

CITY OF STROUD, OKLAHOMA
Report on Audit of Financial Statements
June 30, 2015

CITY OF STROUD, OKLAHOMA

TABLE OF CONTENTS

June 30, 2015

	Page #
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Statement of Net Position	9
Statement of Activities	10-11
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position - Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Fiduciary Net Position - Agency Funds	18
Notes to Financial Statements	19-38
Required Supplemental Information	
Exhibit 1 - Schedule of Share of Net Pension Liability (Asset) - Firefighter's System	39
Exhibit 2 - Schedule of City's Contributions - Firefighter's Pension and Retirement	39
Exhibit 3 - Schedule of Changes in the Net Pension Liability and Related Ratios - OkMRF	40
Exhibit 4 - Schedule of City's Contributions - OkMRF	41
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Governmental Funds	42-43
Notes to Required Supplemental Information – Budget Information	44
Supplemental Information	
Combining Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	46
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	47-48

JUDITH K. BALLARD, CPA, PC

*Certified Public Accountant
(Member AICPA & OSCP)*

220 W. Main Street – PO Box 746, Stroud, OK 74079
Phone: 918-968-3511 [Fax: 918-968-3512]

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, 2015, 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, 2015, 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, pension exhibits, and budgetary comparison information on pages 3 through 8 and page 39-44 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 presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of federal expenditures of federal awards 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 December 9, 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
December 9, 2015

CITY OF STROUD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

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, 2015.

Financial Highlights

- The assets of the City of Stroud exceeded its liabilities at the close of the most recent fiscal year by \$14,326,682 (net position). Of this amount, \$1,367,342 (unrestricted net position) may be used to meet the government's obligations to citizens and creditors.
- The government's total net position increased by \$1,378,890 for the year ended June 30, 2015.
- As of the close of the current fiscal year the City of Stroud's governmental funds reported combined ending fund balances of \$1,627,004 an increase of \$44,094 in comparison with the prior year. Approximately \$534,377 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 \$534,377.
- The City of Stroud's total notes payable increased by \$2,492,110 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 9-11 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 12-13 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 15-17 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 18 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 19-38 of this report.

Required supplementary information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget comparisons, progress in funding its obligations to provide pension benefits to its employees, and corresponding notes. Required supplementary information can be found on page 39-44 of this report.

Other information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 45-46 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 \$14,326,682 at the close of the most recent fiscal year.

The largest portion of the City's net assets (60%) 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)
June 30, 2015

Other assets	\$ 1,691	\$ 5,114	\$ 6,805
Capital assets	7,476	8,865	16,341
Deferred outflows	109	58	167
Total assets	<u>9,276</u>	<u>14,037</u>	<u>23,313</u>
Long-term debt	93	7,400	7,493
Deferred inflows	123	63	186
Pension liability	483	239	722
Other liabilities	65	520	585
Total liabilities	<u>764</u>	<u>8,222</u>	<u>8,986</u>
Net position:			
Net investment in capital assets	7,474	1,045	8,519
Restricted	630	3,810	4,440
Unrestricted	408	960	1,368
Total in net position	<u>\$ 8,512</u>	<u>\$ 5,815</u>	<u>\$ 14,327</u>

A portion of the City's net position (30%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position of \$1,367,342 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 \$1,781,277.

TABLE 2
Statement of Activities
(In Thousands)
Year Ended June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program Revenues			
Charges for services	\$ 325	\$ 4,734	\$ 5,059
Operating grants and contributions	-	-	-
Capital grants and contributions	701	32	733
General Revenue			
Sales and use tax	1,961	-	1,961
Franchise tax	32	-	32
Other tax	92	-	92
Investment income	3	1	4
Other	95	56	151
Total revenues	<u>3,209</u>	<u>4,823</u>	<u>8,032</u>
Expenses			
General Government	520	423	943
Public Safety	976	-	976
Public Works	376	-	376
Culture and recreation	596	-	596
Electric	-	2,245	2,245
Water	-	440	440
Wastewater	-	215	215
Economic Development	140	4	144
Sanitation	-	264	264
Lake	-	102	102
Depreciation	-	428	428
Interest Expense	-	193	193
Maintenance	-	77	77
Assisted living center	-	1	1
Debt Issuance Costs	-	146	146
Total expense	<u>2,608</u>	<u>4,538</u>	<u>7,146</u>
Increase/(decr) in net assets before transfers	601	285	886
Transfers-internal activity	687	(687)	-
Transfer from Component Units	494	-	494
Change in net assets	<u>1,782</u>	<u>(402)</u>	<u>1,380</u>
Beginning net position	6,730	6,217	12,947
Ending net position	<u>\$ 8,512</u>	<u>\$ 5,815</u>	<u>\$ 14,327</u>

For the most part, increases in expenses resulted from the charging of depreciation expense on capital assets to various functional areas.

Business-type activities - Business-type activities decreased the City's net position by \$402,387. The key element in this decrease is the excess of operating expenses over operating income.

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 \$1,627,004 an increase of \$44,094, in comparison with the prior year. Approximately 33% of this total amount or \$534,337 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 \$12,495 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 \$959,659.

The total decrease in net position was \$402,387.

General Fund Budgetary Highlights

There was no change between the original and final budget for the general fund. Overall, actual revenues on the budgetary basis of \$1,504,492 were \$49,922 more than the estimated revenues in the budget of \$1,454,570. Actual expenditures of \$2,129,305 were \$113,680 less than the \$2,242,985 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, 2015, amounts to \$8,519,731 (net of accumulated depreciation and related debt). 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
- Street improvements
- Airport hangar and taxiway construction

TABLE 3
Capital Assets (net of accumulated depreciation)
(In Thousands)
June 30, 2015

	Governmental Activities	Business-type Activities	Totals
Land	\$ 724	\$ 32	\$ 756
Construction in Progress	-	49	49
Buildings	1,089	426	1,515
Machinery & Equipment	342	323	665
Vehicles	318	144	462
Infrastructure	5,002	7,891	12,893
TOTAL	<u>\$ 7,475</u>	<u>\$ 8,865</u>	<u>\$ 16,340</u>

Long-term debt - As of the end of the current fiscal year, the City had total debt outstanding of \$7,820,413. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds) of \$7,819,192 and capital lease obligations totaling \$1,221. This represents an increase of \$2,489,158 over last year.

TABLE 4
Outstanding Debt
(In Thousands)
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Capital lease obligations	\$ 1	\$ -	\$ 1
Revenue bonds payable	-	7,819	7,819
Total Outstanding debt	\$ 1	\$ 7,819	\$ 7,820

Economic Factors and Next Year’s Budgets and Rates

The City’s elected and appointed officials considered many factors when setting the fiscal-year 2014-2015 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 be somewhat less robust for the coming year due to the downturn in the oil and gas industry. Employment costs are currently stable and sales tax revenues are expected to remain stable.

CITY OF STROUD, OKLAHOMA

STATEMENT OF NET POSITION

June 30, 2015

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,682,719	\$ 24,292	\$ 1,707,011	\$ 745,474
Investments	341,115	-	341,115	1,446,721
Receivables, net	349,561	586,987	936,548	-
Internal balances	(689,946)	689,545	(401)	-
Due from/(to) fiduciary funds	7,736	3,779	11,515	-
Restricted assets				
Investment - debt reserve	-	157,669	157,669	-
Cash - debt service	-	117,851	117,851	-
Cash - capital improvements	-	3,503,115	3,503,115	-
Cash - bond construction	-	31,173	31,173	-
Total current assets	1,691,185	5,114,411	6,805,596	2,192,195
Noncurrent assets:				
Land	724,266	-	724,266	207,270
Capital assets, net of accumulated depreciation	6,751,078	8,864,801	15,615,879	3,144,104
Deferred outflows	108,993	57,407	166,400	-
Total noncurrent assets	7,584,337	8,922,208	16,506,545	3,351,374
Total assets	9,275,522	14,036,619	23,312,141	5,543,569
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	64,181	2,364	66,545	3,723
Capital lease obligations	1,221	-	1,221	-
Accrued interest payable	-	49,961	49,961	-
Current portion of long-term obligation	-	467,203	467,203	29,300
Total current liabilities	65,402	519,528	584,930	33,023
Noncurrent liabilities:				
Accrued compensated absences	92,419	48,232	140,651	-
Pension liability	483,291	238,899	722,190	-
Deferred inflows	122,803	62,896	185,699	-
Notes payable	-	7,351,989	7,351,989	652,482
Total noncurrent liabilities	698,513	7,702,016	8,400,529	652,482
Total liabilities	763,915	8,221,544	8,985,459	685,505
NET POSITION				
Invested in capital assets, net of related debt	7,474,123	1,045,608	8,519,731	2,669,592
Restricted for:				
Debt service	-	117,851	117,851	-
Capital improvements	629,801	3,691,957	4,321,758	-
Other purposes	-	-	-	-
Unrestricted	407,683	959,659	1,367,342	2,188,472
Total net position	\$ 8,511,607	\$ 5,815,075	\$ 14,326,682	\$ 4,858,064

See accompanying notes to the basic financial statement.

CITY OF STROUD, OKLAHOMA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>PROGRAM REVENUES</u>			Net (Expense) Revenue	Component Units	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>			<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT						
Governmental activities:						
General government	\$ 519,607	\$ 4,350	\$ -	\$ -	\$ (515,257)	\$ -
Public safety	976,313	239,061	-	12,154	(725,098)	-
Public works	375,677	21,281	-	683,130	328,734	-
Culture and recreation	595,998	60,032	-	5,495	(530,471)	-
Economic development	139,995	-	-	-	(139,995)	-
Total government activities	<u>2,607,590</u>	<u>324,724</u>	<u>-</u>	<u>700,779</u>	<u>(1,582,087)</u>	<u>-</u>
Business-type activities:						
Administration	421,870	-	-	-	(421,870)	-
Electric	2,244,407	3,485,309	-	-	1,240,902	-
Water	440,381	597,691	-	-	157,310	-
Wastewater	215,327	329,809	-	-	114,482	-
Economic Development	4,461	-	-	-	(4,461)	-
Sanitation	264,402	321,279	-	-	56,877	-
Lake	101,933	-	-	-	(101,933)	-
Buildings and Grounds	39,436	-	-	-	(39,436)	-
Legal	184	-	-	-	(184)	-
Shop	37,951	-	-	-	(37,951)	-
Assisted living center	1,167	-	-	32,000	30,833	-
Depreciation	427,817	-	-	-	(427,817)	-
Interest Expense	192,638	-	-	-	(192,638)	-
Total business-type activities	<u>4,391,974</u>	<u>4,734,088</u>	<u>-</u>	<u>32,000</u>	<u>374,114</u>	<u>-</u>
Total primary government	<u>\$ 6,999,564</u>	<u>\$ 5,058,812</u>	<u>\$ -</u>	<u>\$ 732,779</u>	<u>\$ (1,207,973)</u>	<u>\$ -</u>
Component units	<u>\$ 506,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (506,492)</u>	<u>-</u>

See accompanying notes to the basic financial statement.

CITY OF STROUD, OKLAHOMA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position:				
Net (expense) revenue	<u>\$ (1,582,087)</u>	<u>\$ 374,114</u>	<u>\$ (1,207,973)</u>	<u>\$ (506,492)</u>
General revenues:				
Taxes:				
Sales and Use	1,960,533	-	1,960,533	-
Tobacco	22,193	-	22,193	-
Franchise	32,318	-	32,318	-
Alcoholic beverage	26,145	-	26,145	-
Gas and Vehicle	29,372	-	29,372	-
Other	14,258	-	14,258	-
Investment income	3,357	910	4,267	25,643
Miscellaneous	57,507	47,420	104,927	(19,797)
Donations	36,816	-	36,816	177,000
Fuel Revenue	-	-	-	3,708
Debt Issuance Costs	-	(146,000)	(146,000)	-
Rental and lease income	-	8,325	8,325	328,599
Transfers	1,180,865	(687,156)	493,709	(493,709)
Total general revenues and transfers	<u>3,363,364</u>	<u>(776,501)</u>	<u>2,586,863</u>	<u>21,444</u>
Change in net position	<u>1,781,277</u>	<u>(402,387)</u>	<u>1,378,890</u>	<u>(485,048)</u>
Net position - beginning	<u>6,730,330</u>	<u>6,217,462</u>	<u>12,947,792</u>	<u>5,343,112</u>
Net position - ending	<u>\$ 8,511,607</u>	<u>\$ 5,815,075</u>	<u>\$ 14,326,682</u>	<u>\$ 4,858,064</u>

See accompanying notes to the basic financial statement.

CITY OF STROUD, OKLAHOMA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Expenditure Fund	Special Reserve Fund	Special Street Tax Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 125,256	\$ 281,034	\$ 643,829	\$ 467,567	\$ 15,731	\$ 149,302	\$ 1,682,719
Investments	295,896	-	-	-	-	45,219	341,115
Receivables, net	193,395	75,917	-	75,917	-	4,332	349,561
Due(to)/from fiduciary funds	7,736	-	-	-	-	-	7,736
Due(to)/from other funds	(62,814)	8,282	(633,159)	-	(2,282)	27	(689,946)
Total assets	<u>559,469</u>	<u>365,233</u>	<u>10,670</u>	<u>543,484</u>	<u>13,449</u>	<u>198,880</u>	<u>1,691,185</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and Accrued Liabilities	25,092	15,800	-	-	-	23,289	64,181
Total liabilities	<u>25,092</u>	<u>15,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,289</u>	<u>64,181</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	75,839	75,839
Committed	-	349,433	-	543,484	13,449	99,752	1,006,118
Assigned	-	-	10,670	-	-	-	10,670
Unassigned	534,377	-	-	-	-	-	534,377
Total fund balances	<u>534,377</u>	<u>349,433</u>	<u>10,670</u>	<u>543,484</u>	<u>13,449</u>	<u>175,591</u>	<u>1,627,004</u>
Total liabilities and fund balances	<u>\$ 559,469</u>	<u>\$ 365,233</u>	<u>\$ 10,670</u>	<u>\$ 543,484</u>	<u>\$ 13,449</u>	<u>\$ 198,880</u>	

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	\$ 17,285,262	
Less accumulated depreciation	<u>(9,809,918)</u>	7,475,344

Long-term liabilities and assets are not receivable/payable in the current period and therefore are not reported in the funds:

Deferred outflows	108,993	
Capital leases payable	(1,221)	
Accrued compensated absences	(92,419)	
Pension liability	(483,291)	
Deferred inflows	<u>(122,803)</u>	<u>(590,741)</u>

Net position of governmental activities \$ 8,511,607

See accompanying notes to the basic financial statements

CITY OF STROUD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Capital Expenditure Fund	Special Reserve Fund	Special Street Tax Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 1,075,181	\$ 490,133	\$ -	\$ 490,133	\$ -	\$ 29,372	\$ 3,555,218
Intergovernmental	20,615	-	-	-	533,669	146,495	700,779
Licenses and permits	4,350	-	-	-	-	-	4,350
Charge for services	263,287	-	-	-	-	2,401	265,688
Fines and forfeitures	54,686	-	-	-	-	-	54,686
Interest	1,325	529	1,304	37	51	111	3,357
Donations	27,816	7,000	-	-	2,000	-	36,816
Other	57,232	-	276	-	-	-	57,508
Total revenues	1,504,492	497,662	1,580	490,170	535,720	178,379	3,208,003
EXPENDITURES							
Current:							
General government	525,751	13,181	-	-	-	-	538,932
Public safety	898,926	48,837	-	-	-	-	947,763
Public works	211,576	102,845	-	674,119	925,627	212,856	2,127,023
Culture and recreation	493,052	92,763	-	-	-	5,246	591,061
Economic Development	-	139,995	-	-	-	-	139,995
Total expenditures	2,129,305	397,621	-	674,119	925,627	218,102	4,344,774
Excess (deficiency) of revenues over expenditures	(624,813)	100,041	1,580	(183,949)	(389,907)	(39,723)	(1,136,771)
OTHER FINANCING SOURCES (USES)							
Transfers in	637,308	-	-	674,093	391,957	-	1,703,358
Transfers out	-	(282,022)	-	(240,471)	-	-	(522,493)
Total other financing sources and uses	637,308	(282,022)	-	433,622	391,957	-	1,180,865
Net change in fund balances	12,495	(181,981)	1,580	249,673	2,050	(39,723)	44,094
Fund balances - beginning	521,882	531,414	9,090	293,811	11,399	215,314	1,582,910
Fund balances - ending	\$ 534,377	\$ 349,433	\$ 10,670	\$ 543,484	\$ 13,449	\$ 175,591	\$ 1,627,004

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

Year Ended June 30, 2015

Net Change in fund balances - total governmental funds \$ 44,094

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 capital expenditures exceeded depreciation expense in the current reporting period.

Capital outlay expenditures, net	2,008,950	
Depreciation expense	<u>(320,284)</u>	1,688,666

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. 1,731

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.

Net increase in compensated absences	(4,314)	
Net increase in pension liability	(483,291)	
Net increase in deferred outflows	108,993	
Net increase in deferred inflows	(122,803)	
Prior period adjustment	<u>548,201</u>	46,786

Change in net position of governmental activities \$ 1,781,277

CITY OF STROUD, OKLAHOMA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2015

	<u>Stroud Utilities Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 24,292
Receivables, net	586,987
Due from fiduciary funds	3,779
Due from other funds	689,545
Restricted assets:	
Investments - capital improvement	157,669
Cash - debt service	117,851
Cash - bond construction	3,503,115
Cash - capital improvement	31,173
Total current assets	<u>5,114,411</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	8,864,801
Deferred outflows	57,407
Total non-current assets	<u>8,922,208</u>
Total assets	<u><u>14,036,619</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	2,364
Accrued interest payable	49,961
Current portion of long-term obligation	467,203
Total current liabilities	<u>519,528</u>
Non-current liabilities:	
Accrued compensated absences	48,232
Pension liability	238,899
Deferred inflows	62,896
Note payable	7,351,989
Total non-current liabilities	<u>7,702,016</u>
Total liabilities	<u>8,221,544</u>
NET POSITION	
Invested in capital assets, net of related debt	1,045,608
Restricted:	
Debt service	117,851
Capital improvement	3,691,957
Unrestricted	<u>959,659</u>
Total net position	<u><u>\$ 5,815,075</u></u>

See accompanying notes to the basic financial statement.

CITY OF STROUD, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

Year Ended June 30, 2015

	<u>Stroud Utilities Authority</u>
OPERATING REVENUES:	
Charges for services	
Electric	\$ 3,376,019
Water	597,691
Wastewater	329,809
Sanitation	321,279
Other	109,290
Total operating revenues	<u>4,734,088</u>
OPERATING EXPENSES:	
General and administration	421,870
Electric	2,244,407
Water	440,381
Wastewater	215,327
Sanitation	264,402
Economic development	4,461
Legal	184
Shop	37,951
Building and grounds	39,436
Lake	101,933
Assisted living center	1,167
Depreciation	427,817
Total operating expenses	<u>4,199,336</u>
Operating income(loss)	<u>534,752</u>
NONOPERATING REVENUES (EXPENSES):	
Donations	32,000
Miscellaneous revenues	47,420
Rental and lease revenue	8,325
Investment income	910
Debt issuance cost	(146,000)
Interest expense	(192,638)
Total nonoperating revenues (expenses)	<u>(249,983)</u>
Income before other revenues, expenses, gains, losses and transfers	<u>284,769</u>
CAPITAL CONTRIBUTIONS, SPECIAL AND EXTRA ITEMS AND TRANSFERS	
Transfers in	624,245
Transfers out	(1,311,401)
Total operating transfers & other	<u>(687,156)</u>
Change in net position	(402,387)
Net position - beginning	<u>6,217,462</u>
Net position - ending	<u>\$ 5,815,075</u>

See accompanying notes to the basic financial statement.

CITY OF STROUD, OKLAHOMA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2015

	<u>Stroud Utilities Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,710,856
Payments to suppliers	(3,397,734)
Payments to employees	(617,982)
Net cash provided (used) by operating activities	<u>695,140</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous revenues	47,416
Invest in long term securities	(157,669)
Prior period adjustment	(271,501)
Transfers in (out)	(687,156)
Increase in due from other funds	(7,699)
Rent and lease proceeds	8,325
Net cash provided (used) by noncapital financing activities	<u>(1,068,284)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Donations	32,000
Proceeds from notes payable	2,923,920
Principal paid on capital debt	(431,809)
Interest paid on capital debt	(160,170)
Purchase of capital assets	(313,610)
Debt issuance costs	(146,000)
Net cash provided (used) by capital and Related financing activities	<u>1,904,331</u>
CASH FLOWS INVESTING ACTIVITIES	
Interest received	<u>910</u>
Net cash provided (used) by investing activities	<u>910</u>
Net increase (decrease) in cash and cash equivalents	1,532,097
Cash and cash equivalents, beginning of the year	<u>2,144,334</u>
Cash and cash equivalents, end of the year	<u>\$ 3,676,431</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 534,752
Adjustments to reconcile operating income to Net cash provided by operating activities:	
Depreciation expense	427,817
Change in assets and liabilities:	
Receivable, net	(23,232)
Accrued wages and withholdings	16,812
Accounts payable and accrued liabilities	(506,512)
Compensated Absences	1,115
Deferred outflows	(57,407)
Deferred inflows	62,896
Pension liability	238,899
Total adjustments	<u>160,388</u>
Net cash provided by (used in) operating activities	<u>\$ 695,140</u>

See accompanying notes to the basic financial statements.

CITY OF STROUD, OKLAHOMA

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
 June 30,2015

	Agency Funds		
	Meter Deposit Fund	HRA Fund	Municipal Court Fund
ASSETS			
Cash and cash equivalents	\$ 50,341	\$ 9,174	\$ 11,800
Investments	56,171	-	-
Due from other funds	-	-	-
Total assets	<u>106,512</u>	<u>9,174</u>	<u>11,800</u>
LIABILITIES			
Customer deposits	102,733	-	-
Employee deposits	-	9,174	-
Bonds held in trust	-	-	4,064
Due to other funds	3,779	-	7,736
Total liabilities	<u>106,512</u>	<u>9,174</u>	<u>11,800</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statement.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 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.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 special street tax fund is used for major street improvements of the City and is funded by a special sales tax imposed by the City.

The airport fund is used for major airport capital projects and is funded by grants received by the City for that purpose.

The City reports the following major proprietary fund:

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.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 non-operating 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 non-operating 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

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.

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 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.

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.

Capital assets

Capital assets, which include 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.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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

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.

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 applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as other issuance costs, are expensed in the year incurred.

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.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Pensions

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OkMRF's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net position by the City that are applicable to a future reporting period. As of June 30, 2015, the City's total deferred outflows were comprised of deferred charges of \$166,400 related to pensions as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the City that are applicable to a future reporting period. As of June 30, 2015, the City's total deferred inflows were comprised of deferred charges of \$185,699 related to pensions as required by GASB Statement No. 68.

E. *Change in Accounting Principle*

During the year ended June 30, 2015, the City adopted GASB Statement Nos. 68 and 71 and recognized its proportionate share of the net pension liabilities of the Oklahoma Municipal Retirement Fund and the Oklahoma Firefighter's Pension and Retirement Plan. The provisions of these statements were retroactively applied and, accordingly, the City's governmental activities net position as of June 30, 2014, was reduced by \$548,201. Of this amount, \$639,880 was attributable to the actual net pension liability and was offset by the deferral of the City's 2014 contribution amount to the plan totaling \$91,679. The City's business-type activities net position as of June 30, 2014 was reduced by \$271,501. Of this amount, \$320,012 was attributable to the actual net pension liability and was offset by the deferral of the City's 2014 contribution amount to the plan totaling \$48,510.

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.
- 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.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- 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, 2015, 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, 2015, the following supplemental appropriations were approved:

<u>Fund Type</u>	<u>Original Appropriations</u>	<u>Increase In Appropriations</u>	<u>Revised Appropriations</u>
General Fund	\$ 2,242,985	\$ -	\$ 2,242,985
SUA	5,044,446	266,500	5,310,946
Street & Alley Fund	25,000	47,000	72,000
Capital Expenditure Fund	704,500	-	704,500
Special Street Tax Fund	240,100	-	240,100

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, 2015.

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.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

B. Receivables

Receivables as of June 30, 2015, for the City of Stroud's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Capital Expenditure Fund</u>	<u>Special Street Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Stroud Utilities Authority</u>	<u>Total</u>
Gross Receivables	228,995	75,917	75,917	4,332	698,348	1,083,509
Less: allowance for uncollectibles	<u>(35,600)</u>	-	-	-	<u>(111,361)</u>	<u>(146,961)</u>
Net total receivables	<u>193,395</u>	<u>75,917</u>	<u>75,917</u>	<u>4,332</u>	<u>586,987</u>	<u>936,548</u>

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

C. Capital assets

Capital asset balances and activities for the year ended June 30, 2015, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 724,266	\$ -	\$ -	\$ 724,266
Construction in Progress	86,668	-	(86,668)	-
Total capital assets, not being depreciated	<u>810,934</u>	<u>-</u>	<u>(86,668)</u>	<u>724,266</u>
Capital assets, being depreciated:				
Buildings and improvements	2,170,488	473,052	-	2,643,540
Equipment	926,388	69,227	-	995,615
Vehicles	1,316,699	53,785	-	1,370,484
Infrastructure	10,051,803	1,499,554	-	11,551,357
Total capital assets, being depreciated	<u>14,465,378</u>	<u>2,095,618</u>	<u>-</u>	<u>16,560,996</u>
Less accumulated depreciation for:				
Buildings	(1,498,955)	(55,293)	-	(1,554,248)
Equipment	(601,348)	(52,557)	-	(653,905)
Vehicles	(971,985)	(79,983)	-	(1,051,968)
Infrastructure	(6,417,346)	(132,451)	-	(6,549,797)
Total accumulated depreciation	<u>(9,489,634)</u>	<u>(320,284)</u>	<u>-</u>	<u>(9,809,918)</u>
Total capital assets, being depreciated, net	<u>4,975,744</u>	<u>1,775,334</u>	<u>-</u>	<u>6,751,078</u>
Governmental activities capital assets, net	<u>\$ 5,786,678</u>	<u>\$ 1,775,334</u>	<u>\$ (86,668)</u>	<u>\$ 7,475,344</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities-SUA				
Capital assets, not being depreciated:				
Land	\$ -	\$ 32,000	\$ -	\$ 32,000
Construction in Progress	2,183,796	48,405	(2,183,796)	48,405
Total Capital assets, not being depreciated	<u>2,183,796</u>	<u>80,405</u>	<u>(2,183,796)</u>	<u>80,405</u>
Capital assets, being depreciated:				
Buildings	819,748	3,186	(995)	821,939
Equipment	390,105	148,450	-	538,555
Vehicles	405,844	-	-	405,844
Infrastructure	16,049,967	2,266,360	-	18,316,327
Total capital assets, being depreciated	<u>17,665,664</u>	<u>2,417,996</u>	<u>(995)</u>	<u>20,082,665</u>
Less accumulated depreciation:				
Buildings	(378,368)	(18,167)	-	(396,535)
Equipment	(185,849)	(29,267)	-	(215,116)
Vehicles	(237,085)	(24,427)	-	(261,512)
Infrastructure	(10,069,150)	(355,956)	-	(10,425,106)
Total accumulated depreciation	<u>(10,870,452)</u>	<u>(427,817)</u>	<u>-</u>	<u>(11,298,269)</u>
Total capital assets, being depreciated, net	<u>6,795,212</u>	<u>1,990,179</u>	<u>(995)</u>	<u>8,784,396</u>
Business-type activities capital assets, net	<u>\$ 8,979,008</u>	<u>\$ 2,070,584</u>	<u>\$ (2,184,791)</u>	<u>\$ 8,864,801</u>

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Depreciation expense was charged to functions/programs as follows:

	Current Year Depreciation	Retirements	Net
Governmental activities:			
General government	\$ 33,781	\$ -	\$ 33,781
Public safety	86,613	-	86,613
Public works	87,269	-	87,269
Culture and recreation	112,621	-	112,621
Total depreciation expense - governmental activities	\$ 320,284	\$ -	\$ 320,284
Business-type activities:			
Electric	\$ 103,302	\$ -	\$ 103,302
Water	56,670	-	56,670
Wastewater	129,671	-	129,671
Cultural and Recreation	124,722	-	124,722
General and administration	13,451	-	13,451
Total depreciation expense - business-type activities	\$ 427,816	\$ -	\$ 427,816

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, 2015, cash and investments included \$102,733 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, 2015, there were \$4,064 in bonds being held that were subject to refund.

E. Leases

Capital Leases

The City has a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease obligations at June 30, 2015 are as follows:

City of Stroud

\$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.	1,221
Total Governmental-type activities	1,221
Total capital lease obligation	\$ 1,221

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

Year Ending	Government-Type Activities
2016	\$ 1,288
2017	-
Total required payments	1,288
Less: Interest expense	67
Total principal payments	\$ 1,221

F. Long-term debt

Long-term liabilities of the City of Stroud as of June 30, 2015, are summarized as follows:

Governmental activities

Accrued compensated absences	92,426
Total governmental activities	\$ 92,426

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. 1,086,195

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 payments of \$66,867 over 20 years, secured by a pledged sales tax and utility revenues, maturing September 2028. 1,763,379

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. 524,209

Stroud Utilities Authority

\$2,100,000 promissory note, Series 2013, to Bancfirst, dated September 24, 2013 payable in 21 semi-annual payments, including interest at 2.60%, secured by a pledged sales tax and utility revenues, maturing September 2023. 1,820,000

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. 410

Stroud Utilities Authority

\$2,650,000 note to Bancfirst, Series 2014, dated November 20, 2014, Payable in 26 semi-annual payments, including interest at 3.23%, Secured by a pledged sales tax and utility revenues, maturing November 2027. 2,625,000

Accrued compensated absences	48,232
Total business-type activities	\$ 7,867,425

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Long-term liabilities transactions for the year ended June 30, 2015 and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Accrued compensated absences	\$ 88,105	\$ 4,321	\$ -	\$ 92,426	\$ 23,106
Total governmental activities	88,105	4,321	-	92,426	23,106
Business-type activities					
US Bank-copier	984	-	574	410	410
Bancfirst - Series 2013	2,010,000	-	190,000	1,820,000	195,000
OWRB - Series 2012	1,599,442	273,920	109,983	1,763,379	112,454
OWRB - Series 2011	548,090	-	23,881	524,209	24,599
OWRB - Series 2005	1,168,566	-	82,371	1,086,195	84,741
Bancfirst - Series 2014	-	2,650,000	25,000	2,625,000	50,000
Accrued compensated absences	47,117	1,116	-	48,233	12,058
Total business-type activities	5,374,199	2,925,036	431,809	7,867,426	479,262
Total long-term debt	<u>\$ 5,462,304</u>	<u>\$ 2,929,357</u>	<u>\$ 431,809</u>	<u>\$ 7,959,852</u>	<u>\$ 502,368</u>

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

Year Ending June 30,	Business-type Activities
2016	\$ 637,544
2017	710,514
2018	785,492
2019	794,094
2020	797,363
2021-2025	3,723,077
2026-2030	1,555,084
2031-2035	61,552
Total principal and interest	9,064,720
Less interest	1,245,528
Principal outstanding at June 30, 2015	<u>\$ 7,819,192</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 forth 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	\$ 92,419
Business-type activities	48,232
Total accrued compensated absences	<u>\$ 140,651</u>

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other Government	\$ 60,003
Capital Expenditure fund	Other Government	8,282
Other Government	General fund	27
General fund	Agency	7,736
SUA	General fund	92,389
SUA	Special Reserve fund	597,156
SUA	Agency	3,779
Total		<u>\$ 769,372</u>

Interfund transactions:

	<u>TRANSFERS IN</u>				<u>Totals</u>
	<u>General Fund</u>	<u>Capital Expenditure Fund</u>	<u>Special Street Tax Fund</u>	<u>Stroud Utilities Authority</u>	
Transfers out:					
Nonmajor governmental	\$ -	\$ -	\$ -	\$ -	\$ -
Stroud Utilities Authority	637,308	-	133,623	-	770,931
Special Street Tax Fund	-	-	-	-	-
Capital Expenditure Fund	-	-	-	282,022	282,022
Totals	<u>\$ 637,308</u>	<u>\$ -</u>	<u>\$ 133,623</u>	<u>\$ 282,022</u>	<u>\$ 1,052,953</u>

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

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

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 (OkMRF), 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, disability and death benefits to plan members. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS as provided for in Title 11 of the Oklahoma State Statutes. The OFPRS issues a publicly available financial report that can be accessed at www.ok.gov/fprs.

Contributions - All of the firefighters for the City are volunteer, and the City contributes \$60 per firefighter per year. For the year ended June 30, 2015, the City contributed \$1,440 to the Plan. The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The State of Oklahoma also made on-behalf of contributions to the Plan in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

Benefits - In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The Plan's benefits are established and amended by state statute. Retirement provisions are as follows:

1. *Normal Retirement* - For firefighters hired prior to November 1, 2013 normal retirement is attained upon completing 20 years of service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. For firefighters hired after November 1, 2013, normal retirement is attained upon completing 22 years of service and must be age 50 to receive benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.
2. *Immediate Disability Benefits* - All firefighters are eligible for immediate disability benefits. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years. For disabilities not-in-the-line-of duty, benefits are limited to those under 20 years of service and is \$7.53 per year of service.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

3. *Death Benefit* - A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death.
4. *Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the City reported a liability of \$39,621 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2014. Based upon this information the City's proportion was .0039%.

For the year ended June 30, 2015, the City recognized pension expense of \$3,558. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 940	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,997
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	1,440	-
Total	\$ 2,380	\$ 5,997

\$ 1,440 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	1,315
2017		1,315
2018		1,315
2019		1,315
2020		(152)
Thereafter		(51)
Total	\$	5,057

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

5. *Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation: 3%

Investment rate of return 7.50% net of pension plan investment expense

Mortality rates: Based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	5.48%
Domestic equity	9.61%
International equity	9.24%
Real estate	7.76%
Other assets	6.88%

6. *Discount Rate* - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma State Statutes. Projected cash flows also assume the state of Oklahoma will continue contributing 36% of the insurance tax premium, as established by state statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. *Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the City, applying a discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percent lower (6.5%) or one percent higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate	1% Increase (8.5%)
City's Net pension Liability	\$ 52,369	\$ 39,621	\$ 29,824

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS, which is publically available at www.ok.gov/fprs.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Oklahoma Municipal Retirement (OkMRF)

Plan Description - The City, as the employer, participates in the Oklahoma Municipal Retirement Plan - an agent multiple-employer defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OkMRF.) All regular, full-time City employees not covered by other plans are required to participate in the OkMRF. The OkMRF plan issues a separate financial report and can be obtained from ORMF directly or from their website at www.okmrf.org/reports.html. The authority to establish and amend plan benefits rests with the City Council in accordance with Oklahoma Statute Title 11, Section 48-101-102. 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.

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.

For the fiscal year ended June 30, 2015, 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, 2015, was 12.00%. During the year ended June 30, 2015, the City and the employees contributed \$164,020 and \$61,527, respectively, to the OkMRF.

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.

1. *Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2015, the City reported a liability of \$682,569 for its proportionate share of the net pension liability. The City considered 65% of the pension liability to relate to governmental activities and 35% to relate to business-type activities. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.5977%. For the year ended June 30, 2015, the City recognized pension expense of \$86,550. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	179,702
City's contributions subsequent to the measurement date	164,020	-
Total	\$ 164,020	\$ 179,702

\$164,020 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	(44,925)
2017		(44,925)
2018		(44,925)
2019		(44,927)
2020		-
Thereafter		-
Total	\$	(179,702)

2. *Actuarial Assumptions* - The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as of June 30, 2015, using July 1, 2014 as the measurement date and with the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Rate of Return and Discount Rate	7.75%
Projected Salary Increases	Rates by age
Inflation	3.00%
Percent of Married Employees	100%
Spouse Age Difference	3 years (female spouses younger)
Mortality	UP 1994 Mortality Tables established by the Society of Actuaries
Date of last experience study	September 2012 for fiscal years 2007 through 2011

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Asset Class	Target Allocation	Real Return	Weighted Return
Large cap stocks (S&P 500)	25.00%	5.40%	1.35%
Small/mid cap stocks (Russell 2500)	10.00%	7.50%	0.75%
Long/short equity (MSCI ACWI)	10.00%	6.10%	0.61%
International stocks (MSCI EAFE)	20.00%	5.10%	1.02%
Fixed income bonds (Barclays Capital Aggregate)	30.00%	2.60%	0.78%
Real estate (NCREIF)	5.00%	4.80%	0.24%
Cash equivalents (3 month Treasury)	0.00%	0.00%	0.00%
Average Real Return			4.75%
Inflation			3.00%
Long term expected return			7.75%

3. *Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the City's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Total Pension Liability	\$ 3,946,777	\$ 3,519,775	\$ 3,167,542
Plan Net Fiduciary Position	2,837,206	2,837,206	2,837,206
Net Pension Liability	\$ 1,109,571	\$ 682,569	\$ 330,336

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75%, as prescribed by paragraph 26 of GASB 68 when the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City of Stroud has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, in accordance with GASB 68, paragraph 29, the evaluations required by paragraph 27 to determine the sufficiency pension plan assets can be made without a separate projection of cash flows.

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the ORMF, which can be located at www.okmrf.org/reports.html.

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.

CITY OF STROUD, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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, 2015 were \$11,238 and participant contributions were \$8,645.

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.

	<u>MAJOR SPECIAL REVENUE FUNDS</u>						Total
	General Fund	Capital Expenditure Fund	Special Reserve Fund	Special Street Tax Fund	Airport Fund	Other Funds	
Fund balances:							
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted For:							
Capital projects	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-
Library	-	-	-	-	-	2,971	2,971
Economic Dev	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	72,868	72,868
Committed:							
Special Projects	-	349,433	-	543,484	13,449	99,752	1,006,118
Assigned:	-	-	10,670	-	-	-	10,670
Unassigned:	534,377	-	-	-	-	-	534,377
Total fund balances	<u>\$534,377</u>	<u>\$349,433</u>	<u>\$10,670</u>	<u>\$543,484</u>	<u>\$13,449</u>	<u>\$175,591</u>	<u>\$1,627,004</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. 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 THE FINANCIAL STATEMENTS
June 30, 2015

G. Related Party Transactions

Donated Land - During the current fiscal year, the City of Stroud began construction of an assisted living center located within the city limits. Land for the building, appraised at \$32,000, was donated to the City by certain individual board members of the Stroud Industrial Authority (a component unit of the City), the Stroud Hospital Authority (a component unit of the City) and private individuals. The land was recorded as a capital asset at the appraised value and donation revenue was recognized on the City's financial statements.

Hotel Land Purchased - During the fiscal year, land was purchased in the City of Stroud for a hotel development. The land was immediately deeded over to the hotel developer to promote economic development in the City. The total net cost of the land was \$419,995, of which \$139,995 was paid by the City of Stroud, \$140,000 was paid by Stroud Industrial Authority (a component unit of the City) and \$140,000 was paid by Stroud Hospital Authority (a component unit of the City). The amount paid by the City is reported as economic development expense on the City's financial statements.

H. Transfers from Component Units

During the current fiscal year, Stroud Hospital Authority (a component unit of the City), expended \$161,140 for hangar construction at the city airport which the City owns. This Authority also made loan payments and paid some construction expenses in the amount of \$101,752 on behalf of the City for the construction and development of an assisted living center owned by the City. In addition, Stroud Industrial Authority (a component unit of the City), incurred expenditures of \$230,817 for the City's hangar construction. All the expenditures incurred by these component units are reported as capital assets and transfers from the component units on the City's financial statements.

CITY OF STROUD, OKLAHOMA
Required Supplemental Information
June 30, 2015

CITY OF STROUD, OKLAHOMA
REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2015

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Fire

- Schedule of the City's proportionate share of the net pension liability (asset)
- Schedule of City's contributions

Defined Benefit Agent Multi-Employer Plan

OKMRF

- Schedule of change in net pension liability & related ratios
- Schedule of city's contributions

Budgetary Comparison Schedule – General and Special Revenue Funds

CITY OF STROUD, OKLAHOMA
**REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS**
Year Ended June 30, 2015

EXHIBIT 1

**Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Firefighters Pension & Retirement System**

	2014
City's proportion of the net pension liability	0.0039%
City's proportionate share of the net pension liability	\$ 39,621
City's covered employee payroll	\$ -
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	68.12%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

EXHIBIT 2

**Schedule of the City's Contributions
Oklahoma Firefighters Pension & Retirement System**

	2014
Actuarially determined contribution	\$ 1,440
Contributions in relation to the actuarially determined contribution	1,440
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	0
Contributions as a percentage of covered -employee payroll	N/A

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

CITY OF STROUD, OKLAHOMA
**REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS**
Year Ended June 30, 2015

EXHIBIT 3
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Year

	2014
Total Pension Liability	
Service cost	\$ 97,946
Interest cost	261,170
Benefit changes due to plan amendments	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(218,579)
Net change in total pension liability	140,537
Total pension liability - beginning	3,379,238
Total pension liability - ending	\$ 3,519,775
 Plan Net Fiduciary Position	
Contributions - Employer	\$ 138,599
Contributions - Employee	56,699
Net investment	401,496
Benefit payments, including refunds of employee contributions	(218,579)
Administrative expense	(5,928)
Other	1
Net change in total pension liability	372,288
Plan net fiduciary position - beginning	2,464,918
Plan net fiduciary position - ending	\$ 2,837,206
Net pension liability - ending	\$ 682,569
 Plan net fiduciary position as percentage of total pension liability	80.61%
Covered employee payroll	\$ 1,235,689
Net pension liability position as percentage of covered employee payroll	55.24%
City's proportion of the fiduciary net pension liability	0.5977%

Notes to Schedule

Only the current fiscal year is presented because 10-year data is not yet available.

CITY OF STROUD, OKLAHOMA
**REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS**
Year Ended June 30, 2015

EXHIBIT 4

**Oklahoma Municipal Retirement Fund
Schedule of City's Contributions Last Fiscal Year**

Actuarially determined contribution	\$ 164,020
Contributions in relation to the actuarially determined contribution	<u>164,020</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	1,235,689
Contributions as a percentage of covered - employee payroll	13.27%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available.

2. Latest Valuation Date: July 1, 2014

3. Actuarially determined contribution rate is calculated as of July 1, 2013 and July 1, 2014.
 - January 2014 through June 2014 contributions were at a rate of 10.14%
 - July 2014 through December 2014 contributions were at a rate of 10.37%

4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 29 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.50%

CITY OF STROUD, OKLAHOMA
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GOVERNMENTAL FUNDS

Year Ended June 30, 2015
(Unaudited)

General Fund

	<u>BUDGET</u>			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,013,570	\$ 1,013,570	\$ 1,075,181	\$ 61,611
Intergovernmental	9,000	9,000	20,615	11,615
Licenses and permits	4,150	4,150	4,350	200
Charge for services	305,350	305,350	263,287	(42,063)
Fines and forfeitures	61,000	61,000	54,686	(6,314)
Interest	3,000	3,000	1,325	(1,675)
Miscellaneous	58,500	58,500	85,048	26,548
Total revenues	\$ 1,454,570	\$ 1,454,570	\$ 1,504,492	\$ 49,922
EXPENDITURES				
General government:				
Administration	\$ 518,800	\$ 533,800	\$ 514,351	\$ (19,449)
Legal	15,390	15,390	11,400	(3,990)
Public safety:				
Police	772,426	798,426	792,782	(5,644)
Fire	96,093	106,793	106,143	(650)
Civil defense	1,000	1,000	-	(1,000)
Public works:				
Streets	133,227	119,727	111,287	(8,440)
Airport	-	9,250	8,725	(525)
Cemetery	18,600	18,600	16,977	(1,623)
Shop	36,500	36,500	30,310	(6,190)
Building & Grounds	49,923	49,923	44,278	(5,645)
Culture and recreation:				
Library	113,520	113,520	96,160	(17,360)
Community center	14,700	15,900	15,816	(84)
Golf course	157,670	165,670	163,586	(2,084)
Recreation/parks	262,809	205,159	164,896	(40,263)
Fitness center	52,327	53,327	52,594	(733)
Total expenditures	\$ 2,242,985	\$ 2,242,985	\$ 2,129,305	\$ (113,680)
Excess (deficiency) of revenues over (under) expenditures	(788,415)	(788,415)	(624,813)	163,602
OTHER FINANCING SOURCES (USES)				
Transfers	750,000	750,000	637,308	(112,692)
Net changes in fund balances	(38,415)	(38,415)	12,495	50,910
Fund balances - beginning			521,882	
Fund balances - ending			<u>\$ 534,377</u>	

The Notes to Required Supplemental Information are an Integral Part of this Statement

CITY OF STROUD, OKLAHOMA
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2015
(Unaudited)

Special Revenue Funds of Capital Expenditure Fund, Street and Alley Fund, and Special Street Tax Fund

	<u>BUDGET</u>			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 942,575	\$ 942,575	1,009,638	67,063
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Charge for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	500	500	566	66
Miscellaneous	-	-	7,000	7,000
Total revenues	<u>\$ 943,075</u>	<u>\$ 943,075</u>	<u>\$ 1,017,204</u>	<u>\$ 74,129</u>
EXPENDITURES				
General government	20,000	20,000	13,182	(6,818)
Public safety	105,000	105,000	48,837	(56,163)
Public works	714,100	714,100	848,820	134,720
Economic development	-	-	139,995	139,995
Culture and recreation	177,500	177,500	92,763	(84,737)
Total expenditures	<u>\$ 1,016,600</u>	<u>\$ 1,016,600</u>	<u>\$ 1,143,597</u>	<u>\$ 126,997</u>
Excess (deficiency) of revenues over (under) expenditures	(73,525)	(73,525)	(126,393)	(52,868)
OTHER FINANCING SOURCES (USES)				
Transfers, net	-	-	151,601	151,601
Net changes in fund balances	(73,525)	(73,525)	25,208	98,733
Fund balances - beginning			<u>893,442</u>	
Fund balances - ending			<u>\$ 918,650</u>	

CITY OF STROUD, OKLAHOMA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Year Ended June 30, 2015

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the general fund and the special revenue funds of street & alley, street special tax, and capital expenditure fund. The enterprise fund adopts budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for the enterprise fund, is not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the City Council (elected officials). Public hearings are held at regular or special meeting to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF STROUD, OKLAHOMA
Supplemental Information
June 30, 2015

CITY OF STROUD, OKLAHOMA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

SPECIAL REVENUE						
ASSETS	<u>Street & Alley</u>	<u>Library Society</u>	<u>CDBG MEMCO</u>	<u>Cemetery Care</u>	<u>CDBG Grant</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 43,209	\$ 4,452	\$ 74,019	\$ 27,622	\$ -	\$ 149,302
Investments	-	-	-	45,219	-	45,219
Receivables, net	4,332	-	-	-	-	4,332
Due (to)/from other funds	-	-	-	27	-	27
Total Assets	<u>\$ 47,541</u>	<u>\$ 4,452</u>	<u>\$ 74,019</u>	<u>\$ 72,868</u>	<u>\$ -</u>	<u>\$ 198,880</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	21,808	1,481	-	-	-	23,289
Total Liabilities	<u>\$ 21,808</u>	<u>\$ 1,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,289</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	2,971	-	72,868	-	75,839
Committed	25,733	-	74,019	-	-	99,752
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>\$ 25,733</u>	<u>\$ 2,971</u>	<u>\$ 74,019</u>	<u>\$ 72,868</u>	<u>\$ -</u>	<u>\$ 175,591</u>
Total Liabilities and Fund Balance	<u>\$ 47,541</u>	<u>\$ 4,452</u>	<u>\$ 74,019</u>	<u>\$ 72,868</u>	<u>\$ -</u>	<u>\$ 198,880</u>

CITY OF STROUD, OKLAHOMA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	SPECIAL REVENUE					Total Nonmajor Governmental Funds
	Street & Alley	Library Society	CDBG MEMCO	Cemetery Care	CDBG Grant	
REVENUES						
Taxes	\$ 29,372	\$ -	\$ -	\$ -	\$ -	\$ 29,372
Intergovernmental	-	5,495	-	-	141,000	146,495
Charge for services	-	-	-	2,401	-	2,401
Interest	-	-	111	-	-	111
Other	-	-	-	-	-	-
Donations	-	-	-	-	-	-
Total revenues	\$ 29,372	\$ 5,495	\$ 111	\$ 2,401	\$ 141,000	\$ 178,379
EXPENDITURES						
Current						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cultural and Recreation	-	5,246	-	-	-	5,246
Public safety	-	-	-	-	-	-
Public Works	71,856	-	-	-	141,000	212,856
Total expenditures	71,856	5,246	-	-	141,000	218,102
Excess (deficiency) of revenues over expenditures	(42,484)	249	111	2,401	-	(39,723)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Expenditures paid for other funds	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-
Net change in fund balances	(42,484)	249	111	2,401	-	(39,723)
Fund balances - beginning	68,217	2,722	73,908	70,467	-	215,314
Fund balances - ending	\$ 25,733	\$ 2,971	\$ 74,019	\$ 72,868	\$ -	\$ 175,591

JUDITH K. BALLARD, CPA, PC

*Certified Public Accountant
(Member AICPA & OSCP)*

220 W. Main Street – PO Box 746, Stroud, OK 74079
Phone: 918-968-3511 [Fax: 918-968-3512]

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

December 9, 2015

To the City Council
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, 2015, 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 December 9, 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 opinion 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*.

City of Stroud, Oklahoma

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.

A handwritten signature in black ink that reads "Judith K. Ballard, CPA, PC". The signature is written in a cursive style.

Judith K. Ballard, CPA, PC
Certified Public Accountant