

*Audited Financial Statements*

***CITY OF PAULS VALLEY***

*Fiscal Year Ending June 30, 2015*

**CITY OF PAULS VALLEY**

June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Pauls Valley, Oklahoma

We 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 Pauls Valley, Oklahoma, as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Basis for Adverse Opinion on the Pauls Valley Hospital Authority (a major enterprise fund) and Qualified Opinion on the Business-Type Activities

Management has not included the Pauls Valley Hospital Authority in the City's financial statements referred to above. Accounting principles generally accepted in the United States of America require the Pauls Valley Hospital Authority to be presented as a part of the business-type activities, thus increasing the activity's assets, liabilities, revenues and expenses by an undetermined amount. Also this financial information it is anticipated would decrease the business-type net position by an undetermined amount. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the omitted major enterprise fund entitled Pauls Valley Hospital Authority is the same amount listed above.

### **Adverse Opinion**

In our opinion because of the significance of the matter described in the “Basis for Adverse Opinion on the Pauls Valley Hospital (a major enterprise fund)” paragraph, the financial statements referred to above do not present fairly the financial position of the Pauls Valley Hospital Authority of the City of Pauls Valley as of June 30, 2015, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters discussed in the “Basis for Qualified Opinion on the Business-type Activity” paragraph the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Pauls Valley, Oklahoma, as of June 30, 2015, or the 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.

### **Unmodified Opinion**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund other than the Pauls Valley Hospital Authority, and the aggregate remaining fund information of the City of Pauls Valley, 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 budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Pauls Valley has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate economic or history context. Our opinion on the basic financial statements is not affected by the missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pauls Valley’s basic financial statements. The combining and individual nonmajor fund financial statements, the combining general fund statements, the schedule of state awards and the

schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

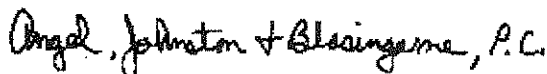
The combining and individual nonmajor fund financial statements, the combining general fund statements, schedule of state awards, and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records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

#### **Pauls Valley Hospital Authority Going Concern**

As noted in the paragraph "Basis for Adverse Opinion on the Pauls Valley Hospital Authority and Qualified Opinion on the Business-Type Activities" the Pauls Valley Hospital Authority financial information is not included in the City's financial statements. In addition as described in note 3. B. the Hospital has filed a voluntary petition for debt restructuring under Chapter 9 of the Federal Bankruptcy Code and was authorized to continue managing the Hospital as a debtor subject to the control and supervision of the bankruptcy court. Those conditions raise substantial doubt about the Hospital's ability to continue as a going concern.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

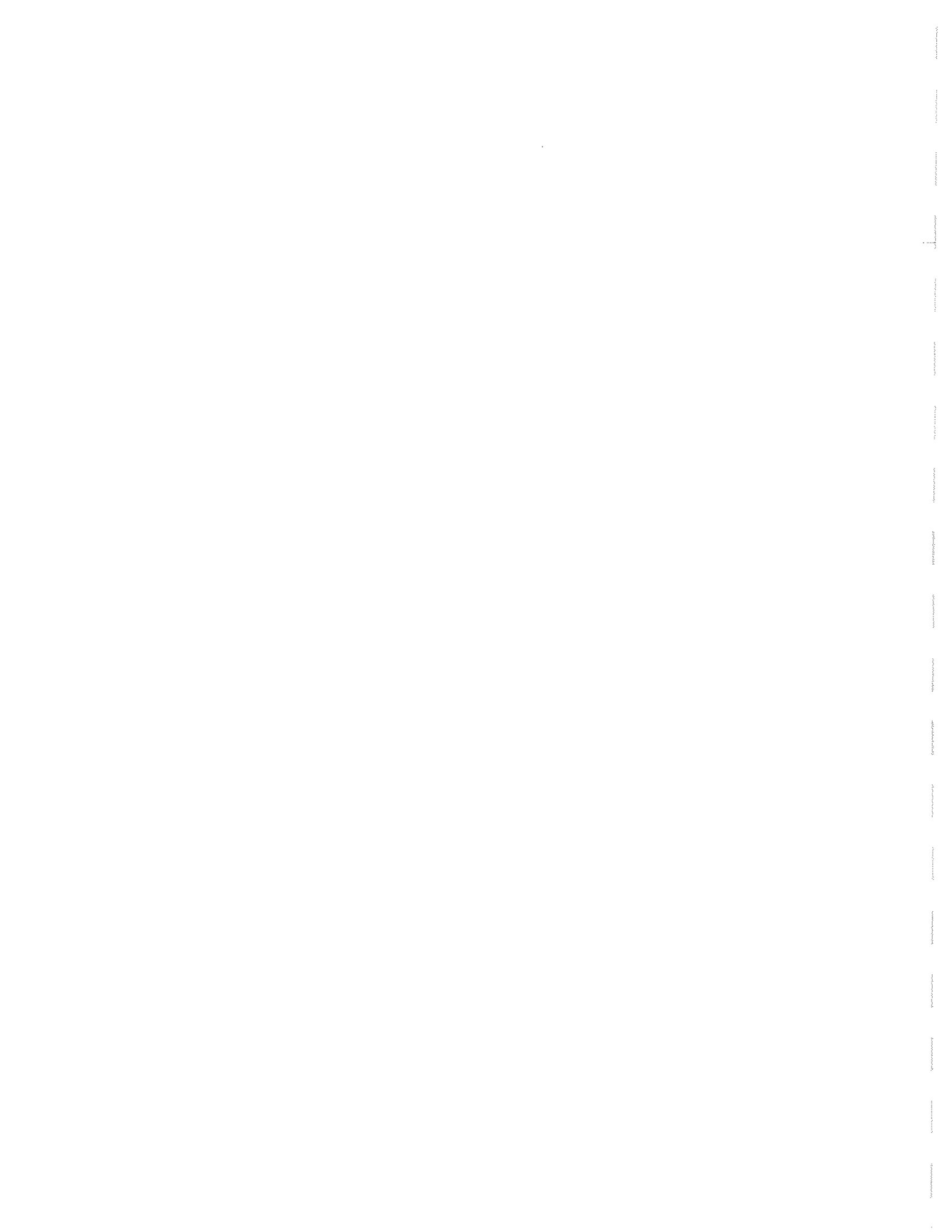


Chickasha, Oklahoma  
January 18, 2016



## BASIC FINANCIAL STATEMENTS





**GOVERNMENTAL-WIDE FINANCIAL STATEMENTS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Net Position**  
**June 30, 2015**

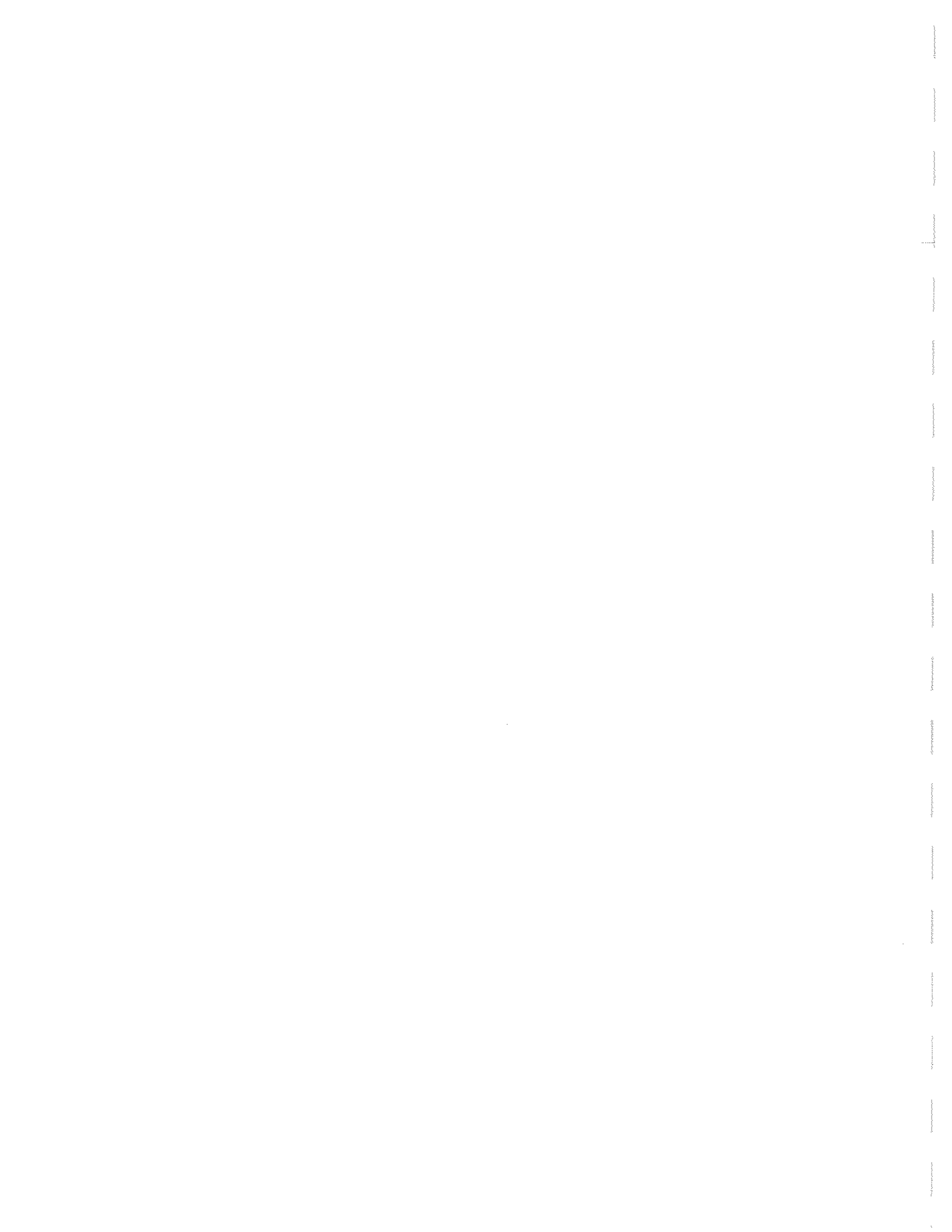
	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Pauls Valley Airport Auth.</u>
<b><u>Assets</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 9,250,995	\$ 993,778	\$ 10,244,773	\$ 121,033
Investments	38,601	511,520	550,121	-
Receivables, net	903,507	310,347	1,213,854	29,480
Inventory	-	-	-	30,079
Prepaid Expenses	33,174	26,175	59,349	-
Advance to Component Unit	31,300	-	31,300	-
Capital Assets:				
Land, Intangibles & Construction in Progress	830,197	366,146	1,196,343	106,342
Other Capital Assets, net	18,138,937	21,918,305	40,057,242	4,955,870
<i>Total Assets</i>	<u>29,226,711</u>	<u>24,126,271</u>	<u>53,352,982</u>	<u>5,242,804</u>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred Amounts Related to Pensions	155,170	-	155,170	-
<i>Total Deferred Outflows of Resources</i>	<u>155,170</u>	<u>-</u>	<u>155,170</u>	<u>-</u>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Accounts Payable	89,814	78,237	168,051	10,308
Accrued Expenses	107,482	37,586	145,068	2,378
Accrued Interest Payable	52,435	74,291	126,726	-
Due to Depositors	-	135,169	135,169	-
Landfill Closure and Postclosure Liability	-	120,156	120,156	-
Advance from Primary Government	-	-	-	31,300
AT&T 911 Fee Advances	39,320	-	39,320	-
Capital Leases, Current Portion	101,705	114,976	216,681	-
Contract Payable, Current Portion	-	72,996	72,996	-
Notes Payable, Current Portion	419,345	325,000	744,345	-
Compensated Absences	183,324	85,505	268,829	-
Noncurrent Liabilities:				
Net Pension Liability	1,292,664	-	1,292,664	-
Capital Leases/Contract/Notes Payable	8,055,289	6,862,601	14,917,890	-
<i>Total Liabilities</i>	<u>10,341,378</u>	<u>7,906,517</u>	<u>18,247,895</u>	<u>43,986</u>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred Amounts Related to Pensions	466,825	-	466,825	-
<i>Total Deferred Outflows of Resources</i>	<u>466,825</u>	<u>-</u>	<u>466,825</u>	<u>-</u>
<b><u>Net Position</u></b>				
Net Investment in Capital Assets	10,392,796	15,348,878	25,741,674	5,062,212
Restricted:				
Permanent Endowment	50,000	-	50,000	-
Debt Service	213,231	-	213,231	-
Capital Projects	5,284,588	143,023	5,427,611	-
Economic Development/Tourism	660,355	-	660,355	-
Streets	2,046,632	-	2,046,632	-
Public Safety	-	-	-	-
Ambulance	677	-	677	-
Culture and Recreation	646,690	-	646,690	-
Airport	-	-	-	136,606
Cemetery	10,093	-	10,093	-
Unrestricted	(731,384)	727,853	(3,531)	-
<i>Total Net Position</i>	<u>\$ 18,573,678</u>	<u>\$ 16,219,754</u>	<u>\$ 34,793,432</u>	<u>\$ 5,198,818</u>

See accompanying notes to basis financial statements

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Activities**  
**For the Year Ending June 30, 2015**

Functions/Programs Primary Government:	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Unit Pauls Valley Airport Authority	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-Type Activities		
Governmental Activities:								
General Government	\$ 891,054	\$ 81,206	\$ -	\$ -	\$ (809,848)	\$ -	\$ -	
Public Safety	2,226,923	162,888	-	-	(2,064,035)	-	-	
Culture, Parks and Recreation	2,730,860	937,835	11,051	-	(1,781,974)	-	-	
Streets	755,739	-	-	-	(755,739)	-	-	
Cemetery	180,429	44,106	-	-	(136,323)	-	-	
Airport (payments for Airport Auth)	23,707	-	-	736,544	712,837	-	-	
Ambulance Contract	101,473	-	-	-	(101,473)	-	-	
Economic Development/Tourism	285,201	-	-	-	(285,201)	-	-	
Bond Issuance Costs	188,775	-	-	-	(188,775)	-	-	
Interest on Long-term Debt	174,861	-	-	-	(174,861)	-	-	
<b>Total Governmental Activities</b>	<b>7,559,022</b>	<b>1,226,035</b>	<b>11,051</b>	<b>736,544</b>	<b>(5,585,392)</b>	<b>-</b>	<b>-</b>	
Business-Type Activities:								
Water	1,590,645	1,256,541	-	-	(334,104)	-	-	
Sewer	534,961	366,401	-	-	(168,560)	-	-	
Sanitation	1,306,051	1,462,172	-	-	156,121	-	-	
Water Distribution	640,863	-	-	-	(640,863)	-	-	
Hospital	-	-	-	-	-	-	-	
Lake	149,243	44,134	-	-	(105,109)	-	-	
Administration	261,473	-	-	-	(261,473)	-	-	
<b>Total Business-Type Activities</b>	<b>4,483,236</b>	<b>3,129,248</b>	<b>-</b>	<b>-</b>	<b>(1,353,988)</b>	<b>-</b>	<b>-</b>	
<b>Total Primary Government</b>	<b>12,042,258</b>	<b>4,355,283</b>	<b>11,051</b>	<b>736,544</b>	<b>(5,585,392)</b>	<b>(1,353,988)</b>	<b>(6,939,380)</b>	
<b>Component Unit:</b>								
Airport Authority	570,610	310,464	-	-	-	-	(260,146)	
<b>Total Component Unit</b>	<b>570,610</b>	<b>310,464</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(260,146)</b>	
General Revenues:								
Taxes:								
Sales and Use Taxes					6,930,606			
Franchise Taxes					368,857			
Hotel/Motel Taxes					413,049			
E-911 Taxes					27,885			
Advalorem Taxes					200,486			
Intergovernmental Revenue					385,515			
Investment Income					10,297			
Miscellaneous					290,340			
Payments from Primary Government					(866,240)			
Transfers - Internal Activity (Remaining balance relates to PVHA)					(2,163,333)			
<b>Total General Revenues and Transfers</b>					<b>5,597,462</b>		<b>868,864</b>	
<b>Change in Net Position</b>					<b>12,070</b>		<b>608,718</b>	
<b>Net Position - Beginning - Restated</b>					<b>18,561,608</b>		<b>4,590,100</b>	
<b>Net Position - Ending</b>					<b>\$ 18,573,678</b>		<b>\$ 5,198,818</b>	

See accompanying notes to basic financial statements



**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	One Cent Fund	Capital Project		Non-major Governmental Funds	Total Governmental Funds
			Capital Project Fund	PV Airport Project Fund		
<b>Assets</b>						
Cash and cash equivalents	\$ 748,003	\$ 1,968,134	\$ -	\$ -	\$ 922,249	\$ 3,638,386
Restricted cash and cash equivalents	174,636	-	5,284,588	-	-	5,459,224
Investments	-	-	-	-	153,385	153,385
Restricted Investments	-	38,601	-	-	-	38,601
Receivables:						
Interest	-	-	-	-	70	70
Accounts	35,859	-	-	-	-	35,859
Taxes	634,744	175,897	-	-	34,197	844,838
Due from other governments	-	-	-	15,855	6,885	22,740
Prepaid expenses	28,290	-	-	-	4,884	33,174
Advance to component unit	31,300	-	-	-	-	31,300
<i>Total Assets</i>	<u>1,652,832</u>	<u>2,182,632</u>	<u>5,284,588</u>	<u>15,855</u>	<u>1,121,670</u>	<u>10,257,577</u>
<b>Liabilities</b>						
Accounts payable	82,114	-	-	7,700	-	89,814
Accrued liabilities	107,334	-	-	-	148	107,482
AT&T 911 fee advances	-	-	-	-	39,320	39,320
<i>Total Liabilities</i>	<u>189,448</u>	<u>-</u>	<u>-</u>	<u>7,700</u>	<u>39,468</u>	<u>236,616</u>
<b>Deferred Inflow of Resources</b>						
Grant Revenues	-	-	-	15,855	-	15,855
Police fines unavailable	9,934	-	-	-	-	9,934
<i>Total Deferred Inflow of Resources</i>	<u>9,934</u>	<u>-</u>	<u>-</u>	<u>15,855</u>	<u>-</u>	<u>25,789</u>
<b>Fund Balances</b>						
Nonspendable	59,590	-	-	-	54,884	114,474
Restricted	562,209	2,129,195	5,284,588	-	886,275	8,862,267
Committed	-	-	-	-	-	-
Assigned	33,414	-	-	-	141,043	174,457
Unassigned	798,237	53,437	-	(7,700)	-	843,974
<i>Total Fund Balances</i>	<u>1,453,450</u>	<u>2,182,632</u>	<u>5,284,588</u>	<u>(7,700)</u>	<u>1,082,202</u>	<u>9,995,172</u>
<i>Total Liabilities, Deferred Inflow of Resources and Fund Balances</i>	<u>\$ 1,652,832</u>	<u>\$ 2,182,632</u>	<u>\$ 5,284,588</u>	<u>\$ 15,855</u>	<u>\$ 1,121,670</u>	<u>\$ 10,257,577</u>

See accompanying notes to basic financial statements

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ending June 30, 2015**

	General	One Cent Fund	Capital Project		Non-major Other Governmental Funds	Total Governmental Funds
			Capital Project Fund	PV Airport Project Fund		
<b>Revenues</b>						
Taxes	\$ 5,860,877	\$ 1,438,586	\$ -	\$ -	\$ 641,420	\$ 7,940,883
Intergovernmental	385,516	-	-	720,689	6,701	1,112,906
Charges for services	957,286	-	-	-	69,171	1,026,457
Fines and forfeitures	157,468	-	-	-	-	157,468
Licenses and permits	50,379	-	-	-	-	50,379
Investment income	1,654	3,882	3,363	-	1,399	10,298
Miscellaneous	258,688	-	-	-	36,000	294,688
<i>Total Revenues</i>	<u>7,671,868</u>	<u>1,442,468</u>	<u>3,363</u>	<u>720,689</u>	<u>754,691</u>	<u>10,593,079</u>
<b>Expenditures</b>						
Current:						
Administration	685,886	-	-	-	-	685,886
Police	1,186,552	-	-	-	5,841	1,192,393
Fire	760,807	-	-	-	-	760,807
Emergency 911	-	-	-	-	-	-
Special Ambulance Service	-	-	-	-	101,473	101,473
Streets	492,546	-	-	-	-	492,546
Shop	95,503	-	-	-	-	95,503
Park	151,385	-	-	-	-	151,385
Cemetery	169,882	-	-	-	-	169,882
Golf	315,810	-	-	-	-	315,810
Library	139,336	-	-	-	9,787	149,123
Senior center	60,945	-	-	-	121	61,066
Airport	23,707	-	-	-	-	23,707
Aquatic	372,550	-	-	-	-	372,550
Recreation	692,829	-	-	-	-	692,829
Animal control	124,304	-	-	-	-	124,304
Economic development/Tourism	-	-	-	-	285,201	285,201
Capital outlay	313,255	265,311	-	-	182,005	760,571
Debt service	378,922	-	-	-	-	378,922
<i>Total Expenditures</i>	<u>5,964,219</u>	<u>265,311</u>	<u>-</u>	<u>-</u>	<u>584,428</u>	<u>6,813,958</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,707,649</u>	<u>1,177,157</u>	<u>3,363</u>	<u>720,689</u>	<u>170,263</u>	<u>3,779,121</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from leases/loans	84,420	-	5,470,000	-	-	5,554,420
Transfers in	983,785	-	-	108,622	50,707	1,143,114
Transfers out	(1,687,964)	(865,357)	-	-	(2,428)	(2,555,749)
Bond issuance costs	-	-	(188,775)	-	-	(188,775)
Transfers to component units	(772,298)	-	-	(844,640)	-	(1,616,938)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,392,057)</u>	<u>(865,357)</u>	<u>5,281,225</u>	<u>(736,018)</u>	<u>48,279</u>	<u>2,336,072</u>
Net Change in Fund Balances	315,592	311,800	5,284,588	(15,329)	218,542	6,115,193
Fund Balances - Beginning	1,137,858	1,870,832	-	7,629	863,660	3,879,979
Fund Balances - Ending	<u>\$ 1,453,450</u>	<u>\$ 2,182,632</u>	<u>\$ 5,284,588</u>	<u>\$ (7,700)</u>	<u>\$ 1,082,202</u>	<u>\$ 9,995,172</u>

See accompanying notes to basic financial statements



**CITY OF PAULS VALLEY, OKLAHOMA**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Governmental Funds**  
**June 30, 2015**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds	\$ 9,995,172
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:	18,969,134
Certain non-current assets are not available to pay current fund liabilities and, therefore, are deferred in the funds:	
Police fines receivable, net of allowance for doubtful accounts	25,789
Pension related deferred outflows	155,170
Long-term liabilities are not due and payable from current period and, therefore are not reported in the funds:	
Long term debt obligations	(8,628,774)
Accrued compensated absences	(183,324)
Net pension liability	(1,292,664)
Pension related deferred inflows	(466,825)
	\$ 18,573,678
Net assets of governmental activities	\$ 18,573,678

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds	\$ 6,115,193
Amounts reported for governmental activities on the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized in governmental funds	622,102
Loss on disposal of assets	-
Depreciation expense	(1,506,088)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred inflows	7,585
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Long term debt payments	253,622
Note payable proceeds	(5,470,000)
Lease proceeds	(84,420)
Change in accrued interest	(49,561)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	(21,037)
The costs of pension benefits earned, net change in deferred inflows and deferred outflows is reported as an element of pension expenses:	
Net change in pension expenses	144,674
Change in net assets of governmental activities	\$ 12,070

*See accompanying notes to basic financial statements*

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	<b>Pauls Valley Municipal Authority</b>	<b>Non-Major Enterprise Fund Sanitation Capital Improvement</b>	<b>Total Proprietary Funds</b>
<b><u>Assets</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 842,582	\$ 6,449	\$ 849,031
Restricted cash and cash equivalents	1,719	-	1,719
Investments	377,970	-	377,970
Accrued interest receivable	663	-	663
Accounts receivable, net	309,684	-	309,684
Prepaid expenses	26,175	-	26,175
<i>Total Current Assets</i>	<u>1,558,793</u>	<u>6,449</u>	<u>1,565,242</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	143,027	-	143,027
Restricted investments	133,550	-	133,550
Land and construction in progress	366,146	-	366,146
Other capital assets, net of accumulated depreciation	21,918,305	-	21,918,305
<i>Total Noncurrent Assets</i>	<u>22,561,028</u>	<u>-</u>	<u>22,561,028</u>
<i>Total Assets</i>	<u>24,119,821</u>	<u>6,449</u>	<u>24,126,270</u>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Accounts payable	78,237	-	78,237
Accrued liabilities	37,586	-	37,586
Accrued interest payable	74,291	-	74,291
Due to depositors	135,169	-	135,169
Landfill closure and post closure liability	120,156	-	120,156
Capital lease obligations payable	114,976	-	114,976
Contract payable	72,996	-	72,996
Notes payable	325,000	-	325,000
Accrued compensated absences	85,504	-	85,504
<i>Total Current Liabilities</i>	<u>1,043,915</u>	<u>-</u>	<u>1,043,915</u>
Noncurrent Liabilities:			
Capital lease obligations payable	187,760	-	187,760
Contract payable	367,004	-	367,004
Notes payable	6,307,837	-	6,307,837
<i>Total Noncurrent Liabilities</i>	<u>6,862,601</u>	<u>-</u>	<u>6,862,601</u>
<i>Total Liabilities</i>	<u>7,906,516</u>	<u>-</u>	<u>7,906,516</u>
<b><u>Net Position</u></b>			
Invested in capital assets, net of related debt	15,348,878	-	15,348,878
Restricted	143,023	-	143,023
Unrestricted	721,404	6,449	727,853
<i>Total Net Position</i>	<u>\$ 16,213,305</u>	<u>\$ 6,449</u>	<u>\$ 16,219,754</u>

See accompanying notes to basic financial statements

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ending June 30, 2015**

	<u>Pauls Valley Municipal Authority</u>	<u>Non-Major Enterprise Fund Sanitation Capital Improvement</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>			
Charges for Services:			
Water revenue	\$ 1,242,979	\$ -	\$ 1,242,979
Sewer revenue	361,758	-	361,758
Sanitation revenue	1,436,122	7,617	1,443,739
Hospital revenue	-	-	-
Penalties	36,638	-	36,638
Lake revenue	44,134	-	44,134
<i>Total Operating Revenues</i>	<u>3,121,631</u>	<u>7,617</u>	<u>3,129,248</u>
<b>Operating Expenses</b>			
Water operations	716,977	-	716,977
Sewer operations	343,037	-	343,037
Sanitation operations	1,189,590	-	1,189,590
Administration	618,309	-	618,309
Water Distribution	261,472	-	261,472
Lake operations	100,109	-	100,109
Hospital operation	-	-	-
Depreciation expense	968,382	-	968,382
<i>Total Operating Expenses</i>	<u>4,197,876</u>	<u>-</u>	<u>4,197,876</u>
<i>Operating Income (Loss)</i>	<u>(1,076,245)</u>	<u>7,617</u>	<u>(1,068,628)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	5,047	20	5,067
Interest expense and fiscal charges	(285,360)	-	(285,360)
Insurance Proceeds	-	-	-
Hospital Subsidy	(319,201)	-	(319,201)
Miscellaneous revenue	61,128	-	61,128
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(538,386)</u>	<u>20</u>	<u>(538,366)</u>
Net Income (Loss) Before Contributions and Transfers	(1,614,631)	7,637	(1,606,994)
Capital contributions	45,830	-	45,830
Contribution expense	-	(45,830)	(45,830)
Transfers in	1,528,635	-	1,528,635
Transfers out	(116,000)	-	(116,000)
<i>Change in Net Position</i>	(156,166)	(38,193)	(194,359)
<i>Net Position - Beginning</i>	<u>16,369,471</u>	<u>44,642</u>	<u>16,414,113</u>
<i>Net Position - Ending</i>	<u>\$ 16,213,305</u>	<u>\$ 6,449</u>	<u>\$ 16,219,754</u>

*See accompanying notes to basic financial statements*

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ending June 30, 2015**

	<u>Pauls Valley Municipal Authority</u>	<u>Non-Major Enterprise Fund Sanitation Capital Improvement</u>	<u>Total Proprietary Funds</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 3,095,565	\$ 7,617	\$ 3,103,182
Vendors and others paid	(3,189,219)	-	(3,189,219)
Other receipts (payments)	4,905	-	4,905
<i>Net Cash Provided by Operating Activities</i>	<u>(88,749)</u>	<u>7,617</u>	<u>(81,132)</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Miscellaneous revenues	61,128	-	61,128
Ambulance Subsidy	-	-	-
Hospital Subsidy	(319,201)	-	(319,201)
Transfers from other funds	1,574,465	-	1,574,465
Transfers to other funds	<u>(116,000)</u>	<u>(45,830)</u>	<u>(161,830)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>1,200,392</u>	<u>(45,830)</u>	<u>1,154,562</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchase of capital assets	(298,482)	-	(298,482)
Proceeds from issuances	-	-	-
Proceeds from debt	227,003	-	227,003
Principal paid on long-term debt	(539,907)	-	(539,907)
Interest & fiscal charges paid on long-term debt	<u>(288,813)</u>	<u>-</u>	<u>(288,813)</u>
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(900,199)</u>	<u>-</u>	<u>(900,199)</u>
<b>Cash Flows From Investing Activities</b>			
Interest received	4,738	20	4,758
Collection on notes and other receivables	-	-	-
Increase in investments	<u>(2,743)</u>	<u>-</u>	<u>(2,743)</u>
<i>Net Cash Provided by Investing Activities</i>	<u>1,995</u>	<u>20</u>	<u>2,015</u>
<i>Net Increase in Cash and Cash Equivalents</i>	213,439	(38,193)	175,246
<i>Balance - Beginning of the Year</i>	<u>773,889</u>	<u>44,642</u>	<u>818,531</u>
<i>Balance - End of the Year</i>	<u>987,328</u>	<u>6,449</u>	<u>993,777</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	842,582	6,449	849,031
Restricted cash and cash equivalents	<u>144,746</u>	<u>-</u>	<u>144,746</u>
<i>Total cash and cash equivalents</i>	<u>987,328</u>	<u>6,449</u>	<u>993,777</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating income (loss)	(1,076,245)	7,617	(1,068,628)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	968,382	-	968,382
Changes in assets and liabilities:			
Receivables	(26,066)	-	(26,066)
Prepaid expenses and inventory	(7,383)	-	(7,383)
Accounts payable and accrued expenses	47,658	-	47,658
Due to depositors	4,905	-	4,905
<i>Net Cash Provided by Operating Activities</i>	<u>\$ (88,749)</u>	<u>\$ 7,617</u>	<u>\$ (81,132)</u>

*See accompanying notes to basic financial statements*

**NOTES TO THE BASIC FINANICAL STATEMENTS**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies**

**1.A. Financial Reporting Entity**

The City of Pauls Valley's (the City) financial reporting entity includes the primary government (City of Pauls Valley), its blended and discretely presented component units.

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

The City of Pauls Valley is an incorporated municipality with a population of approximately 6,150 located in central Oklahoma. The City is a Home Rule Charter form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

**Blended Component Unit:**

**Pauls Valley Municipal Authority** – that operates the water, wastewater, and sewer activities of the City (PVMA).

**Pauls Valley 522 District** - it is authorized to assess three mills of ad valorem tax to be used to provide ambulance service to the City of Pauls Valley. The District contracts with the Pauls Valley Hospital Authority to provide this service. The Special Ambulance Fund reports the District's activities.

**Omitted Blended Component Unit:**

**Pauls Valley Hospital Authority** – that operates the City hospital activities (PVHA).

**Discretely Presented Component Units:**

**Pauls Valley Airport Authority** – that operates the City airport activities (PVAA).

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

The PVMA, the EMS 522 District and the PVHA are required to be included as blended component units due to the financial control and shared board members with the City of Pauls Valley.

The PVAA has a separate board that manages the airport operations. However, due to the relationship described above it is discretely presented.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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The Hospital audited financial statements were not available. Therefore, they are not included in the financial statements.

**Inactive Component Unit:**

**Pauls Valley Urban Renewal Authority** – that operated to identify dilapidated and/or abandoned structures and encourage the owners to rehabilitate the structures or purchase the structures using imminent domain. The Urban and Renewal Authority is financially inactive.

**1.B. Basis of Presentation**

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of 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, intergovernmental revenues, fees, licenses and permits, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**1.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus is a term used to describe “how” transactions are recorded within the various fund statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary 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. Sales taxes are recognized as revenues in the year for which they are levied. 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 government 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.



**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales 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 funds:

**Governmental Funds**

**Major Governmental Funds:**

- General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes the Rose Garden Fund, Wacker Park Fund, and Beautification Fund.
- One Cent Fund – account for one cent sales tax that is 50% for street replacement, 25% for parks and 25% for general government.

*Capital Projects Fund:*

- PV Airport Projects Fund – accounts for grant revenues and expenditures related to airport improvement projects
- Capital Projects Fund – accounts for capital projects revenues, financing and capital expenditures

**Aggregated Non-Major Governmental Funds:**

*Special Revenue Funds:*

- Police Special Fund – accounts for a portion of court fine revenue and miscellaneous donations to be expended for police related expenditures.
- Cemetery Beautification Fund – accounts for miscellaneous donations and monument setting fees to be expended for the beautification of cemeteries.
- Senior Citizens Fund – accounts for revenues, grants and expenditures of the senior citizens' program.
- 911 Account Fund – accounts for E-911 revenues legally restricted for E-911 services.
- Marianne Ewert Bequest Fund – accounts for the permanently restricted endowment fund and the investment income restricted for park improvements.
- Nora Sparks Warren Library Trust Fund – accounts for investment income and donations for library expenditures.
- Tourism/Motel Tax Fund – accounts for revenues of a hotel/motel tax levy to be expended for the promotion of tourism.
- Community Center Fund – accounts for donations and grants to be expended for the community center.
- Special Ambulance Fund – accounts for the 522 District's property taxes collected for the purpose of operating an ambulance service. The service is contracted for through the hospital.

*Capital Projects Funds:*

- Cemetery Care Fund – accounts for 25% of all cemetery revenues of which 12.5% is legally restricted for cemetery capital improvements.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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- TIF Fund – accounts for revenues of ad valorem tax increments generated in the increment district boundaries to be expended for expenses of the Pauls Valley Economic Development Project Plan.

**Proprietary Funds**

**Major Enterprise Fund:**

- Pauls Valley Municipal Authority – operates the water, sewer, and sanitation services of the City (blended component unit).

**Non-Major Enterprise Fund:**

- Sanitation Capital Improvement Fund – accounts for a \$.25 fee assessed and collected from sanitation customers to be expended on capital improvements of the City’s sanitation service.

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

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

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

**1.D. Assets, Liabilities and Fund Equity**

Cash and Investments - The City’s cash and cash equivalents are considered to be cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less from the date of acquisition. Investments for the City, as well as for its component units, are reported at fair market value.

Inventories – The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase. The Pauls Valley Airport Authority has fuel inventory that is recorded at cost using the first-in/first-out method.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These costs are allocated to expense as used or consumed or with the passage of the applicable time period.

Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables in governmental funds and governmental activities include tax accruals and intergovernmental revenue such as grant requests, since they are both measurable and available. Revenue from non-exchange transactions collectible but not available are deferred.

Proprietary fund and business-type activities receivables include revenues earned at year end but not yet received. Billed and unbilled utility accounts receivable comprise the majority of the receivables. All such receivables are shown net of an allowance for uncollectible accounts.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits, debt service and construction proceeds.

Capital Assets - The accounting for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide statements, capital assets are accounted for as capital assets. Capital assets consist of land, intangible, construction in progress, building, improvements, machinery and equipment, and infrastructure. Recorded assets are reported at actual or estimated historical cost. A capitalization threshold of \$3,500 is used to report capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. Prior to July 1, 2001, governmental activities' infrastructure assets were not capitalized. These assets have not been valued or recorded as capital assets. Only infrastructure additions subsequent to July 1, 2001, have been included in the balances of capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The depreciable capital assets of the primary government and the Pauls Valley Airport Authority are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 50 years
- Improvements other than buildings 20-30 years
- Machinery, furniture and equipment 5-24 years
- Utility property and improvements 15-50 years
- General Infrastructure 15-50 years

In the fund financial statements, capital assets used in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the governmental-wide statements.

Capital lease acquired assets are depreciated in the same manner as other capital assets.

Due to Depositors - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and compensatory time in varying amounts according to policies and contracts. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

Governmental funds report only the matured compensated absences payable to currently terminating employees.

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 position.

In the governmental funds long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Outflow/Inflow of Resources – In addition to assets and liabilities, the statement of financial position reports a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition on net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

In the governmental fund financial statements fund equity is classified as fund balance. The fund balance is further classified as follows:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority, (i.e. ordinance).
- d. *Assigned* – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy that the order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Negative amounts shall not be reported for restricted, committed, or assigned funds.

**1.E. Fund Balance Deficit Prohibition**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts). The City’s Pauls Valley Airport Project Fund had negative fund balance of \$7,700 for the year ended June 30, 2015.

**1.F. Sales Tax Revenue**

Sales Tax - The City presently levies a four and one half-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. By enabling legislation 3.25% is available for general government, .50% is restricted for street replacement and maintenance, .25% is restricted for park and recreation facilities and programs and .50% is for the hospital. Three and one-half cents is recorded in the General Fund and the remaining one-cent is recorded in the One Cent Sales Tax Fund. The restricted portion of the sales tax is tracked through the One Cent Sales Tax Fund and the half cent is transferred to the PVHA for debt service. The City is also required by contract to transfer one cent of its General Fund three-cent sales tax to the PVMA for debt retirement of the 2008 OWRB note and a lease-purchase agreement with Pauls Valley National Bank.

**1.G. Tax Incremental Financing (TIF)**

TIF is a method of obtaining financing using future gains in taxes to finance current improvements which will create the conditions for those gains. When a public project is carried out, the increase in the value of surrounding real estate, and perhaps new investment, generates increased property tax revenues dedicated to finance debt issued to pay for the project. The City uses TIF to stimulate economic development. The TIF Fund is used to account for the ad valorem tax received from Garvin County for payment of project costs until the expiration of the TIF district on December 31, 2022.

**1.H. Use of Estimates**

In preparing the City of Pauls Valley’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**1.I. Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering good and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures and expenses in the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), debt service and capital outlay.

Proprietary Fund – By operating and non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**1.J. Internal and Interfund Balances and Transfers**

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

**1.G. New Accounting Pronouncements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows or resources deferred inflows of resources, and pension expenses. GASB No 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68*. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**1.H. Property Tax Revenue**

Property Tax - Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by the voters. At present time the City levies no property tax to fund annual debt service requirements. However, Pauls

**CITY OF PAULS VALLEY, OKLAHOMA**  
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Valley has organized an EMS District and it levies 3.00 mills for property taxes to fund the annual operations.

The property tax levy request is submitted to the county excise board for approval. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1; the county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

**Note 2 – Detailed Notes on all Funds**

**2.A. Deposits and Investments Risk**

At June 30, 2015, the primary government reporting entity had the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>		
Demand deposits		\$ 4,610,172
Time deposits		664,905
Money market mutual funds:		
Caval Hill US Treasury	AAA-m	143,027
First United Money Market Funds		<u>5,497,820</u>
<b>Total Deposits</b>		<b><u>\$ 10,915,923</u></b>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 4,308,004
Investments		831,799
Restricted Cash and cash equivalents		5,642,571
Restricted Investments		133,550
		<u>-</u>
<b>Total Cash and Investments</b>		<b><u>\$ 10,915,923</u></b>

*Custodial Credit Risk - Deposits* – Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City does have a written deposit policy for custodial credit risk that requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2015 The City of Pauls Valley accounts were fully collateralized.

*Investment Credit Risk* – – The City does have a written investment policy that limits its investment choices according to the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC.

**CITY OF PAULS VALLEY, OKLAHOMA**  
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Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

*Investment Interest Rate Risk* – The City does have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. All certificates of deposit have maturities of one year or less.

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

**2.B. Restricted Assets**

Amounts reported as restricted assets in the proprietary fund Statement of Net Position and the governmental funds Balance Sheet are comprised of amounts due to depositors related to utility deposits and debt and construction funds related to bonds. The restricted assets as of June 30, 2015 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
FUB - Debt and Construction -Gov. Funds	\$ 5,497,825	\$ -
Bank of OK MM – Water Plant Note- Prop	143,027	-
Utility Deposits-Prop	<u>1,719</u>	<u>133,550</u>
Total Restricted Assets	<u>\$ 5,642,571</u>	<u>\$ 133,550</u>

**2.C. Receivables**

Accounts receivable consist of customer utilities services provided, both billed and unbilled, due at year-end, reported net of allowance for uncollectible amounts, in the enterprise fund and taxes and police fines in the governmental funds. Interest receivable on investments is also recorded. Receivables as of June 30, 2015, including the applicable allowances for uncollectible accounts are as follows:

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Presented CU PVAA</u>
Interest	\$ 70	\$ 663	\$ 733	\$ -
Police Fines	391,072	-	391,072	-
Grants	22,740			
Accounts	-	280,627	280,627	30,688
Unbilled Accounts	11,262	37,040	48,302	
Taxes	<u>844,838</u>	<u>-</u>	<u>844,838</u>	
Gross Receivables	1,269,982	318,330	1,588,312	30,688
Less: Allowance for Uncollectibles	<u>(366,475)</u>	<u>(7,983)</u>	<u>(374,458)</u>	<u>(1,208)</u>
Net Total Receivables	<u>\$ 903,507</u>	<u>\$ 310,347</u>	<u>\$ 1,213,854</u>	<u>\$ 29,480</u>



**CITY OF PAULS VALLEY, OKLAHOMA**  
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**2.D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

**Primary Government**

	<u>Balance 06/30/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/15</u>
<b>Government Activities:</b>				
Capital assets, not being depreciated:				
Intangibles	\$ 50,000			\$ 50,000
Land	721,981			721,981
Construction in Progress	705,102	245,552	(892,438)	58,216
Total capital assets, not being depreciated	<u>1,477,083</u>	<u>245,552</u>	<u>(892,438)</u>	<u>830,197</u>
Capital assets, being depreciated:				
Buildings	16,790,180	74,751		16,864,931
Improvements	4,750,834	31,904		4,782,738
Machinery, furniture and equipment	5,380,562	269,894	(14,075)	5,636,381
Infrastructure	237,579	892,438		1,130,017
Total capital assets, being depreciated	<u>27,159,155</u>	<u>1,268,987</u>	<u>(14,075)</u>	<u>28,414,067</u>
Less accumulated depreciation for:				
Buildings	2,698,779	739,110		3,437,889
Improvements	1,909,529	297,612		2,207,141
Machinery, furniture and equipment	4,102,355	448,014	(14,075)	4,536,294
Infrastructure	72,454	21,352		93,806
Total accumulated depreciation	<u>8,783,117</u>	<u>1,506,088</u>	<u>(14,075)</u>	<u>10,275,130</u>
Total capital assets, being depreciated, net	<u>18,376,038</u>	<u>(237,101)</u>	<u>-</u>	<u>18,138,937</u>
Governmental activities capital assets, net	<u>\$ 19,853,121</u>	<u>\$ 8,451</u>	<u>\$ (892,438)</u>	<u>\$ 18,969,134</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
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<u>Business-Type Activities</u>	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/15</u>
Capital assets, not being depreciated:				
Land	\$ 344,526	\$ -	\$ -	\$ 344,526
Construction in Progress	-	21,620	-	21,620
Total capital assets, not being depreciated	<u>344,526</u>	<u>21,620</u>	<u>-</u>	<u>366,146</u>
Capital assets, being depreciated:				
Buildings	285,516			285,516
Improvements	14,207,594	14,384		14,221,978
Machinery, furniture and equipment	2,929,432	270,271	(175,800)	3,023,903
Utility property	34,249,190			34,249,190
Total capital assets, being depreciated	<u>51,671,732</u>	<u>284,655</u>	<u>(175,800)</u>	<u>51,780,587</u>
Less accumulated depreciation for:				
Buildings	126,955	14,886		141,841
Improvements	2,374,844	327,663		2,702,507
Machinery, furniture and equipment	2,445,539	144,597	(175,800)	2,414,336
Utility Property	24,122,362	481,236		24,603,598
Total accumulated depreciation	<u>29,069,700</u>	<u>968,382</u>	<u>(175,800)</u>	<u>29,862,282</u>
Total capital assets, being depreciated, net	<u>22,602,032</u>	<u>(683,727)</u>	<u>-</u>	<u>21,918,305</u>
Business-type activities capital assets, net	<u>\$ 22,946,558</u>	<u>\$ (662,107)</u>	<u>\$ -</u>	<u>\$ 22,284,451</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Discretely Presented Component Unit**

	<b>Balance</b>		<b>Balance</b>
	<b>06/30/14</b>	<b>Additions</b>	<b>Disposals</b>
			<b>06/30/15</b>
<b>Pauls Valley Airport Authority:</b>			
Capital assets, not being depreciated:			
Land	\$ 94,942		\$ 94,942
Construction in Progress	1,115,555	844,640	11,400
Total capital assets, not being depreciated	1,210,497	844,640	\$ 106,342
Capital assets, being depreciated:			
Buildings	668,326		668,326
Improvements	5,355,454	-	5,355,454
Machinery, furniture and equipment	265,436	4,800	270,236
Infrastructure		1,948,795	1,948,795
Total capital assets, being depreciated	6,289,216	1,953,595	8,242,811
Less accumulated depreciation for:			
Buildings	376,445	49,722	426,167
Improvements	2,401,592	189,994	2,591,586
Machinery, furniture and equipment	246,449	3,252	249,701
Infrastructure		19,488	19,488
Total accumulated depreciation	3,024,486	262,456	3,286,942
Total capital assets, being depreciated, net	3,264,730	1,691,139	4,955,869
Governmental activities capital assets, net	\$ 4,475,227	\$ 2,535,779	\$ (1,948,795)

Depreciation expense was charged to functions/programs of the primary government as follows in the Statement of Activities:

**Governmental Activities:**

General Government	\$ 113,962
Public Safety	197,903
Culture, Parks and Recreation	961,065
Streets	225,274
Cemetery	7,884

Total depreciation expense - governmental activities \$1,506,088

**Business-Type Activities:**

Water	\$ 594,504
Sewer	191,200
Sanitation	111,333
Administration	22,554
Lake	48,791

Total depreciation expense - business-type activities \$ 968,382

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**2.E. Long-Term Debt**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/15</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 256,394	\$ 84,420	\$ 138,546	\$ 202,268	\$ 101,705
Note Payable	3,019,148	5,470,000	115,076	8,374,072	419,345
Compensated Absences	<u>162,287</u>	<u>21,037</u>	<u>-</u>	<u>183,324</u>	<u>-</u>
Total Long-term Liabilities	<u>\$ 3,437,829</u>	<u>\$ 5,575,457</u>	<u>\$ 253,623</u>	<u>\$ 8,759,663</u>	<u>\$ 521,050</u>
<b>Business-Type Activities PVMA:</b>					
Capital Lease Obligations	\$ 202,630	\$ 227,003	\$ 126,897	\$ 302,736	\$ 114,976
Notes Payable	6,952,396	-	319,559	6,632,837	325,000
Contract Payable	533,451	-	93,451	440,000	72,996
Compensated Absences	<u>88,317</u>	<u>-</u>	<u>2,812</u>	<u>85,505</u>	<u>-</u>
Total Long-term Liabilities	<u>\$ 7,776,794</u>	<u>\$ 227,003</u>	<u>\$ 542,719</u>	<u>\$ 7,461,078</u>	<u>\$ 512,972</u>

Governmental Activities - State statutes prohibit the City from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2015, the long-term debt payable from governmental fund resources consisted of the following:

Capital Lease Obligations:

\$88,253 lease obligation with Caterpillar Financial for a Caterpillar 420EL, payable in monthly installments of \$1,593.63, final payment due June 2017 with interest at 3.20%	36,996
\$47,889 lease obligation with Caterpillar Finance for a skid steer loader payable in monthly installments of \$1,396.86 final payment due November 2016 with interest at 3.20%. The use and debt is considered 1/3 street dept. and 2/3 PVMA	7,270
\$176,623 lease obligation with Pauls Valley National Bank for a fire rescue truck payable in monthly installments of \$3,213, final payment due June 2017 with interest at 3.3%.	73,582
\$84,420 lease obligation with First United Bank for two Police Chevy Tahoes payable in two annual installments of \$44,752.74 final payment due January 2017 with interest at 3.99%.	<u>84,420</u>
Total Capital Lease Obligations	<u>\$ 202,268</u>
Current portion	101,705
Non-current portion	<u>100,563</u>
Total Capital Lease Obligations	<u>\$ 202,268</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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Notes Payable:

\$3,200,000 notes payable to First United Bank, payable in monthly installments, final payment due October 2032 with interest at 3.85% (Pool Construction)	2,904,072
\$5,470,000 notes payable to First United Bank, secured by pledged sales tax, payable in semi-annual installments, final payment due March 2030 with interest at 2.67% (Street Improvements)	<u>5,470,000</u>
Total Notes Payable	<u>\$ 8,374,072</u>
Current portion	419,345
Non-current portion	<u>7,954,727</u>
Total Notes Payable	<u>\$ 8,374,072</u>

Business-Type Activities – As of June 30, 2015, long-term debt payable from proprietary fund resources consisted of the following:

**PVMA Long-term Debt:**

Capital Lease Obligations:

\$101,110 lease obligation with Caterpillar Financial for a Caterpillar D4K2XL, payable in monthly installments of \$1,904.60, final payment due January 2016 with interest at 3.20%	51,854
\$47,889 lease obligation with Caterpillar Finance for a skid steer loader payable in monthly installments of \$1,396.86 final payment due November 2016 with interest at 3.20%. The use and debt is considered 1/3 street dept. and 2/3 PVMA	14,540
\$91,270 lease obligation with Welch State Bank for a Caterpillar backhoe, payable in monthly installments of \$1,148, final payment due March 2017 with interest at 5.339%	22,257
\$33,509 lease obligation with Caterpillar Financial for a Caterpillar Mini Excavator, payable in monthly installments of \$977, final payment due October 2017 with interest at 3.20%	25,400
\$193,494 lease obligation with Caterpillar Financial for a Caterpillar 930K, payable in monthly installments of \$2,745, final payment due May 2020 with interest at 2.65%	<u>188,685</u>
Total Capital Lease Obligations	<u>\$ 302,736</u>
Current portion	114,976
Non-current portion	<u>187,760</u>
Total Capital Lease Obligations	<u>\$ 302,736</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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Notes Payable:

\$10,325,000 notes payable to Oklahoma Water Resources Board, secured by water, sewer and sanitation revenues and pledged sales tax, payable in semi-annual installments, final payment due September 2030 with interest at 3.79%, all funds had not been drawn as of June 30, 2015	<u>6,632,837</u>
Total Notes Payable	<u>\$ 6,632,837</u>
Current portion	325,000
Non-current portion	<u>6,307,837</u>
Total Notes Payable	<u>\$ 6,632,837</u>

Contract Payable:

\$1,491,248 face amount, noninterest bearing contract payable to Garvin County RWD#4 for certain water infrastructure, payable monthly as a reduction of the sellers account receivable utility account, final payment due March 2021 with imputed interest at 4.18%, (less unamortized discount based on imputed interest rate - \$151,248), See also contingent liability note.	<u>\$ 440,000</u>
Current portion	72,996
Non-current portion	<u>367,004</u>
Total Contract Payable	<u>\$ 440,000</u>

The capital assets acquired through capital leases are as follows:

Date	Capital Asset	Amount	Accumulated Depreciation
Machinery and Equipment:			
7/3/2012	Backhoe Loader	\$ 88,523	\$ 25,740
5/8/2012	Fire Rescue Truck	176,623	54,459
12/9/2014	Police Tahoe SUV	42,075	4,208
12/9/2014	Police Tahoe SUV	42,075	4,208
10/23/2013	Skid Steer Loader	15,963	2,661
10/23/2013	Skid Steer Loader	31,926	5,322
2/21/2013	Tractor	101,110	23,592
10/14/2014	Mini Excavator	33,509	4,468
5/12/2015	Wheel Loader	141,020	2,350
12/9/2008	Backhoe	<u>91,270</u>	<u>61,189</u>
		<u>\$ 763,824</u>	<u>\$ 188,197</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
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Annual debt service requirements to maturity are as follows:

Governmental Activities:

Year Ending June-30	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2016	101,705	6,317	419,345	250,724
2017	100,562	2,700	434,393	242,468
2018	-	-	444,336	229,248
2019	-	-	459,476	215,630
2020	-	-	474,571	201,791
2021-2025	-	-	2,596,754	779,948
2026-2030	-	-	3,031,090	353,558
2031-2034	-	-	514,108	24,635
	<u>\$ 202,268</u>	<u>\$ 9,018</u>	<u>\$8,374,072</u>	<u>\$2,298,002</u>

BusinessType Activities PVMA:

Year Ending June-30	Capital Lease Obligations		Notes Payable		Contracts Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	114,975	7,208	325,000	252,983	72,996	17,004
2017	53,502	4,399	340,000	240,475	76,106	13,894
2018	32,699	3,136	355,000	227,495	79,349	10,651
2019	30,614	2,321	365,000	213,946	82,730	7,270
2020	70,946	1,308	385,000	199,923	86,722	3,278
2021-2025	-	-	2,130,000	769,180	42,097	493
2026-2030	-	-	2,570,000	329,541	-	-
2031-2034	-	-	293,254	5,400	-	-
	<u>\$302,736</u>	<u>\$18,372</u>	<u>\$6,763,254</u>	<u>\$2,238,943</u>	<u>\$440,000</u>	<u>\$ 52,590</u>

Less amount remaining to be drawn	(130,417)
	<u>\$6,632,837</u>

Interest and Admin expense were charged to functions as follows in the Statement of Activities:

Business Type Activities	
Water	279,165
Sewer	724
Sanitation	5,129
Lake	343
	<u>\$285,360</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
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**Utility Revenues Pledged**

The City has pledged future water, sewer, and sanitation customer revenues, net of specified operating expenses, to repay a \$10,325,000 in a promissory note to OWRB-Series 2008 DWSRF Bond, the Series 2008 note has not been fully drawn down as of June 30, 2015. Proceeds from the 2008 note were for water system improvements. The notes are payable from water, sewer, and sanitation customer net revenues and future sales tax revenue (discussed below) and are payable through 2031, respectively. The total principal and interest payable for the remainder of the life of this note is \$9,002,197. Total customer net revenues for the current year were \$3,077,497. The required debt service payments of \$572,591 for the current fiscal year were 18.60% of the net water, sewer and sanitation utility revenues.

**Sales Tax Revenues Pledged**

The City has pledged one half of one cent sales tax revenues to repay \$10.325 million in a promissory note to OWRB issued January 2008. This note has not been fully drawn down as of June 30, 2015. Proceeds from the note provided financing for water system improvements. The note is payable from future sales tax revenue and net utility revenue (discussed above). The total principal and interest remaining to be paid on the note is \$9,002,197, payable through September 2031. Pledged sales tax received in the current year was \$719,293. Debt Service payments of \$572,591 for the current fiscal year were 79.60% of pledged sales taxes.

Also the one half of one cent sales tax that is restricted for streets and alleys has been designated to the payment of the \$5.47 million note payable for street improvements. The principal and interest on this note through March, 2030 is \$6,669,969. There were no debt service payments in the current year.

**Debt Service Coverage Requirement**

The OWRB debt agreements require that Net Revenue Available for Debt Service must equal 125% of maximum annual debt service. Actual coverage was as follows:

	<b>OWRB Series 2008</b>
Net Revenue Available for Debt Service:	
Operating Revenues	\$ 3,129,248
Less Lake Revenue	(44,134)
Total Operating Revenue	3,077,497
Operating Expenses	4,197,876
Less Lake Expenses	(100,109)
Less Lake Administration Expenses	( 8,790)
Less Depreciation/Amortization	(968,382)
Total Operating Expenses	3,120,665
1/2 Sales Tax Transfer (Sr. 2008)	719,293
Net Revenues Available for Debt Service	\$ 676,125
<b><u>Debt Service Requirements:</u></b>	
Annual debt service payments - OWRB 2008	572,591
Total Debt Service Requirement	572,591
Coverage	119%
Coverage Requirement	125%



**CITY OF PAULS VALLEY, OKLAHOMA**  
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Note: Operating revenues and expenses include only the following leased systems: water, sewer, and sanitation. Also the coverage requirement has not been met.

**2.F. Landfill Closure and Post Closure Requirements**

A \$120,156 accrued liability has been recognized in Pauls Valley Municipal Authority to represent the total estimated amount owed by the Authority for closure and post closure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 15.80% of the estimated capacity of the landfill. It is estimated that an additional \$623,154 will be recognized as closure and post closure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and post closure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The City expects to close the landfill in April 2087. The estimated remaining landfill life is 73 years. Currently, the City is in compliance with DEQ assurances.

**2.G. Interfund Receivables, Payables, and Transfers**

Transfers between funds and legal entities are comprised of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
One Cent Sales Tax Fund	General Fund	\$ 360,814	Operating subsidy
One Cent Sales Tax Fund	General Fund	424,539	Debt Activity
One Cent Sales Tax Fund	General Fund	80,004	Per grant agreement
General Fund	Police Special Fund	4,391	To fund capital purchases
General Fund	PVMA	1,438,635	Sales tax transfer
General Fund	PVMA	90,000	To fund capital purchases
General Fund	Tourism fund	19,316	To transfer assets
General Fund	911 Account Fund	27,000	Operating subsidy
General Fund	Airport Project Fund	108,622	Operating subsidy
Community Fund	General Fund	2,328	To close fund
Marianne Ewert Fund	Wacker Park Fund	50	Transfer of interest income
Marianne Ewert Fund	Rose Garden Fund	50	Transfer of interest income
PVMA	General Fund	116,000	Operating subsidy
General Fund	PVAA	21,600	Operating subsidy
PV Airport Projects Fund	PVAA	844,640	To transfer capital assets
		<u>\$ 3,537,989</u>	
PVMA	PVHA	319,201	Operating subsidy
General Fund	PVHA	62,107	Operating subsidy
General Fund	PVHA	688,591	Debt Activity
		<u>\$ 1,069,898</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 116,000	\$ (3,145,573)	\$ (3,029,573)
Enterprise Funds	1,528,635	(435,201)	1,093,434
Total	<u>\$ 1,644,635</u>	<u>\$ (3,580,774)</u>	<u>\$ (1,936,139)</u>

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The remaining difference of \$1,936,139 is composed of \$1,069,899 to PVHA and \$866,240 to the PVAA.

**Reconciliation to Statement of Activities – governmental and business-type activities:**

Net Transfers Governmental	\$ 3,029,573
Capital assets paid for government funds	-
Payment for the benefit of PVHA	<u>(1,936,139)</u>
Net Transfers-Enterprise Activity	<u>\$ 1,093,434</u>

**Reconciliation to Statement of Activities – primary government and component units:**

Transfers from general fund to component unit-PVAA management fee	\$ 21,600
Transfers from governmental fund to PVAA component unit Capital Outlay	<u>844,640</u>
Payments from primary government	<u>\$ 866,240</u>

**2.H. Fund Equity/Net Position**

**Governmental Fund Balances** – Fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 is as follows:

*Fund Balance:*

**Nonspendable:**

Perm Endow-Parks	-	-	-	-	50,000	50,000
Prepaid expenses	28,290	-	-	-	4,884	33,174
Long-term receivable	31,300	-	-	-	-	31,300

**Restricted for:**

Cemetery	-	-	-	-	10,093	10,093
Senior Citizens	-	-	-	-	551	551
Ambulance	-	-	-	-	677	677
Library	-	-	-	-	214,599	214,599
TIF District	-	-	-	-	69,778	69,778
Debt service	-	38,595	-	-	-	38,595
Parks and Recreation	-	43,968	-	-	-	43,968
Streets	174,636	2,046,632	5,284,588	-	-	7,505,856
Tourism/Econ Dev	-	-	-	-	590,577	590,577
Pool	27,554	-	-	-	-	27,554
Community Center	360,018	-	-	-	-	360,018

**Assigned to:**

Police	-	-	-	-	36,903	36,903
Parks and Recreation	33,414	-	-	-	9	33,423
Tourism/Econ Dev	-	-	-	-	3,311	3,311
Library	-	-	-	-	58,099	58,099
911	-	-	-	-	3,982	3,982
Cemetery	-	-	-	-	38,739	38,739
Other Purposes	-	-	-	-	-	-

<b>Unassigned</b>	<u>798,237</u>	<u>53,437</u>	<u>-</u>	<u>(7,700)</u>	<u>-</u>	<u>843,974</u>
<i>Total Fund Balance</i>	1,453,449	2,182,632	5,284,588	(7,700)	1,082,202	9,995,171

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**Note 3 - Other Notes**

**3.A. Risk Management**

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Airport General Liability – Covered through purchase of commercial insurance.
- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Employee's Group Medical – Covered through purchase of commercial insurance.

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

**3.B. Contingencies**

**Federal and State Award Programs** - The City of Pauls Valley participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Litigation** - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court-assessed judgement rendered against the City. This provision is not applicable to authorities or public trusts. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**Commitments-Construction** – At June 30, 2015, the City had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>	<u>Fund</u>
Water Park Ticket Booth	\$ 191,281	\$ 191,281	General Fund
Street Reconstruction	\$1,484,242	\$ 1,484,242	General Fund

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**Contingent Liability** – The City of Pauls Valley has a contract with Garvin County Rural Water District No. 4 for the purchase of certain water infrastructure. See Note 2.E. Contract Payable for consideration for sale of infrastructure. Additional consideration for industrial/commercial customers has not been determined as of June 30, 2015. This amount when determined shall be added to the contract payable and capital assets for water infrastructure.

**Below is the debt incurred by the City on behalf of the hospital (hospital financial data has been excluded from this report) –**

	<u>Balance</u> <u>6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/15</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities PVHA:</b>					
Notes Payable	\$10,283,273	\$ -0-	\$ 377,563	\$ 9,905,710	\$ 503,310

This debt is issued in the name of the PVMA and is secured by sales tax of the City. All of these funds were used capital improvements and support for the hospital. See note below about the PVHA as a going concern. Despite the status of the hospital the City will be responsible for this debt.

\$3,150,000 notes payable to First United Bank, secured by Sales Tax revenues, payable in monthly installments, final payment due June 2033 with interest at 4.25%.	3,015,171
\$1,025,000 sales tax note payable to Pauls Valley National Bank, secured by sales tax revenues, payable in monthly installments, final payment due June 2033 with interest at 4.25%.	974,380
\$5,155,000 2014A sales tax revenue note to First United Bank, secured by sales tax revenues, payable in monthly installments, final payment due June 2034 with initial interest of 2.078%	5,151,959
\$991,000 2014B sales tax revenue note payable to First United Bank, secured by sales tax revenues, payable in monthly installments, final payment due July 2017 with initial interest of 3.45%	<u>764,200</u>
Total hospital notes payable	<u>\$ 9,905,710</u>
Current Portion	503,310
Non-current portion	<u>9,402,400</u>
Total	<u>\$ 9,905,710</u>

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Business Type Activities PVHA:

Year Ending June-30	Capital Lease Obligations		Notes Payable		Contracts Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	-	-	503,310	298,381	-	-
2017	-	-	533,392	391,149	-	-
2018	-	-	395,785	370,786	-	-
2019	-	-	397,181	354,150	-	-
2020	-	-	413,300	337,170	-	-
2021-2025	-	-	2,345,853	1,399,035	-	-
2026-2030	-	-	2,882,503	844,054	-	-
2031-2034	-	-	2,434,384	197,854	-	-
	\$ -	\$ -	\$9,905,710	\$4,192,579	\$ -	\$ -

**Going Concern - Pauls Valley Hospital Authority** – The Hospital is a component unit of the City of Pauls Valley. But as of the release of the City’s audited financial statements the hospital audit had not been completed. Therefore, the City has elected to omit the financial information of the Hospital. Also the PVMA has supplemented the operations of the hospital through obtaining \$10,283,273 financing. The citizens have approved additional sales tax to liquidate much of this debt.

As a result of sustained annual operating losses caused by declining patient service revenue and increased debt obligations, on March 1, 2013, the Hospital filed a voluntary petition for bankruptcy protection from creditors under Chapter 9 of the Federal Bankruptcy Code.

Upon filing petition, an automatic stay commenced, prohibiting Hospital creditors from taking action against the Hospital, its property, and its officers and inhabitants if the action seeks to enforce a claim against the Hospital for pre-petition debts.

The Hospital intends to prepare a Plan of Adjustment (the Plan) for approval by the Bankruptcy Court. The confirmed Plan will specify how the pre-petition debts of the Hospital will be discharged, including various unpaid amounts associated with the failure to pay certain taxes. The Plan provides that such tax obligations will be paid over five years without interest, consistent with the requirements of the Federal Bankruptcy Code, or a lesser lump sum amount at the election of the taxing authorities.

Accounting standard for governmental entities for Chapter 9 bankruptcy require an adjustment to liabilities discharged through a confirmed Plan when all conditions existing prior to the Plan becoming binding are resolved. Any resulting gains resulting from the re-measurement of liabilities are to be recorded as extraordinary items.

As of the date of the June 30, 2014 financial statements were available to be issued (November 12, 2015), the Plan has not been completed. Management estimates the Plan will be completed and submitted to the Bankruptcy Court by January 2016. As a result, no adjustments have been made to the Hospital financial statements as a result of the bankruptcy filing and any gains resulting from such adjustment cannot be estimated.

The Hospital has remained open since the filing of the bankruptcy petition. However, there is potential that the ultimate outcome of the bankruptcy will result in termination of the Hospital.

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### **3.C. Pension Plans**

The City of Pauls Valley participates in four pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) – an agent multiple-employer defined contribution plan
4. Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) – an agent multiple-employer defined contribution plan

#### **Oklahoma Firefighters Pension & Retirement Plan**

**Plan Description** – The City of Pauls Valley, as the employer, participates in the Firefighter's Pension and Retirement Plan - statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter's Pension and Retirement System (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. OFPRS issues a publicly available financial report can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Benefits provided** – OFPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of services is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the not-in-the-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.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

**Contributions** – The contribution requirements of the plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$51,490 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to OPFRS in an amount during the calendar year and this is reported both as 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

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the state's on-behalf contributions on an accrual basis of \$127,000. The on-behalf payments did not meet the criteria of a special funding situation.

**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 \$1,358,550 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 pension plan for all participating employers as of June 30, 2014. Based upon this information the City's proportion was .1321%.

For the year ended June 30, 2015, the City recognized pension expense of \$122,016. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,369	\$ -
Net difference between projected and actual earnings on pension plan investments	-	205,647
City contributions subsequent to the Measurement date	51,490	-
Total	\$ 83,859	\$ 205,647

\$51,490 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	\$ 46,017
2017	46,017
2018	46,017
2019	46,017
2020	(5,395)
Thereafter	(5,395)
	\$ 173,278

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

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were 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.

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

**Discount Rate** – The discount rate used measure the total pension liability was 7.5%. 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 employees will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium as established by 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.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) that the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset) \$	1,773,845	\$ 1,358,550	\$ 1,010,182

**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 OFPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Oklahoma Policemen Pension and Retirement Plan**

**Plan** description – The City of Pauls Valley, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report may be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).



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**Benefits provided** – OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service.

Contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service, may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants, who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

**Contributions** – The contribution requirements of the plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$71,311. The State of Oklahoma also made on-behalf contributions to OPPRS in an amount during the calendar year and this is reported both as 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 \$67,000. The on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2015, the City reported an asset of \$65,886 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset 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 .1957%.

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For the year ended June 30, 2015, the City recognized pension expense of \$24,150. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 29,600
Net difference between projected and actual earnings on pension plan investments	-	231,578
City contributions subsequent to the Measurement date	<u>71,311</u>	<u>-</u>
Total	\$ <u>71,311</u>	\$ <u>261,178</u>

\$71,311 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	\$ 63,814
2017	63,814
2018	63,814
2019	63,814
2020	<u>5,922</u>
	\$ <u>261,178</u>

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

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with generational improvement using Scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

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.

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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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5%. 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 employees will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium as established by 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.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percent point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset) \$	392,035	(65,886)	(451,818)

**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 OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Oklahoma Municipal Retirement Fund – Defined Contribution Plans**

**Municipal Retirement Plan** - The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the "Plan") in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes To the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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supervised by OMRF. The defined contribution plan is available to all full-time employees not participating in another plan. Employees are eligible to participate three months from the date of employment. Employees are required to contribute at least 1% but no more than 5% of compensation. Employer contributions shall equal 100% of the total mandatory contributions by employees. City contributions for each employee begin vesting after two years of service and are fully vested after six years. If an employee terminates before becoming fully vested, the employer's contributions are forfeited and may be used to reduce the City's current period contribution requirements. The authority to amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2015, employee contributions were \$71,614 and the employer contributions were \$63,726.

**City Manager Retirement Plan** - The City has provided a defined contribution plan and trust known as the City of Pauls Valley Plan (the "Plan") in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF) available only to the city manager. OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The Plan is administered by OMRF and plan assets are supervised by OMRF. The city manager is required to contribute to the Plan 3.5% of compensation. The City Council determines the City's contribution rate each year. However, the maximum contribution amount from employee and employer is limited to \$46,000. City contributions for the city manager begin vesting immediately. The authority to amend the provisions of the plan rests with the City Council.

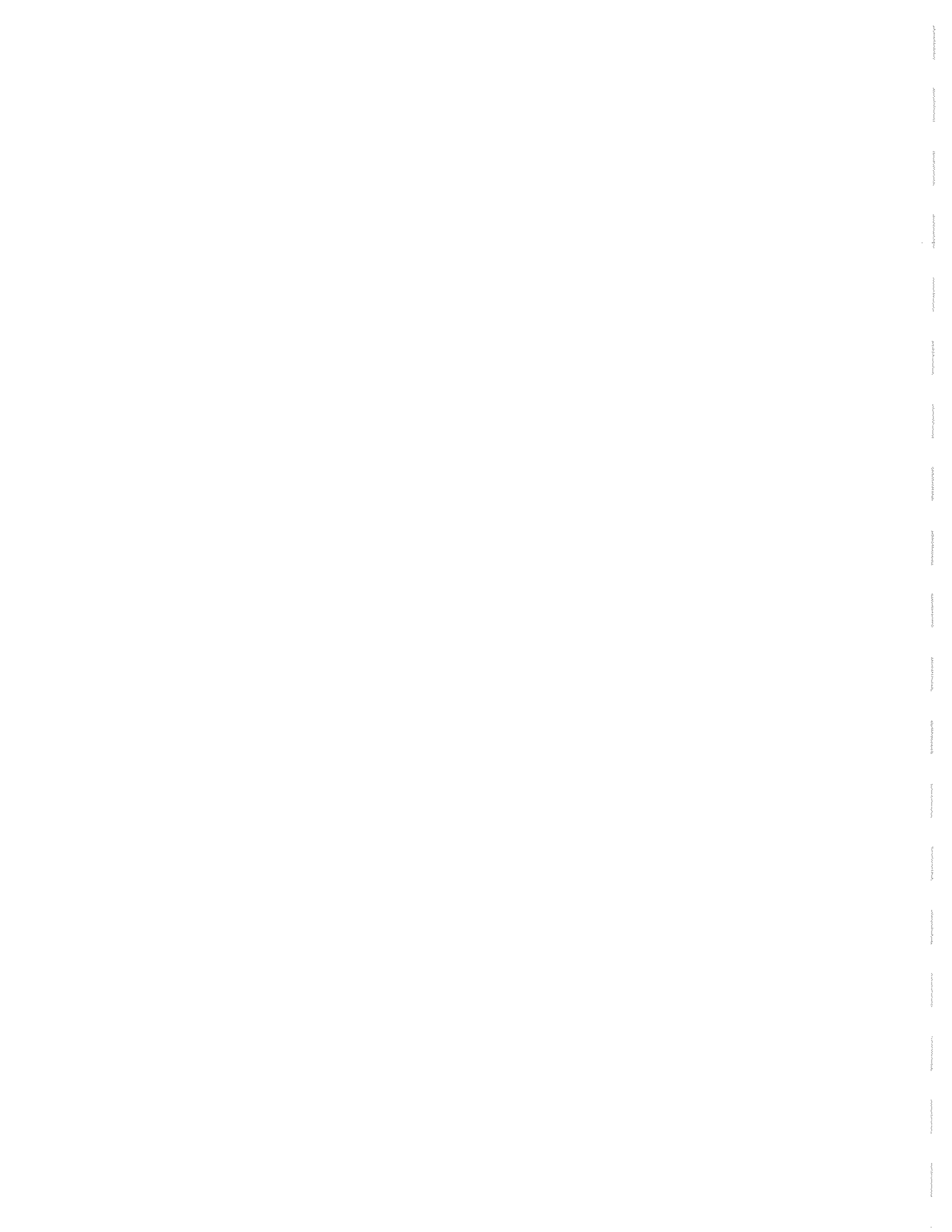
For the year ended June 30, 2015, employee contributions were \$3,781 and the employer contributions were \$9,097.

#### 4. Restatement of Beginning Net Position

Effective July 1, 2014, the City implemented new accounting standards related to certain of its pension plans as discussed in Note 4. As a result of those new accounting standards, the City was required to establish pension liabilities, deferred outflows of resources, and deferred inflows that had not been previously established.

Following is a summary of changes to the City's previously reported net position:

	<u>Government-Wide</u> <u>Governmental</u> <u>Activities</u>
Beginning net position, as Previously reported, as of June 30, 2014	\$ 20,310,601
Implementation of GASB Statements 68 and 71	<u>(1,748,993)</u>
Beginning net position, as restated, as of June 30, 2014	<u>\$ 18,561,608</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ending June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ -	\$ 1,079,485	\$ (1,079,485)
<b>Revenue</b>				
Taxes	4,850,000	5,184,355	5,172,204	12,151
Intergovernmental	181,000	189,000	194,508	(5,508)
Charges for Services	821,500	948,500	957,285	(8,785)
Fines and Forfeitures	162,000	162,000	161,402	598
Licenses and Permits	30,000	52,000	49,379	2,621
Investment Income	2,500	2,500	1,618	882
Miscellaneous	95,000	245,000	251,222	(6,222)
Loan Proceeds	-	-	84,420	(84,420)
Transfers In	1,098,555	937,834	983,685	(45,851)
<b>Total Revenues</b>	<u>7,240,555</u>	<u>7,721,189</u>	<u>7,855,723</u>	<u>(134,534)</u>
<b>Amounts available for appropriations</b>	<u>7,240,555</u>	<u>7,721,189</u>	<u>8,935,208</u>	<u>(1,214,019)</u>
<b>Expenses</b>				
Transfers	1,465,833	1,609,257	1,771,672	(162,415)
Administration	1,001,168	759,766	672,100	87,666
Police	1,151,080	1,159,880	1,272,638	(112,758)
Fire	704,410	754,410	752,697	1,713
Street	530,231	661,231	516,118	145,113
Shop	91,507	95,282	95,016	266
Park	132,334	152,834	152,593	241
Cemetery	170,169	178,869	178,738	131
Golf	360,654	360,454	355,556	4,898
Library	147,750	140,950	139,106	1,844
Senior Center	60,410	105,410	98,102	7,308
Airport	24,359	45,459	23,190	22,269
Aquatic	533,721	595,671	595,527	144
Recreation	563,285	689,985	720,130	(30,145)
Animal Control	131,350	124,850	123,518	1,332
<b>Total Expenses</b>	<u>7,068,261</u>	<u>7,434,308</u>	<u>7,466,701</u>	<u>(32,393)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 172,294</u>	<u>\$ 286,881</u>	<u>\$ 1,468,507</u>	<u>\$ (1,181,626)</u>
<b>Reconciliation of Budget to GAAP</b>				
Accruals			<u>(48,471)</u>	
Fund Balance - GAAP			<u>\$ 1,420,036</u>	

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**One Cent Fund**  
**For the Year Ending June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ 185	\$ 1,870,832	\$ (1,870,647)
<b>Revenue</b>				
Taxes	1,333,333	1,438,635	1,438,635	-
Investment Income	2,000	3,882	3,882	-
Transfer In	-	-	-	-
<b>Total Revenues</b>	<u>1,335,333</u>	<u>1,442,517</u>	<u>1,442,517</u>	<u>-</u>
<b>Amounts available for appropriations</b>	<u>1,335,333</u>	<u>1,442,702</u>	<u>3,313,349</u>	<u>(1,870,647)</u>
<b>Expenses</b>				
Transfers out	663,353	821,834	865,357	(43,523)
Capital Outlay	669,980	620,868	265,311	355,557
<b>Total Expenses</b>	<u>1,333,333</u>	<u>1,442,702</u>	<u>1,130,668</u>	<u>312,034</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,182,681</u>	<u>\$ (2,182,681)</u>
Reconciliation of Budget to GAAP				
Accruals			(49)	
Fund Balance - GAAP			<u>\$ 2,182,632</u>	



**CITY OF PAULS VALLEY, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**PV Airport Projects**  
**For the Year Ending June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ -	\$ 7,629	\$ (7,629)
<b>Revenue</b>				
Intergovernmental	1,165,000	1,165,000	902,026	262,974
Investment Income				-
Transfer In		48,622	108,622	(60,000)
<b>Total Revenues</b>	<u>1,165,000</u>	<u>1,213,622</u>	<u>1,010,648</u>	<u>202,974</u>
<b>Amounts available for appropriations</b>	<u>1,165,000</u>	<u>1,213,622</u>	<u>1,018,277</u>	<u>195,345</u>
<b>Expenses</b>				
Transfers out	1,165,000	1,165,000	1,012,808	152,192
Capital Outlay				-
<b>Total Expenses</b>	<u>1,165,000</u>	<u>1,165,000</u>	<u>1,012,808</u>	<u>152,192</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ 48,622</u>	<u>\$ 5,469</u>	<u>\$ 43,153</u>
<b>Reconciliation of Budget to GAAP</b>				
Accruals			(13,169)	
Fund Balance - GAAP			<u>\$ (7,700)</u>	

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Notes to Budgetary Comparison Schedules**  
**For the year Ended June 30, 2015**

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1. The City prepares its budgets for all funds on the cash basis of accounting. For budgetary purposes expenditures are recorded in the period the invoice is received and paid. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes. The Capital Improvement Fund, even though it is considered a major fund, is a capital project fund and is not required to have a budget vs. actual presented.
2. The appropriated budget is prepared by fund, department and categories (personal services, materials and supplies, other services, capital outlay, debt service and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

The city manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

3. The budgetary basis differs from the modified accrual basis as shown below:

	General Fund	One Cent Sales Tax Fund	PV Airport Project Fund
Total revenue-budgetary basis	\$ 7,855,723	\$ 1,442,517	\$ 1,010,648
Total expense-budgetary basis	(7,466,701)	(1,130,668)	(1,012,809)
Change in fund balance-budgetary basis	389,022	311,849	( 2,161)
Revenue Accruals	877,655	1,442,468	829,311
Expenditure Accruals	(926,126)	(1,130,668)	( 844,640)
Change in fund balance-GAAP basis	\$ 340,551	\$ 311,800	\$ ( 15,329)

4. The General Fund was overspent in the police department and the recreation department.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Required Supplemental Information**  
**On Pension Plan Funding Progress**  
**For the year Ended June 30, 2015**

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**Exhibit 1**  
**Schedule of the City of Pauls Valley Proportionate Share of the Net Pension Liability (Asset)**  
**Oklahoma Police Pension & Retirement System**  
**Last 10 Fiscal Years\***

	<b>2014</b>
City's proportion of the net pension liability (asset)	.1957%
City's proportionate share of the net pension liability (asset)	\$ (65,886)
City's covered-employee payroll	\$ 548,547
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(12.01%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

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

**Exhibit 2**  
**Schedule of the City Contributions**  
**Oklahoma Police Pension & Retirement System**  
**Last 10 Fiscal Years\***

	<b>2014</b>
Statutorily required contribution	\$ 71,311
Contributions in relation to the statutorily required contribution	71,311
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 548,547
Contributions as a percentage of covered-employee payroll	13.0%

**Notes to Schedule:**

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

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Required Supplemental Information**  
**On Pension Plan Funding Progress**  
**For the year Ended June 30, 2015**

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**Exhibit 3**  
**Schedule of the City of Pauls Valley Proportionate Share of the Net Pension Liability (Asset)**  
**Oklahoma Firefighters Pension & Retirement System**  
**Last 10 Fiscal Years\***

	<b>2014</b>
City's proportion of the net pension liability (asset)	.1321%
City's proportionate share of the net pension liability (asset)	\$ 1,358,550
City's covered-employee payroll	\$ 367,786
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	369.38%
Plan fiduciary net position as a percentage of the total pension liability (asset)	68.12%

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

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

**Exhibit 4**  
**Schedule of the City Contributions**  
**Oklahoma Firefighters Pension & Retirement System**  
**Last 10 Fiscal Years\***

	<b>2014</b>
Statutorily required contribution	\$ 51,490
Contributions in relation to the statutorily required contribution	51,490
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 367,786
Contributions as a percentage of covered-employee payroll	14.0%

**Notes to Schedule:**

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



## SUPPLEMENTARY INFORMATION

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue										Capital Projects			Total Nonmajor
	Police Special	Cemetery Beautification	Senior Citizens	911 Account	Marianne Ewert Bequest	Tourism Motel Tax	PV Special Ambulance	NSW Library Trust	Community Center	TIF	Cemetery Care	Governmental Funds		
<b>Assets</b>														
Cash and Cash Equivalents	\$ 30,018	\$ 10,896	\$ 551	\$ 40,687	\$ 50,009	\$ 563,278	\$ -	\$ 119,243	\$ -	\$ 37,936	\$ 922,249			
Investments	-	-	-	-	-	-	-	153,385	-	-	153,385			
Receivables:														
Interest	-	-	-	-	-	-	-	70	-	-	70			
Taxes	-	-	-	2,615	-	30,758	677	-	147	-	34,197			
Prepaid Expenses	-	-	-	-	-	4,884	-	-	-	-	4,884			
Due from Other Governments	6,885	-	-	-	-	-	-	-	-	-	6,885			
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-			
<b>Total Net Position</b>	<b>36,903</b>	<b>10,896</b>	<b>551</b>	<b>43,302</b>	<b>50,009</b>	<b>598,920</b>	<b>677</b>	<b>272,698</b>	<b>69,778</b>	<b>37,936</b>	<b>1,121,670</b>			
<b>Liabilities</b>														
Accrued Liabilities	-	-	-	-	-	148	-	-	-	-	148			
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-			
AT&T 911 Fee Advances	-	-	-	39,320	-	-	-	-	-	-	39,320			
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,320</b>	<b>-</b>	<b>148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,468</b>			
<b>Fund Balances</b>														
Nonspendable	-	-	-	-	50,000	4,884	-	-	-	-	54,884			
Restricted	-	10,093	551	-	-	590,577	677	214,599	69,778	-	886,275			
Committed	-	-	-	-	-	-	-	-	-	-	-			
Assigned	36,903	803	-	3,982	9	3,311	-	58,099	-	37,936	141,043			
Unassigned	-	-	-	3,982	50,009	598,772	677	272,698	69,778	-	1,082,292			
<b>Total Fund Balances</b>	<b>36,903</b>	<b>10,896</b>	<b>551</b>	<b>43,302</b>	<b>50,009</b>	<b>598,920</b>	<b>677</b>	<b>272,698</b>	<b>69,778</b>	<b>37,936</b>	<b>1,121,670</b>			
<b>Total Liabilities and Fund Balances</b>	<b>\$ 36,903</b>	<b>\$ 10,896</b>	<b>\$ 551</b>	<b>\$ 43,302</b>	<b>\$ 50,009</b>	<b>\$ 598,920</b>	<b>\$ 677</b>	<b>\$ 272,698</b>	<b>\$ 69,778</b>	<b>\$ 37,936</b>	<b>\$ 1,121,670</b>			

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue										Capital Projects			Total Nonmajor Governmental Funds
	Police Special	Cemetery Beautification	Senior Citizens	911 Account	Marianne Ewert Bequest	Tourism Motel Tax	NSW Library Trust	PV Special Ambulance	Community Center	TIF	Cemetery Care	Total		
												Police Special	Cemetery Beautification	
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ 27,885	\$ -	\$ 413,049	\$ -	\$ 101,273	\$ -	\$ 99,213	\$ -	\$ -	\$ -	\$ 641,420
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	6,701
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	800	-	62,603	-	-	-	-	-	-	-	5,768
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	74	12	-	-	100	264	-	-	-	-	-	-	-	90
Miscellaneous	27,552	460	3,638	-	-	-	-	-	-	-	-	-	-	1,399
<b>Total Revenues</b>	<b>27,626</b>	<b>472</b>	<b>3,638</b>	<b>28,685</b>	<b>100</b>	<b>475,916</b>	<b>11,910</b>	<b>101,273</b>	<b>-</b>	<b>99,213</b>	<b>5,858</b>	<b>-</b>	<b>754,691</b>	
<b>Expenditures</b>														
Current:														
Police	5,841	-	-	-	-	-	-	-	-	-	-	-	5,841	
Emergency 911	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special Ambulance Service	-	-	-	-	-	-	101,473	-	-	-	-	-	101,473	
Library	-	-	-	-	-	-	9,787	-	-	-	-	-	9,787	
Senior Citizens	-	-	121	-	-	-	-	-	-	-	-	-	121	
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Streets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Economic Development	-	-	-	-	-	285,201	-	-	-	-	-	-	285,201	
Airport	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Outlay	15,487	-	1,000	54,841	-	97,640	-	-	-	1,837	11,200	-	182,005	
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Expenditures</b>	<b>21,328</b>	<b>-</b>	<b>1,121</b>	<b>54,841</b>	<b>-</b>	<b>382,841</b>	<b>9,787</b>	<b>101,473</b>	<b>-</b>	<b>1,837</b>	<b>11,200</b>	<b>-</b>	<b>584,428</b>	
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>6,298</b>	<b>472</b>	<b>2,517</b>	<b>(26,156)</b>	<b>100</b>	<b>93,075</b>	<b>2,123</b>	<b>(200)</b>	<b>-</b>	<b>97,376</b>	<b>(5,342)</b>	<b>-</b>	<b>170,263</b>	
<b>Other Financing Sources</b>														
Transfers In	4,391	-	-	27,000	-	19,316	-	-	-	-	-	-	50,707	
Transfers Out	-	-	-	-	(100)	-	-	-	(2,328)	-	-	-	(2,428)	
Contribution Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers to Component Unit	-	-	-	-	(100)	-	-	-	(2,328)	-	-	-	48,279	
<b>Total Other Financing Sources</b>	<b>4,391</b>	<b>-</b>	<b>-</b>	<b>27,000</b>	<b>(100)</b>	<b>19,316</b>	<b>-</b>	<b>-</b>	<b>(2,328)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Change in Fund Balances</b>	<b>10,689</b>	<b>472</b>	<b>2,517</b>	<b>844</b>	<b>-</b>	<b>112,391</b>	<b>2,123</b>	<b>(200)</b>	<b>(2,328)</b>	<b>97,376</b>	<b>(5,342)</b>	<b>-</b>	<b>218,542</b>	
<b>Fund Balances - Beginning</b>	<b>26,214</b>	<b>10,424</b>	<b>(1,966)</b>	<b>3,138</b>	<b>50,009</b>	<b>486,381</b>	<b>270,575</b>	<b>877</b>	<b>2,328</b>	<b>(27,598)</b>	<b>43,278</b>	<b>-</b>	<b>863,660</b>	
<b>Fund Balances - Ending</b>	<b>\$ 36,903</b>	<b>\$ 10,896</b>	<b>\$ 551</b>	<b>\$ 3,982</b>	<b>\$ 50,009</b>	<b>\$ 598,772</b>	<b>\$ 272,698</b>	<b>\$ 677</b>	<b>\$ -</b>	<b>\$ 69,778</b>	<b>\$ 37,936</b>	<b>\$ -</b>	<b>\$ 1,082,202</b>	



**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Balance Sheet**  
**General Fund Accounts**  
**For the Year Ended June 30, 2015**

	<b>General Fund Account</b>	<b>Rose Garden Fund Account</b>	<b>Wacker Park Fund Account</b>	<b>Beautification Fund Account</b>	<b>Total General Fund</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 714,589	\$ 4,870	\$ 25,037	\$ 3,507	\$ 748,003
Restricted cash and cash equivalents	174,636				174,636
Accounts receivable, net	35,859				35,859
Taxes receivable	634,744				634,744
Due from other funds	-				-
Prepaid expenses	28,290				28,290
Advance to component unit	31,300				31,300
<i>Total Assets</i>	<u>1,619,418</u>	<u>4,870</u>	<u>25,037</u>	<u>3,507</u>	<u>1,652,832</u>
<b>Liabilities</b>					
Accounts payable	82,114				82,114
Accrued liabilities	107,334				107,334
Due to other funds	-				-
<i>Total Liabilities</i>	<u>189,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,448</u>
<b>Deferred Inflows of Resources:</b>					
Police fines unavailable	9,934				9,934
<i>Total Deferred Inflows of Revenue</i>	<u>9,934</u>				<u>9,934</u>
<b>Fund Balances</b>					
Nonspendable	59,590				59,590
Restricted	562,209				562,209
Committed					-
Assigned		4,870	25,037	3,507	33,414
Unassigned	798,237				798,237
<i>Total Fund Balances</i>	<u>1,420,036</u>	<u>4,870</u>	<u>25,037</u>	<u>3,507</u>	<u>1,453,450</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,619,418</u>	<u>\$ 4,870</u>	<u>\$ 25,037</u>	<u>\$ 3,507</u>	<u>\$ 1,652,832</u>

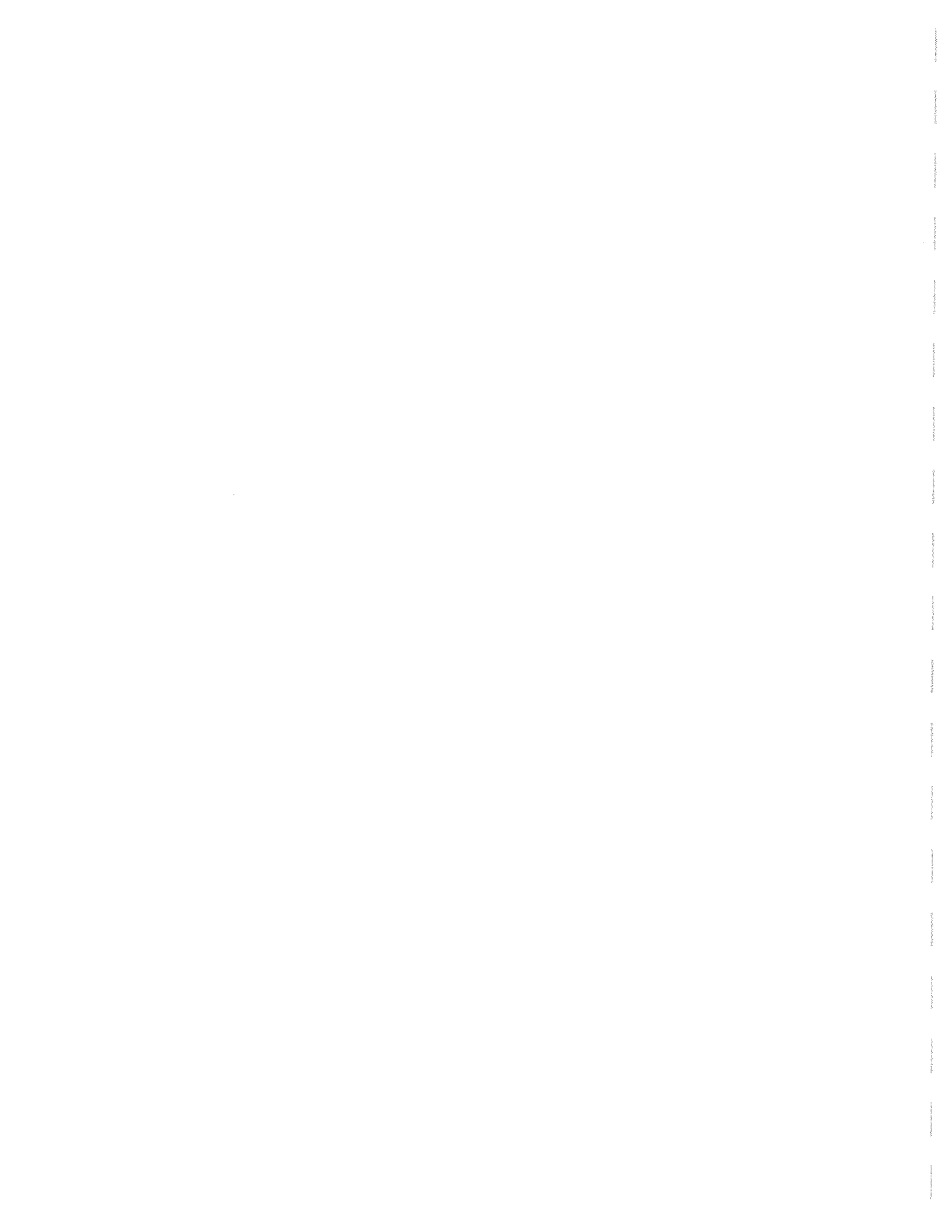
**CITY OF PAULS VALLEY, OKLAHOMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund Accounts**  
**For the Year Ended June 30, 2015**

	<u>General Fund Account</u>	<u>Rose Garden Fund Account</u>	<u>Wacker Park Fund Account</u>	<u>Beautification Fund Account</u>	<u>Total General Fund</u>
<b>Revenues</b>					
Taxes	\$ 5,860,877	\$ -	\$ -	\$ -	\$ 5,860,877
Intergovernmental	385,516	-	-	-	385,516
Charges for services	957,286	-	-	-	957,286
Fines and forfeitures	157,468	-	-	-	157,468
Licenses and permits	49,379	-	-	1,000	50,379
Investment income	1,618	5	27	4	1,654
Miscellaneous	253,129	-	5,157	402	258,688
<i>Total Revenues</i>	<u>7,665,273</u>	<u>5</u>	<u>5,184</u>	<u>1,406</u>	<u>7,671,868</u>
<b>Expenditures</b>					
Current:					
Administration	685,886	-	-	-	685,886
Police	1,186,552	-	-	-	1,186,552
Fire	760,807	-	-	-	760,807
Streets	492,546	-	-	-	492,546
Shop	95,503	-	-	-	95,503
Park	143,475	-	-	7,910	151,385
Cemetery	169,882	-	-	-	169,882
Golf	315,810	-	-	-	315,810
Library	139,336	-	-	-	139,336
Senior center	60,945	-	-	-	60,945
Airport	23,707	-	-	-	23,707
Aquatic	372,550	-	-	-	372,550
Recreation	692,829	-	-	-	692,829
Animal control	124,304	-	-	-	124,304
Capital outlay	289,511	-	23,744	-	313,255
Debt service	378,922	-	-	-	378,922
<i>Total Expenditures</i>	<u>5,932,565</u>	<u>-</u>	<u>23,744</u>	<u>7,910</u>	<u>5,964,219</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>1,732,708</u>	<u>5</u>	<u>(18,560)</u>	<u>(6,504)</u>	<u>1,707,649</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	983,685	50	50	-	983,785
Transfers out	(1,687,964)	-	-	-	(1,687,964)
Capital lease/loan proceeds	84,420	-	-	-	84,420
Hospital M&O	(62,107)	-	-	-	(62,107)
Transfers to component units	(710,191)	-	-	-	(710,191)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,392,157)</u>	<u>50</u>	<u>50</u>	<u>-</u>	<u>(1,392,057)</u>
Net Change in Fund Balances	340,551	55	(18,510)	(6,504)	315,592
Fund Balances - beginning	<u>1,079,485</u>	<u>4,815</u>	<u>43,547</u>	<u>10,011</u>	<u>1,137,858</u>
Fund Balances - ending	<u>\$ 1,420,036</u>	<u>\$ 4,870</u>	<u>\$ 25,037</u>	<u>\$ 3,507</u>	<u>\$ 1,453,450</u>

**CITY OF PAULS VALLEY, OKLAHOMA**  
**Schedule of State Awards**  
**For the Year Ending June 30, 2015**

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Prior Year Revenues</u>	<u>Current Year Revenues</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
<b>State Awards:</b>					
Okla. Aeronautics Commission PVJ-14-FSA	\$ 92,736	\$ 45,478	\$ 39,788	\$ 45,478	\$ 39,788
SODA CENA - SFY 15	1,000	-	1,000	-	1,000
SODA CENA - SFY 14	2,000	-	2,000	2,000	-
Dept. Libraries State Aid	6,701	-	6,701	-	6,701
Dept. of Agriculture- Fire Operations	4,484	-	4,884	-	4,884
<b>Total State Awards</b>	<u>106,921</u>	<u>45,478</u>	<u>54,373</u>	<u>47,478</u>	<u>52,373</u>

## INTERNAL CONTROL AND COMPLIANCE



**CITY OF PAULS VALLEY, OKLAHOMA**  
**Schedule of Expenditures of Federal Awards**  
**Modified Accrual Basis of Accounting**  
**For the Year Ending June 30, 2015**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Award Expenditures</u>
<b>FEDERAL AWARDS:</b>				
<u>Department of Transportation</u>				
FAA AIP	20.106	3-40-0076-012-2013	\$ 1,669,253	\$ 761,425
Total Department of Transportation			\$ 1,669,253	\$ 761,425
<u>Department of Justice</u>				
Justice Assistance Grant	16.738	JAG-LLE-2014 PV	\$ 6,885	\$ 6,885
Total Department of Justice			\$ 6,885	\$ 6,885
Total Federal Awards			\$ 1,676,138	\$ 768,310

See accompanying notes to schedule of expenditures and federal awards.

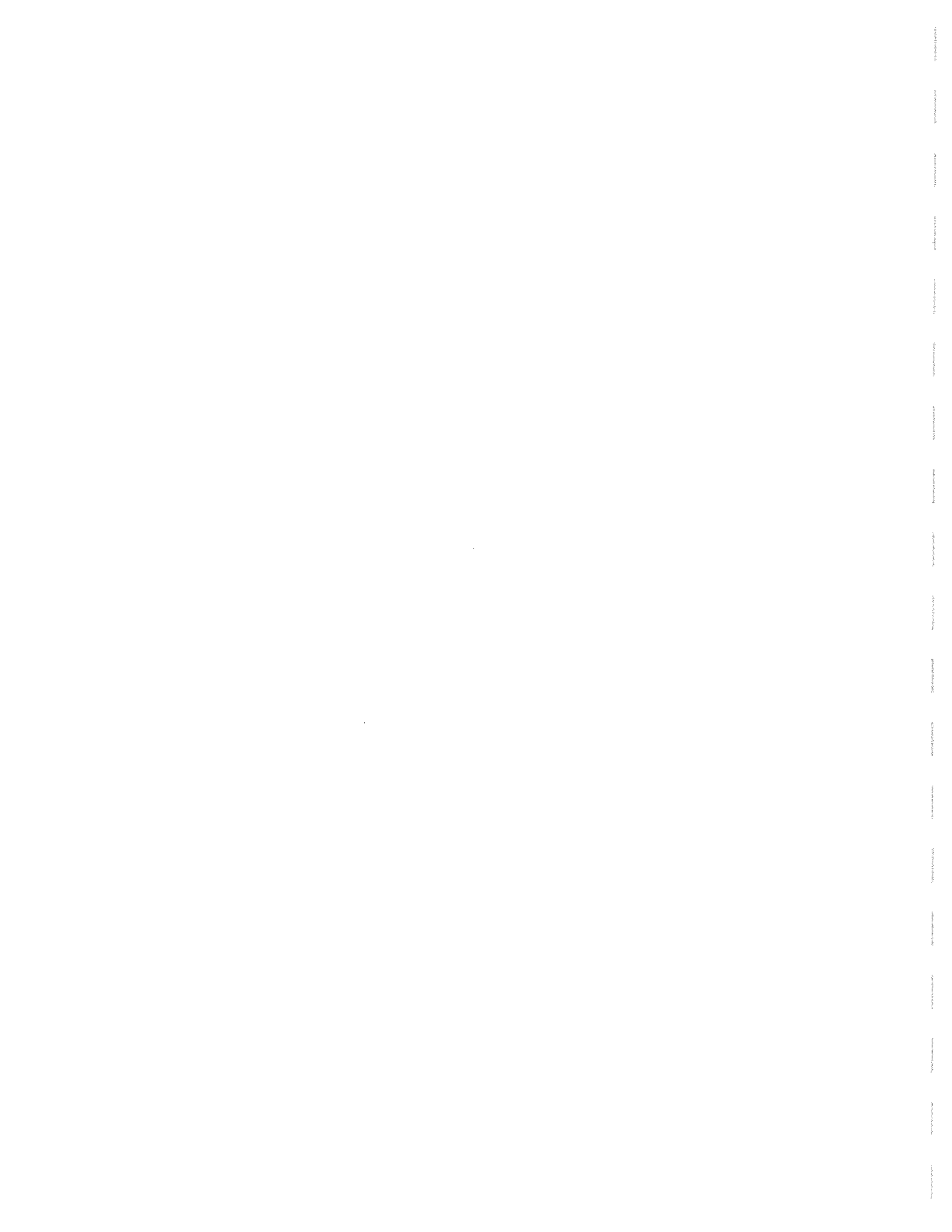
**City of Pauls Valley Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2015**

**NOTE A--Basis of Presentation**

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

**NOTE B--Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The expenditures are recognized when incurred regardless of when the award proceeds are received.





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CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the City Council  
City of Pauls Valley, Oklahoma

We have audited 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, 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 Pauls Valley, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 18, 2016. We issued an adverse opinion on the major enterprise fund, the Pauls Valley Hospital Authority, and qualified our opinion on the Business-type activity, due to the omission of the Pauls Valley Hospital Authority.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 15-1, 15-2, 15-3, 15-4 and 15-5.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts



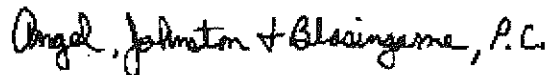
and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Cost as item 15-1, 15-4 and 15-5.

**City of Pauls Valley's Responses to Findings**

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

**Purpose of This Report**

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



Chickasha, Oklahoma  
January 18, 2016

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the City Council  
City of Pauls Valley, Oklahoma

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Basis for Qualified Opinion on FAA Airport Improvement Program**

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the CFDA 20.106 FAA Airport Improvement Program's reporting requirements as noted in finding 15-5. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

**Qualified Opinion on FAA Airport Improvement Program**

In our opinion, except for non-compliance described in the Basis for Qualified Opinion paragraph, the City of Pauls Valley, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the FAA Airport Improvement Program for the year ended June 30, 2015.

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed below, identified a deficiency in internal control that we consider to be a significant deficiency.

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

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-5 to be a significant deficiency.

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

### Purpose of This Report

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

Angel, Johnston & Blasingame, PC



Chickasha, Oklahoma  
January 18, 2016

**CITY OF PAULS VALLEY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |          |
|--|----------|
| 1. Type of auditor's report issued                           | Modified |
| 2. Internal control over financial reporting:                |          |
| a. Material weaknesses identified?                           | No       |
| b. Significant deficiency identified?                        | Yes      |
| c. Noncompliance material to the financial statements noted? | No       |

Federal Awards

- |   |           |
|---|-----------|
| 1. Internal control over major program:   |           |
| a. Material weaknesses identified?  | No        |
| b. Significant deficiency identified not considered to be material weaknesses?  | Yes       |
| 2. Type of auditor's report issued on compliance for major program:   | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes       |

4. Identification of major programs:

CFDA Number

20.106

Name of Federal Program

Airport Improvement Program

Dollar threshold used to distinguish between Type A or Type B programs:

\$300,000

5. Auditee qualified as low-risk auditee?

No

**CITY OF PAULS VALLEY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

**Section 2**

*Findings-Financial Statement Audit*

**SIGNIFICANT DEFICIENCY**

- 15-1. Criteria – All cash collection points need to have established procedures that can account of all cash received. Also all cash collected should be deposited on a timely basis.

Condition – Some donations at the library are not recorded and for fees collected no receipts are given. The employees indicated there were instances of collections not being recorded in the cash log book. Also cash was being used to pay bills rather than going through the City standard purchasing procedures. Also there were not enough documentation of cash payments to cover the cash known to be on hand.

Cause – Procedures were not well designed and the procedures in place are not always being followed.

Effect – Cash and expenditures could not all be accounted for.

Recommendation – Require cash receipting, recording of every collection, timely deposit and expenditures be made through the normal purchasing process.

Management response – Management agrees.

- 15-2. Criteria – All departments and functions of the City should follow the standard collection and purchasing processes.

Condition – Okie Noodling event has a committee that reviews and monitors all the activity. However, these procedures for purchasing do not follow the normal purchasing procedures. Also the collection process could implement additional documentation procedures to better control the process.

Cause – The City assumed the responsibility for the event's administration. The processes were already in place and appeared to be working.

Effect – The procedures were not consistent with the City's standard procedures.

Recommendation – The procedures need to be modified to be consistent with the standard procedures of the City or the City needs to adopt alternate procedures that they feel is appropriate for the administration of this event.

Management response – Management agrees.

**CITY OF PAULS VALLEY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

- 15-3. Criteria – Employee timesheets need to be signed by the employees and their department head.
- Condition – Timesheets are not always being signed by employees and/or their department heads. This needs to be done so there is no dispute as to hours worked and leave taken.
- Cause – The process of appropriately signing timesheets has not been emphasized and monitored.
- Effect – The documentation verifying employee time worked and leave taken is incomplete.
- Recommendation – Establish clear communication with employees and department heads of the importance of these procedures.
- Management response – Management agrees.
- 15-4. Criteria – The OWRB debt requires revenue debt service coverage of 125%.
- Condition – The debt service coverage for the year is 119%.
- Cause – The net revenue for the year is lower than anticipated.
- Effect – The debt covenant requirements of 125% were not met.
- Recommendation – Review current year revenue and adjust income or expenses to stay in compliance.
- Management response – Management agrees.

**Section 3**

*Findings and Question Costs-Major Federal Award Programs Audit*

- 15-5. Criteria – All allowable expenses on federal grant projects should be reported and claimed on a timely basis.
- Condition –There was a change in the contractual arrangement with the engineer on the FAA Airport Improvement Program. This additional amount was not reported and claimed with the FAA.
- Cause – The engineer prepares the claims and failed to request report and request reimburse of these allowable expenditures. Also management did not monitor the claim reporting to verify appropriate claiming of all expenses.
- Effect – The City was underpaid in the amount of \$54,721.
- Recommendation – Establish clear communication with contractors of the details of their responsibilities. Reinforce monitoring efforts to diligently review for compliance.
- Management response – Management agrees.

**CITY OF PAULS VALLEY, OKLAHOMA  
DISPOSITION OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2015**

**Deficiencies of Internal Control, Compliance and Other Matters**

14-1. Criteria –Contractors on federal grant programs are to comply with Davis Bacon Act.

Condition –On the FAA grant there was one contractor that paid below the prevailing rate for two pay periods.

Disposition – This was not noted a problem during the 2014-15 fiscal year.