government's discretion. The remainder of the fund balances is designated to indicate that it is not available for new spending because it has already been restricted, committed, or assigned for projects such as capital improvements or is unavailable for spending.

- The fund balance of the City's general fund increased by \$204,805 during the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Stroud Utilities Authority at the end of the year amounted to \$852,706.

The total decrease in net position was \$617,247.

#### **General Fund Budgetary Highlights**

There was an increase of \$85,200 between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$1,547,050 were \$152,980 more than the estimated revenues in the budget of \$1,394,070. Actual expenditures of \$2,396,481 were \$258,543 more than the \$2,137,938 approved in budget appropriations.

#### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$9,435,652 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Utility infrastructure improvements and equipment purchases

Table 3  
Capital Assets (net of accumulated depreciation)  
(In Thousands)  
June 30, 2014

	Governmental Activities	Business-type Activities	Totals
Land	724	-	724
Construction in Progress	87	2,184	2,271
Buildings	672	441	1,113
Machinery & Equipment	325	204	529
Vehicles	345	169	514
Infrastructure	3,634	5,981	9,615
<b>TOTAL</b>	<b>5,787</b>	<b>8,979</b>	<b>14,766</b>

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$5,330,034. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds) of \$5,327,082 and capital lease obligations totaling \$2,952. This represents an increase of \$2,542,847 over last year.

Table 4  
Outstanding Debt  
(In Thousands)  
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Capital lease obligations	\$ 3	-	3
Revenue bonds payable	-	5,327	5,327
<b>Total Outstanding debt</b>	<b>\$ 3</b>	<b>5,327</b>	<b>5,330</b>

#### Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013-2014 budgets, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy, which is expected to remain fairly stable for the coming year. Employment costs are currently stable and sales tax revenues are expected to increase as new businesses come to town.

City of Stroud, Oklahoma  
Statement of Net Position  
June 30, 2014

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,578,208	160,003	1,738,211	1,185,289
Investments	340,266	-	340,266	1,794,289
Receivables, net	467,944	563,752	1,031,696	-
Internal balances	(681,846)	681,846	-	-
Due from/(to) fiduciary funds	6,084	3,779	9,863	-
<b>Restricted assets</b>				
Investment - Debt Reserve	-	157,316	157,316	-
Cash - Debt Service	-	90,259	90,259	-
Cash - Capital Improvements	-	1,705,661	1,705,661	-
Cash - Bond construction	-	31,095	31,095	-
<b>Total current assets</b>	<b>1,710,656</b>	<b>3,393,711</b>	<b>5,104,367</b>	<b>2,979,578</b>
<b>Noncurrent assets:</b>				
Land	724,266	-	724,266	213,252
Capital assets, net of accumulated depreciation	5,062,412	8,979,008	14,041,420	2,893,085
<b>Total noncurrent assets</b>	<b>5,786,678</b>	<b>8,979,008</b>	<b>14,765,686</b>	<b>3,106,337</b>
<b>Total assets</b>	<b>7,497,334</b>	<b>12,372,719</b>	<b>19,870,053</b>	<b>6,085,915</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	127,746	492,064	619,810	17,071
Capital lease obligations	2,952	-	2,952	-
Accrued interest payable	-	17,493	17,493	-
Current portion of long-term obligation	-	406,811	406,811	42,108
<b>Total current liabilities</b>	<b>130,698</b>	<b>916,368</b>	<b>1,047,066</b>	<b>59,179</b>
<b>Noncurrent liabilities:</b>				
Accrued compensated absences	88,105	47,117	135,222	-
Notes payable	-	4,920,271	4,920,271	683,529
<b>Total noncurrent liabilities</b>	<b>88,105</b>	<b>4,967,388</b>	<b>5,055,493</b>	<b>683,529</b>
<b>Total liabilities</b>	<b>218,803</b>	<b>5,883,756</b>	<b>6,102,559</b>	<b>742,708</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	5,783,726	3,651,926	9,435,652	2,380,700
<b>Restricted for:</b>				
Debt Service	-	90,259	90,259	-
Capital improvements	81,866	1,894,072	1,975,938	-
Other purposes	2,722	-	2,722	-
Unrestricted	1,410,217	852,706	2,262,923	2,962,507
<b>Total net position</b>	<b>\$ 7,278,531</b>	<b>6,488,963</b>	<b>13,767,494</b>	<b>5,343,207</b>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue	Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>PRIMARY GOVERNMENT</b>						
Governmental activities:						
General government	\$ 528,244	8,258	-	-	(519,986)	-
Public safety	948,680	237,403	37,703	1,785	(671,789)	-
Public works	299,132	27,151	-	-	(271,981)	-
Culture and recreation	591,423	48,730	5,854	135,765	(401,074)	-
Total government activities	<u>2,367,479</u>	<u>321,542</u>	<u>43,557</u>	<u>137,550</u>	<u>(1,864,830)</u>	-
Business-type activities:						
Administration	383,099	-	-	-	(383,099)	-
Electric	2,356,753	3,366,625	-	-	1,009,872	-
Water	420,050	546,577	-	-	126,527	-
Wastewater	326,633	306,514	-	-	(20,119)	-
Economic Development	3,184	-	-	-	(3,184)	-
Sanitation	297,531	309,383	-	-	11,852	-
Lake	121,052	-	-	-	(121,052)	-
Buildings and Grounds	35,680	-	-	-	(35,680)	-
Legal	320	-	-	-	(320)	-
Shop	35,863	-	-	-	(35,863)	-
Depreciation	468,743	-	-	-	(468,743)	-
Interest Expense	178,384	-	-	-	(178,384)	-
Total business-type activities	<u>4,627,292</u>	<u>4,529,099</u>	<u>-</u>	<u>-</u>	<u>(98,193)</u>	-
Total primary government	<u>\$ 6,994,771</u>	<u>4,850,641</u>	<u>43,557</u>	<u>137,550</u>	<u>(1,963,023)</u>	-
Component units	<u>\$226,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,783)</u>	<u>(226,783)</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Change in net position:</b>				
<b>Net (expense) revenue</b>	\$ (1,864,830)	(98,193)	(1,963,023)	(\$226,783)
<b>General revenues:</b>				
<b>Taxes:</b>				
Sales and Use	1,970,232	-	1,970,232	-
Tobacco	22,552	-	22,552	-
Franchise	33,406	-	33,406	-
Alcoholic beverage	30,408	-	30,408	-
Gas and Vehicle	29,418	-	29,418	-
Other	10,257	-	10,257	-
Investment income	3,149	966	4,115	23,892
Miscellaneous	29,017	14,534	43,551	1,400
Insurance Proceeds	69,586	24,223	93,809	-
Donations	3,691	-	3,691	-
Fuel Revenue	-	-	-	3,112
Debt Issuance Costs	-	(78,625)	(78,625)	-
Rental and lease income	7,296	10,754	18,050	302,680
Transfers	704,244	(491,901)	212,343	(212,343)
Capital Contributions	-	995	995	-
<b>Total general revenues and transfers</b>	<u>2,913,256</u>	<u>(519,054)</u>	<u>2,394,202</u>	<u>118,741</u>
<b>Change in net position</b>	1,048,426	(617,247)	431,179	(\$108,042)
<b>Net position - beginning</b>	6,230,105	7,106,210	13,336,315	5,451,249
<b>Net position - ending</b>	<u>\$ 7,278,531</u>	<u>\$ 6,488,963</u>	<u>13,767,494</u>	<u>\$5,343,207</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Governmental Funds  
Balance Sheet  
June 30, 2014

	General Fund	Capital Expenditure Fund	Special Reserve Fund	Special Street Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 167,431	\$ 397,806	\$ 626,929	\$ 202,343	\$ 183,699	\$ 1,578,208
Investments	295,047	-	-	-	45,219	340,266
Receivables, net	229,161	91,468	-	91,468	55,847	467,944
Due(to)/from fiduciary funds	6,084	-	-	-	-	6,084
Due(to)/from other funds	(70,034)	57,525	(617,839)	-	(51,498)	(681,846)
<b>Total assets</b>	<b>\$ 627,689</b>	<b>\$ 546,799</b>	<b>\$ 9,090</b>	<b>\$ 293,811</b>	<b>\$ 233,267</b>	<b>\$ 1,710,656</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and Accrued Liabilities	105,807	15,385	-	-	6,554	127,746
<b>Total liabilities</b>	<b>105,807</b>	<b>15,385</b>	<b>-</b>	<b>-</b>	<b>6,554</b>	<b>127,746</b>
<b>Fund balances:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	84,588	84,588
Committed	-	531,414	-	293,811	142,125	967,350
Assigned	-	-	9,090	-	-	9,090
Unassigned	521,882	-	-	-	-	521,882
<b>Total fund balances</b>	<b>521,882</b>	<b>531,414</b>	<b>9,090</b>	<b>293,811</b>	<b>226,713</b>	<b>1,582,910</b>
<b>Total liabilities and fund balances</b>	<b>\$ 627,689</b>	<b>\$ 546,799</b>	<b>\$ 9,090</b>	<b>\$ 293,811</b>	<b>\$ 233,267</b>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.						
Governmental capital assets		\$ 15,276,312				
Less accumulated depreciation		(9,489,634)				5,786,678
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:						
Capital leases payable		(2,952)				
Accrued compensated absences		(88,105)				(91,057)
<b>Net position of governmental activities</b>						<b>\$ 7,278,531</b>

See accompanying notes to the basic financial statements

City of Stroud, Oklahoma  
 Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Year Ended June 30, 2014

	General Fund	Capital Expenditure Fund	Special Reserve Fund	Special Street Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 1,081,739	\$ 492,558	-	492,558	29,418	2,096,273
Intergovernmental	14,814	-	-	-	115,669	130,483
Licenses and permits	8,925	-	-	-	-	8,925
Charge for services	251,414	-	-	-	2,996	254,410
Fines and forfeitures	53,232	-	-	-	-	53,232
Interest	1,568	546	802	10	223	3,149
Donations	28,365	-	-	-	25,950	54,315
Other	37,407	-	-	-	3,879	41,286
Insurance Proceeds	69,586	-	-	-	-	69,586
<b>Total revenues</b>	<b>1,547,050</b>	<b>493,104</b>	<b>802</b>	<b>492,568</b>	<b>178,135</b>	<b>2,711,659</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	494,072	-	-	-	-	494,072
Public safety	904,223	115,080	-	-	-	1,019,303
Public works	511,901	9,590	-	530	320,344	842,365
Culture and recreation	486,285	21,942	-	-	5,522	513,749
<b>Total expenditures</b>	<b>2,396,481</b>	<b>146,612</b>	<b>-</b>	<b>530</b>	<b>325,866</b>	<b>2,869,489</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(849,431)</b>	<b>346,492</b>	<b>802</b>	<b>492,038</b>	<b>(147,731)</b>	<b>(157,830)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,054,236	-	-	-	212,343	1,266,579
Transfers out	-	(337,608)	-	(198,227)	(26,500)	(562,335)
Capital Contributions	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>1,054,236</b>	<b>(337,608)</b>	<b>-</b>	<b>(198,227)</b>	<b>185,843</b>	<b>704,244</b>
<b>Net change in fund balances</b>	<b>204,805</b>	<b>8,884</b>	<b>802</b>	<b>293,811</b>	<b>38,112</b>	<b>546,414</b>
<b>Fund balances - beginning</b>	<b>317,077</b>	<b>522,530</b>	<b>8,288</b>	<b>-</b>	<b>188,601</b>	<b>1,036,496</b>
<b>Fund balances - ending</b>	<b>\$ 521,882</b>	<b>\$ 531,414</b>	<b>\$ 9,090</b>	<b>\$ 293,811</b>	<b>\$ 226,713</b>	<b>1,582,910</b>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2014

Net Change in fund balances - total governmental funds \$ 546,414

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital asset expenditures in the current reporting period.

Capital outlay expenditures, net	758,302	
Depreciation expense	<u>(303,130)</u>	455,172

Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds. 65,288

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the net increase in compensated absences of \$18,448 (18,448)

Change in net position of governmental activities \$ 1,048,426

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Proprietary Funds  
Statement of Net Position  
June 30, 2014

	Stroud Utilities <u>Authority</u>
<b><u>ASSETS</u></b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 160,003
Receivables, net	563,752
Due from fiduciary funds	3,779
Due from other funds	681,846
<b>Restricted assets:</b>	
Investments - Capital Improvement	157,316
Cash - Debt Service	90,259
Cash - Bond Construction	1,705,661
Cash - Capital Improvement	31,095
Total current assets	<u>3,393,711</u>
<b>Non-current assets:</b>	
Capital assets, net of accumulated depreciation	<u>8,979,008</u>
Total non-current assets	<u>8,979,008</u>
<b>Total assets</b>	<u><u>12,372,719</u></u>
<b><u>LIABILITIES</u></b>	
<b>Current liabilities:</b>	
Accounts payable and Accrued Liabilities	492,064
Accrued interest payable	17,493
Current portion of long-term obligation	406,811
Total current liabilities	<u>916,368</u>
<b>Non-current liabilities:</b>	
Accrued compensated absences	47,117
Note payable	4,920,271
Total non-current liabilities	<u>4,967,388</u>
<b>Total liabilities</b>	<u>5,883,756</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	3,651,926
<b>Restricted:</b>	
Debt Service	90,259
Capital improvement	1,894,072
Unrestricted	852,706
<b>Total net position</b>	<u><u>\$ 6,488,963</u></u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2014

	<u>Stroud Utilities Authority</u>
<b><u>OPERATING REVENUES:</u></b>	
Charges for services	
Electric	\$ 3,253,782
Water	546,577
Wastewater	306,514
Sanitation	309,383
Other	112,843
Total operating revenues	<u>4,529,099</u>
<b><u>OPERATING EXPENSES:</u></b>	
General and administration	383,099
Electric	2,356,753
Water	420,050
Wastewater	326,633
Sanitation	297,531
Economic development	3,184
Legal	320
Shop	35,863
Building and grounds	35,680
Lake	121,052
Depreciation	468,743
Total operating expenses	<u>4,448,908</u>
Operating income(loss)	<u>80,191</u>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>	
Insurance Proceeds	24,223
Miscellaneous revenues	14,534
Rental and lease revenue	10,754
Investment income	966
Debt issuance cost	(78,625)
Interest expense	(178,384)
Total nonoperating revenues (expenses)	<u>(206,532)</u>
Income before other revenues, expenses, gains, losses and transfers	<u>(126,341)</u>
<b><u>CAPITAL CONTRIBUTIONS, SPECIAL AND EXTRA ITEMS AND TRANSFERS</u></b>	
Transfers in	562,335
Transfers out	(1,054,236)
Capital Contributions	995
Total operating transfers & other	<u>(490,906)</u>
Change in net position	<u>(617,247)</u>
Net position - beginning	7,106,210
Net position - ending	<u><u>\$ 6,488,963</u></u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2014

	Stroud Utilities Authority
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Receipts from customers	\$ 4,528,879
Payments to suppliers	(3,075,919)
Payments to employees	(926,604)
Net cash provided (used) by operating activities	<u>526,356</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>	
Miscellaneous revenues	14,534
Receipts from investments	156,766
Insurance proceeds	24,223
Transfers in (out)	(491,901)
Decrease in due from other funds	(142,804)
Rent and lease proceeds	10,754
Net cash provided (used) by noncapital financing activities	<u>(428,428)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Proceeds from notes payable	2,889,983
Principal paid on capital debt	(281,848)
Interest paid on capital debt	(178,384)
Purchase of capital assets	(935,437)
Debt issuance costs	(78,625)
Capital Contributions	995
Net cash provided (used) by capital and related financing activities	<u>1,416,684</u>
<b><u>CASH FLOWS INVESTING ACTIVITIES</u></b>	
Interest received	966
Net cash provided (used) by investing activities	<u>966</u>
Net increase (decrease) in cash and cash equivalents	1,515,578
Cash and cash equivalents, beginning of the year	628,756
Cash and cash equivalents, end of the year	<u>\$ 2,144,334</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>	
Operating income (loss)	\$ 80,191
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and Amortization expense	468,743
Change in assets and liabilities:	
Receivable, net	(220)
Accounts payable and accrued liabilities	(25,798)
Compensated Absences	3,440
Total adjustments	<u>446,165</u>
Net cash provided by (used in) operating activities	<u>\$ 526,356</u>

See accompanying notes to the basic financial statements.

City of Stroud, Oklahoma  
Statement of Fiduciary Net Position  
Agency Funds  
June 30, 2014

	Agency Funds		
	Meter Deposit <u>Fund</u>	HRA <u>Fund</u>	Municipal Court <u>Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 31,392	10,116	7,899
Investments	56,171	-	-
Due from other funds	-	-	-
<b>Total assets</b>	<u>87,563</u>	<u>10,116</u>	<u>7,899</u>
<b>LIABILITIES</b>			
Customer deposits	83,447	-	-
Employee deposits	-	10,116	-
Bonds held in trust	-	-	2,490
Due to other funds	4,116	-	5,409
<b>Total liabilities</b>	<u>87,563</u>	<u>10,116</u>	<u>7,899</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>

See accompanying notes to the basic financial statement.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

I. Organization

The City of Stroud, Oklahoma (the City) was established in 1898 and operates under a council-manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), public works (streets and cemetery), culture and recreation, general government and administration, along with utility services to include electric, water, wastewater, and sanitation, and golf and airport facilities.

II. Summary of significant accounting policies.

A. Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the City.

**Blended component units.** The Stroud Utilities Authority (SUA), serves all the citizens of the City and is governed by a board comprised of the City's elected council (Trustees). The rates for user charges and debt authorization are approved by the city council. The SUA was created May 27, 1963, to finance, develop, and operate the electric, water, wastewater, and solid waste activities of the City. The SUA is reported as an enterprise fund type.

**Discretely presented component units.** Discretely presented component units of the City issue separately audited financial statements. Copies of these audit reports may be obtained from the City Hall offices in Stroud.

There are two discretely presented component units of the City. The Stroud Hospital Authority was created April 1, 1976 to operate and maintain the Stroud Municipal Hospital, which was sold in May, 2004. This Authority continues to operate to stimulate economic growth and development of the City. The Trustees are different from the City's governing body and the City is the beneficiary.

The Stroud Industrial Authority was created February 25, 1974 to aid in the City's economic growth and development by financing, operating, constructing and administering any public works, improvements or facilities. The Trustees are a body separate from the City's governing body and the City is the beneficiary.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function of the segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

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

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

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital expenditure fund is used for major capital expenditures of the City. It is funded by one-third of the three cents sales tax imposed by the City.

The special reserve fund is used for special projects the City may need additional funds for. Monies are transferred from other funds whenever the Town Council deems it appropriate.

The City reports the following major proprietary funds:

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

The Stroud Utilities Authority accounts for the City's utility operations including electric, water, wastewater, and sanitation, as well as broadband communications and ambulance services.

The Authority prepares its financial statements in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net position**

**1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, money market accounts, and certificates of deposit or short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, and Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component units are reported at fair value.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either: "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown net of an allowance for uncollectibles.

**3. Inventories and prepaid items**

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Inventory amounts not consumed at year end are insignificant.

**4. Capital assets**

Capital assets, which includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40-50
Equipment	5-10
Vehicles	7-20
Infrastructure	15-50

**5. Compensated absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees accrue vacation from 2 - 4 weeks a year, depending on length of service, up to a maximum of 240 hours for all employees. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave may be accumulated up to a maximum of 480 hours for employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**6. Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are expensed beginning this fiscal year. Bonds payable are reported net of the applicable bond premium or discount.

### 7. Fund equity

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

Nonspendable - This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This is the portion of the fund balance that has constraints placed on the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from *restricted* fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned. Constraints imposed on the use of *committed* amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that *commit* amounts to specific purposes is not considered to be legally enforceable.

Assigned - This is the portion of the fund balance constrained by the *intent* of the Town Council to be used for specific purposes, but is neither restricted nor committed.

Unassigned - This is the residual classification of fund balance in the *general fund*. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

### III. Stewardship, compliance, and accountability

#### Budgetary information

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.

c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.

d. By July 1, the adopted budget is filed with the Office of the State Auditor and Inspector.

All funds (except those of the Public Trust component units) with revenues and expenditures are required to have annual budgets approved by the City Council. The legal level of control at which expenditures may not legally exceed appropriations is the total department level within a fund. The Budget Act recognizes the following object categories as a control level by department within a fund:

- |                              |                       |
|------------------------------|-----------------------|
| - Personal Services          | - Capital Outlay      |
| - Material and Supplies      | - Debt Service        |
| - Other Services and Charges | - Interfund Transfers |

All transfers of appropriation between funds and supplemental appropriations require City Council approval. The City Clerk may transfer appropriations between object categories within a fund without City council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Stroud Utilities Authority (accounted for as a blended component unit in this report) is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control; and, therefore no budget and actual financial presentations for the public trusts are included in this report.

The city prepares its budgets for all funds on the modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. All appropriations and encumbrances outstanding at year-end lapse and any open commitments to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, encumbrances outstanding at year-end are not treated as expenditures in the budget and actual financial statements until the year they become expenditures.

For the year ended June 30, 2014, the City complied, in all material respects, with the applicable budget laws as discussed above. Supplemental appropriations reflected in the budget amounts reported in the financial statements were properly approved by the City Council. For the year ended June 30, 2014, the following supplemental appropriations were approved:

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

<u>Fund Type</u>	<u>Original</u> <u>Appropriations</u>	<u>Increase In</u> <u>Appropriations</u>	<u>Revised</u> <u>Appropriations</u>
General Fund	\$ 2,052,738	\$ 85,200	\$ 2,137,938
SUA	4,893,760	199,750	5,093,510
Street & Alley Fund	30,000	-	30,000
Capital Expenditure Fund	366,000	110,065	476,065
Special Street Tax Fund	435,000	-	435,000

IV. Detailed notes on all funds

A. Deposits and investments

It is the City's policy for deposits to be secured by collateral and/or be federally insured. The City's deposits were fully covered by FDIC insurance and securities held by the pledging financial institution's trust department or agent in the entity's name at June 30, 2014.

Oklahoma Statutes allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trusts revenue bonds, except industrial revenue bonds; bonds of the State of Oklahoma and wholly owned corporations of the United States; short-term obligations of the United States; and certificates of deposit. All City funds have been invested in accordance with Oklahoma Statutes.

B. Receivables

Receivables as of June 30, 2014, for the City of Stroud's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Capital Expenditure Fund	Special Street Tax Fund	Nonmajor Governmental Funds	Stroud Utilities Authority	Total
Gross Receivables	255,469	91,468	91,468	55,847	670,962	1,165,214
Less: allowance for uncollectibles	(26,308)	-	-	-	(107,210)	(133,518)
Net total receivables	<u>229,161</u>	<u>91,468</u>	<u>91,468</u>	<u>55,847</u>	<u>563,752</u>	<u>1,031,696</u>

C. Capital assets

Capital asset balances and activities for the year ended June 30, 2014, were as follows:

**City of Stroud, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2014**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	723,266	1,000	-	724,266
Construction in Progress	304,833	86,668	(304,833)	86,668
Total capital assets, not being depreciated	<u>1,028,099</u>	<u>87,668</u>	<u>(304,833)</u>	<u>810,934</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	2,170,488	-	-	2,170,488
Equipment	885,626	40,762	-	926,388
Vehicles	1,317,038	99,661	(100,000)	1,316,699
Infrastructure	9,216,759	-	835,044	10,051,803
Total capital assets, being depreciated	<u>13,589,911</u>	<u>140,423</u>	<u>735,044</u>	<u>14,465,378</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,445,025)	(53,930)	-	(1,498,955)
Equipment	(546,716)	(54,632)	-	(601,348)
Vehicles	(993,035)	(78,950)	100,000	(971,985)
Infrastructure	(6,301,728)	(115,618)	-	(6,417,346)
Total accumulated depreciation	<u>(9,286,504)</u>	<u>(303,130)</u>	<u>100,000</u>	<u>(9,489,634)</u>
Total capital assets, being depreciated, net	<u>4,303,407</u>	<u>(162,707)</u>	<u>835,044</u>	<u>4,975,744</u>
Governmental activities capital assets, net	<u>5,331,506</u>	<u>(75,039)</u>	<u>530,211</u>	<u>5,786,678</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities-SUA</b>				
<b>Capital assets, not being depreciated:</b>				
Land	-	-	-	-
Construction in Progress	1,384,423	799,373	-	2,183,796
Total Capital assets, not being depreciated	<u>1,384,423</u>	<u>799,373</u>	<u>-</u>	<u>2,183,796</u>
<b>Capital assets, being depreciated:</b>				
Buildings	818,753	995	-	819,748
Equipment	390,105	-	-	390,105
Vehicles	322,625	83,219	-	405,844
Infrastructure	15,998,117	51,850	-	16,049,967
Total capital assets, being depreciated	<u>17,529,600</u>	<u>136,064</u>	<u>-</u>	<u>17,665,664</u>
<b>Less accumulated depreciation:</b>				
Buildings	(357,748)	(20,622)	2	(378,368)
Equipment	(155,467)	(30,382)	-	(185,849)
Vehicles	(213,382)	(23,703)	-	(237,085)
Infrastructure	(9,675,114)	(394,036)	-	(10,069,150)
Total accumulated depreciation	<u>(10,401,711)</u>	<u>(468,743)</u>	<u>2</u>	<u>(10,870,452)</u>
Total capital assets, being depreciated, net	<u>7,127,889</u>	<u>(332,679)</u>	<u>2</u>	<u>6,795,212</u>
Business-type activities capital assets, net	<u>8,512,312</u>	<u>466,694</u>	<u>2</u>	<u>8,979,008</u>

Depreciation expense was charged to functions/programs as follows:

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

Governmental activities:	Current Year		
	<u>Depreciation</u>	<u>Retirements</u>	<u>Net</u>
General government	35,678	-	35,678
Public safety	86,878	(100,000)	(13,122)
Public works	68,888	-	68,888
Culture and recreation	111,686	-	111,686
	<u>303,130</u>	<u>(100,000)</u>	<u>203,130</u>
Business-type activities:			
Electric	101,199	-	101,199
Water	77,853	-	77,853
Wastewater	125,183	-	125,183
Cultural and Recreation	150,237	-	150,237
General and administration	14,271	-	14,271
	<u>468,743</u>	<u>-</u>	<u>468,743</u>

**D. Deposits subject to refund**

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2014, cash and investments included \$83,447 available for refund of customer deposits.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2014, there were \$2,490 in bonds being held that were subject to refund.

**E. Leases**

**Capital Leases**

The City has entered into various lease agreements as lessee for financing the acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease obligations at June 30, 2014 are as follows:

**City of Stroud**

\$1,952 Lease purchase agreement with US Bank dated November, 2012 payable in monthly installments of \$61, including interest at 6%, maturing December, 2013 for a copier.

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City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

\$3,905 lease purchase agreement with US Bank, dated November 2012, payable in monthly installments of \$123, at 6% interest, maturing December 2015, for a copier 2,131

Total Governmental-type activities 2,952

Total capital lease obligation \$ 2,952

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30,	Activities
2015	\$ 1,840
2016	1,234
2016	-
2017	-
2018	-
2019	-
Total required payments	3,074
Less: Interest expense	122
Total principal payments	\$ 2,952

**F. Long-term debt**

Long-term liabilities of the City of Stroud as of June 30, 2014, are summarized as follows:

**Governmental activities**

Accrued compensated absences \$ 88,105

Total governmental activities 88,105

**Business-type activities**

*Stroud Utilities Authority*

\$1,700,000 promissory note, Series 2005, to the Oklahoma Water Resources Board, dated November 22, 2005, payable in semi-annual installments over 20 years including interest at 2.60% secured by pledged one cent sales tax. 1,168,566

*Stroud Utilities Authority*

\$2,360,000 promissory note, Series 2012 Drinking Water SRF, to the Oklahoma Water Resource Board, dated September 1, 2012, interest at 2.30%, semi-annual 1,599,442

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

Payments of \$66,867 over 20 years, secured by a pledged sales tax and utility revenues, maturing September 2028

*Stroud Utilities Authority*

\$611,486 promissory note, Series 2011 Clean Water, to the Oklahoma Water Resource Board, dated February 22, 2011 payable in semi-annual installments Of \$20,518 over 20 years, including interest at 2.62%, secured by a pledged sales tax and utility revenues. 548,090

*Stroud Utilities Authority*

\$2,100,000 promissory note, Series 2013, to Bancfirst, dated September 24, 2013 payable in semi-annual principle installments of \$90,000-\$120,000 over 20 years, plus interest at 2.60%, secured by a pledged sales tax and utility revenues, maturing September 2023. 2,010,000

*Stroud Utilities Authority*

\$1,952 note to US Bank, dated November 2012, payable at \$61/month, including interest at 6%, maturing December 2015, for a copier 984

Accrued compensated absences 47,117

Total business-type activities \$ 5,374,199

Long-term liabilities transactions for the year ended June 30, 2014 and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
Accrued compensated absences	69,657	18,448	-	88,105	22,026
Total governmental activities	<u>69,657</u>	<u>18,448</u>	<u>-</u>	<u>88,105</u>	<u>22,026</u>
<b>Business-type activities</b>					
US Bank-copier	1,458	-	474	984	574
Bancfirst - Series 2013	-	2,100,000	90,000	2,010,000	190,000
OWRB - Series 2012	902,409	763,899	66,866	1,599,442	109,983
OWRB - Series 2011	571,234	-	23,144	548,090	23,882
OWRB - Series 2005	1,243,846	-	75,280	1,168,566	82,372
Accrued compensated absences	43,677	3,440	-	47,117	11,779
Total business-type activities	<u>2,762,624</u>	<u>2,867,339</u>	<u>255,764</u>	<u>5,374,199</u>	<u>418,590</u>
Total long-term debt	<u>2,832,281</u>	<u>2,885,787</u>	<u>255,764</u>	<u>5,462,304</u>	<u>440,616</u>

Annual debt service requirements to maturity for notes payable are as follows:

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

Year Ending June 30,	Business-Type <u>Activities</u>
2015	\$ 527,395
2016	549,249
2017	547,540
2018	548,479
2019	736,566
2020-2025	2,615,105
2025-2029	839,591
2030-2034	102,586
Total principal and interest	
	6,466,511
Less interest	
	<u>1,139,429</u>
Principal outstanding at June 30, 2014	
	<u><u>\$ 5,327,082</u></u>

**G. Compensated absences**

Full-time employees with at least one year of service earn vacation of ten to twenty days per year depending on years of service completed. A maximum of 240 hours may be carried over from one benefit year into another. Payment in lieu of vacation is limited to a maximum of ten days. In accordance with the guidelines set fourth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation and sick leave as follows:

Governmental activities	\$88,105
Business-type activities	<u>47,117</u>
Total accrued compensated absences	\$135,222

Full-time employees earn sick leave at the rate of ten hours per month, up to 60 days. Police employees earn 10 hours per month up to 480 hours. Upon retirement, employees are paid at the rate of ½ hour for every 1 hour accumulated sick leave up to the maximum accrual of 240 hours compensation for 480 hours.

**H. Interfund receivables, payables and transfers**

Interfund transactions:

The composition of interfund balances as of June 30, 2014 is as follows:

**City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014**

General fund	Other Government	22,382
Capital Expenditure fund	Other Government	57,525
Other Government	General fund	27
General fund	Agency	6,085
SUA	General fund	92,389
SUA	Special Reserve fund	589,457
SUA	Agency	3,779
Total		771,644

Interfund transactions:

	Transfers In				Totals
	General Fund	Capital Expenditure Fund	Nonmajor Governmental	Stroud Utilities Authority	
Transfers out:					
Nonmajor governmental	-	-	-	26,500	26,500
Stroud Utilities Authority	1,054,236	-	-	-	1,054,236
Special Street Tax Fund	-	-	-	198,227	198,227
Capital Expenditure Fund	-	-	-	337,608	337,608
Totals	1,054,236	-	-	562,335	1,616,571

**V. Other information**

**A. 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; employees health and life; and natural disasters. The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Retained</u>
a. Torts, errors and omissions, health and life, and vehicle loss	Participation in Oklahoma Municipal Assurance Group	None
b. Injuries to employees (workers compensation)	Participation in Oklahoma Municipal Assurance Group	None
c. Physical property loss and natural disaster	Participation in Oklahoma Municipal Assurance Group.	None

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

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

**B. Contingent liabilities**

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

**C. Employee retirement systems and pension plans**

The City of Stroud participates in the Oklahoma State Firefighters' Pension and Retirement System (OFPRS). This Plan is a cost-sharing multiple-employer defined benefit pension plan. Additionally, for other City employees not covered by the other plan, the City of Stroud maintains a defined benefit plan, Oklahoma Municipal Retirement Fund (OMRF), for employees not covered by other plans. This Plan is an agent multiple employer defined benefit pension plan.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fire fighting employees of the City.

That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System in Oklahoma City, Oklahoma.

Funding Policy - The City of Stroud contributes \$60 per volunteer firefighter for the year ended June 30, 2014.

Oklahoma Municipal Retirement (OMRF)

Plan Description - The City maintains a defined benefit retirement plan which covers employees not covered by other plans. The plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). All regular, full-time City employees not covered by other plans are required to participate in the OMRF. Benefits vest after ten years of service. Effective July 1, 1993, employees who retire at age 65 or completion of ten years of service, if later, are entitled to annual retirement benefits, payable monthly in an amount equal to 1.875% of final average compensation multiplied by the number of years credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65 the amount of benefit will be actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

A participant who becomes totally and permanently disabled after completion of ten years of service will be entitled to a disability benefit computed based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age.

Employee contributions are returned with accrued interest if their employment is terminated prior to completion of ten years of service. A death benefit is payable after ten years of service based on 50% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

*Funding Policy* - The amount shown below as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of March 2013. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.5% compounded annually, 2) future salary increases based on the age of the employee.

Actuarially Determined Contribution Requirements and Contributions Made

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method.

The unfunded actuarial liability (UAL) is the excess of the total actuarial liability for active and non-active participants, over the actuarial value of plan assets. This amount (redetermined each year) is amortized as a level dollar amount over 30 years from the amortization base date. The amortization base date is initially set as the 2013 valuation date. Experience gains (decreases in cost due to favorable experience), or experience losses (increases in cost due to adverse experience), attributable to deviations between the assumed and actual experience of the Plan, are amortized as part of the UAL.

The market value of plan assets is compared to the expected value based on the prior year market value to determine the investment gain or loss for the year. This gain or loss is then recognized ratably over a 5-year period beginning on the valuation date.

This is a change from the prior years' method of recognizing 25% of cumulative net gains and losses on a rolling basis. In order to effect a smooth transition to the new method in this first year, the cumulative net gains and losses will be determined, and this amount will be recognized ratably over a 4-year period beginning on the valuation date.

For the fiscal year ended June 30, 2014, employees were required to contribute 4.50% of annual compensation. The City is required to contribute the remaining amounts necessary to fund the pension plan, using an actuarial basis. The City's contribution rate, for the fiscal year ended June 30, 2014, was 10.14%. During the year ended June 30, 2014, the City and the employees contributed \$138,599 and \$56,699, respectively, to the OMRF.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

Historical trend information for the OMRF Employee Retirement System of Stroud, Oklahoma for the past ten years is as follows:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
1/1/2004	2,076,721	2,442,410	85.0%	365,689	899,674	40.6%
1/1/2005	2,178,601	2,479,171	87.9%	300,570	973,817	30.9%
1/1/2006	2,264,870	2,645,581	85.6%	380,711	982,802	38.7%
1/1/2007	2,372,187	2,502,866	94.8%	130,679	1,051,509	12.4%
1/1/2008	2,475,867	2,648,246	93.5%	172,380	1,096,224	15.7%
1/1/2009	2,261,072	2,579,015	87.7%	317,943	1,013,934	31.4%
1/1/2010	2,232,361	2,663,862	83.8%	431,501	1,007,505	42.8%
1/1/2011	2,275,998	2,823,191	80.6%	547,192	1,118,232	48.9%
1/1/2012	2,311,328	2,978,982	77.6%	667,654	1,104,738	60.4%
1/1/2013	2,440,080	3,425,408	71.2%	985,328	1,193,866	82.5%

City Manager Only Plan (COM)

Plan Description - The City of Stroud participates in the Oklahoma Municipal Retirement Fund's City Manager Only Plan for its city manager. The City Manager Only Plan provides portable retirement plans for municipal managers.

The participant vests immediately in all contributions, however, benefits are not available to the participant until retirement, termination, death, or unforeseeable emergency.

Funding Policy - The City of Stroud contributes 13.0% of participant compensation to the plan and the participant contributes 10.0% of compensation. Contributions made by the City on behalf of the participant during the year ended June 30, 2014 were \$11,143 and participant contributions were \$8,572.

**D. Expanded Governmental Fund Balance Classification**

The following shows the governmental fund balances by classification. Where the amounts are nonspendable, restricted, committed or assigned, the purposes for which they are so designated are noted below.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

	<u>General Fund</u>	<u>Capital Expenditure Fund</u>	<u>Special Reserve Fund</u>	<u>Special Street tax Fund</u>	<u>Other Funds</u>	<u>Total</u>
<b>Fund balances:</b>						
<b>Nonspendable:</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted For:</b>						
Capital projects	-	-	-	-	-	-
Airport	-	-	-	-	11,399	11,399
Streets	-	-	-	-	-	-
Library	-	-	-	-	2,722	2,722
Economic Dev	-	-	-	-	-	-
Cemetery	-	-	-	-	70,467	70,467
<b>Committed:</b>						
Special Projects	-	531,414	-	293,811	142,125	967,350
<b>Assigned:</b>	-	-	9,090	-	-	9,090
<b>Unassigned:</b>	521,882	-	-	-	-	521,882
<b>Total fund balances</b>	<u>\$521,882</u>	<u>\$531,414</u>	<u>\$9,090</u>	<u>\$293,811</u>	<u>\$226,713</u>	<u>\$1,582,910</u>

#### E. Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the outstanding capital debt less any unspent debt proceeds (held as liquid assets) and any associated unamortized cost.

Restricted Net Position - represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The Town would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Position - represent unrestricted liquid assets.

#### F. Capital Contributions

The Stroud Utilities Authority reported \$995 in capital contributions for the fiscal year. This represents the assets purchased by the Stroud Hospital Authority, a discretely-blended component unit of the primary government.

#### G. Additional One Cent Sales Tax

In April 2013, the citizens of Stroud voted in favor of an additional one cent sales tax to be levied and collected solely for the purpose of street repairs and construction expenses. A new bank account was set up in July 2013 and the Town began receiving the additional sales tax in September 2013.

City of Stroud, Oklahoma  
Notes to Financial Statements  
June 30, 2014

**H. Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City of Stroud does not have any deferred outflows of resources for the current fiscal year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City of Stroud does not have any deferred inflows of resources for the current fiscal year.

City of Stroud, Oklahoma  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>REVENUES</b>				
Taxes	\$ 960,000	\$ 968,200	1,081,739	113,539
Intergovernmental	7,000	7,000	14,814	7,814
Licenses and permits	5,150	5,150	8,925	3,775
Charge for services	301,100	296,100	251,414	(44,686)
Fines and forfeitures	66,000	66,000	53,232	(12,768)
Interest	3,000	3,000	1,568	(1,432)
Miscellaneous	40,620	48,620	135,358	86,738
Total revenues	<u>\$ 1,382,870</u>	<u>\$ 1,394,070</u>	<u>\$ 1,547,050</u>	<u>\$ 152,980</u>
<b>EXPENDITURES</b>				
<b>General government:</b>				
Administration	\$ 500,982	\$ 509,882	\$ 481,320	\$ (28,562)
Legal	15,390	12,790	12,751	(39)
<b>Public safety:</b>				
Police	732,904	742,004	746,455	4,451
Fire	94,908	160,908	157,767	(3,141)
Civil defense	1,000	1,000	-	(1,000)
<b>Public works:</b>				
Streets	87,709	111,284	428,609	317,325
Airport	-	600	554	(46)
Cemetery	18,600	18,600	15,252	(3,348)
Shop	33,698	33,698	29,290	(4,408)
Building & Grounds	48,479	44,204	38,197	(6,007)
<b>Culture and recreation:</b>				
Library	102,309	98,309	95,438	(2,871)
Community center	11,200	14,700	10,221	(4,479)
Golf course	148,070	148,070	146,855	(1,215)
Recreation/parks	210,187	190,187	181,710	(8,477)
Fitness center	47,302	51,702	52,062	360
Total expenditures	<u>\$ 2,052,738</u>	<u>\$ 2,137,938</u>	<u>\$ 2,396,481</u>	<u>\$ 258,543</u>
Excess (deficiency) of revenues over (under) expenditures	(669,868)	(743,868)	(849,431)	(105,563)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>586,365</u>	<u>736,365</u>	<u>1,054,236</u>	<u>317,871</u>
Net changes in fund balances	(83,503)	(7,503)	204,805	212,308
Fund balances - beginning			317,077	
Fund balances - ending			<u>\$ 521,882</u>	

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2014

	Special Revenue						Total Nonmajor Governmental Funds
	Street & Alley	Library Society	Airport	CDBG MEMCO	Cemetery Care	CDBG Grant	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 68,322	4,849	11,399	73,908	25,221	-	183,699
Investments	-	-	-	-	45,219	-	45,219
Receivables, net	4,322	-	51,525	-	-	-	55,847
Due (to)/ from other funds	-	-	(51,525)	-	27	-	(51,498)
<b>TOTAL ASSETS</b>	<b>\$ 72,644</b>	<b>4,849</b>	<b>11,399</b>	<b>73,908</b>	<b>70,467</b>	<b>-</b>	<b>233,267</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	4,427	2,127	-	-	-	-	6,554
<b>Total Liabilities</b>	<b>\$ 4,427</b>	<b>2,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,554</b>
<b>Fund balances:</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	2,722	11,399	-	70,467	-	84,588
Committed	68,217	-	-	73,908	-	-	142,125
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>\$ 68,217</b>	<b>\$ 2,722</b>	<b>\$ 11,399</b>	<b>\$ 73,908</b>	<b>\$ 70,467</b>	<b>\$ -</b>	<b>\$ 226,713</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 72,644</b>	<b>\$ 4,849</b>	<b>\$ 11,399</b>	<b>\$ 73,908</b>	<b>\$ 70,467</b>	<b>\$ -</b>	<b>\$ 233,267</b>

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

City of Stroud, Oklahoma  
 Nonmajor Governmental Funds  
 Statement of Revenues, Expenses and Changes in Fund Net Assets  
 For the Year Ended June 30, 2014

	Special Revenue						Total Nonmajor Governmental Funds
	Street & Alley	Library Society	Airport	CDBG MEMCO	Cemetery Care	CDBG Grant	
<b>REVENUES</b>							
Taxes	29,418	-	-	-	-	-	29,418
Intergovernmental	-	5,854	83,315	-	-	26,500	115,669
Charge for services	-	-	-	-	2,996	-	2,996
Interest	-	-	121	102	-	-	223
Other	25,950	-	3,870	9	-	-	29,829
Donations	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>55,368</b>	<b>5,854</b>	<b>87,306</b>	<b>111</b>	<b>2,996</b>	<b>26,500</b>	<b>178,135</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	-	-	-	-	-	-	-
Cultural and Recreation	-	5,522	-	-	-	-	5,522
Public safety	-	-	-	-	-	-	-
Public Works	22,803	-	297,515	-	26	-	320,344
<b>Total expenditures</b>	<b>22,803</b>	<b>5,522</b>	<b>297,515</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>325,866</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>32,565</b>	<b>332</b>	<b>(210,209)</b>	<b>111</b>	<b>2,970</b>	<b>26,500</b>	<b>(147,731)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	212,343	-	-	-	212,343
Transfers out	-	-	-	-	-	(26,500)	(26,500)
Expenditures paid for other funds	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>212,343</b>	<b>-</b>	<b>-</b>	<b>(26,500)</b>	<b>185,843</b>
<b>Net change in fund balances</b>	<b>32,565</b>	<b>332</b>	<b>2,134</b>	<b>111</b>	<b>2,970</b>	<b>-</b>	<b>38,112</b>
<b>Fund balances - beginning</b>	<b>35,652</b>	<b>2,390</b>	<b>9,265</b>	<b>73,797</b>	<b>67,497</b>	<b>-</b>	<b>188,601</b>
<b>Fund balances - ending</b>	<b>68,217</b>	<b>2,722</b>	<b>11,399</b>	<b>73,908</b>	<b>70,467</b>	<b>-</b>	<b>226,713</b>

See Disclaimer in Independent Accountant's Report and the notes to the financial statements as they are an integral part of this statement.

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Member AICPA & OSCP

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

To the City Council  
City of Stroud, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stroud, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Stroud, Oklahoma's basic financial statements, and have issued my report thereon dated June 1, 2015.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 of Stroud, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Judith K Ballard, CPA, PC*

Stroud, Oklahoma  
June 1, 2015