



CITY OF HARRAH, OKLAHOMA

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

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

CONTENTS

| | Page Number |
|--|----------------|
| BASIC FINANCIAL STATEMENTS: | |
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis | 4-12 |
| <i>Government-Wide Financial Statements:</i> | |
| Statement of Net Position | 13 |
| Statement of Activities | 14-15 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet - Governmental Funds | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 17 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| Statement of Net Position - Proprietary Funds | 19 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 20 |
| Statement of Cash Flows - Proprietary Funds | 21 |
| Notes to Basic Financial Statements | 22-47 |
| Required Supplementary Information: | |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund | 48 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Projects Fund | 49 |
| Notes to Required Supplementary Information | 50 |
| Other Supplementary Information: | |
| Combining Financial Statements Nonmajor Governmental Funds Combining Balance Sheet | 51 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 52 |
| Compliance and Internal Control Report | |
| Independent Auditor's Report on Internal Control Over Financial Reporting Based and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 53-54 |
| Schedule of Expenditures of State Awards | 55 |

INDEPENDENT AUDITOR'S REPORT

DILLON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
1401 S. DOUGLAS BLVD., SUITE A
MIDWEST CITY, OK 73110

ROBERT S. DILLON, CPA
bobdilloncpa@gmail.com

Phone: (405) 732-1800
Fax : (405) 737-7446

INDEPENDENT AUDITOR'S REPORT

City Council
City of Harrah
Harrah, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrah's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 on our consideration of the City of Harrah'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Harrah's internal control over financial reporting and compliance.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HARRAH, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS *For the Fiscal Year Ended June 30, 2014*

As management of the City of Harrah (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,930,875. Of this amount, \$3,062,859 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position increased by \$692,903 from the prior year restated amount.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,754,765, an increase of \$155,429 in comparison with the prior year amount. Of this total amount, \$1,044,137 is *unassigned fund balance* for governmental funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,044,137, or approximately 67% of total General Fund expenditures.
- During the current fiscal year, the City's total long-term obligations decreased by \$582,477 (11.4%). The debt was reduce by principal payments on long-term liabilities and the early payoff of the City Hall note.
- Sales and use taxes increased by \$213,222 or 10% over the prior fiscal year.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City, which include the City's water, wastewater, sanitation utility operations, are included in the Harrah Public Works Authority.

The government-wide financial statements include not only the City itself, but also the legally separate Harrah Public Works Authority as blended component unit. The Authority, although also legally separate, functions for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

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

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

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

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary funds. The City maintains three types of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public works authority.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management and insurance activities. These services have been allocated to governmental and business-type functions in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Harrah Public Works Authority which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found as listed in the table of contents.

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

The notes to the financial statements can be found as listed in the table of contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's (a) variances in budget to actual revenues and expenditures for the General Fund. Required supplementary information can be found as listed in table of contents.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,930,875 at the close of the most recent fiscal year. The following table provides a summary of the City's net position at June 30, 2014 compared to June 30, 2013.

Table 1
Net Position
(In Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|----------------------------|--------------|-----------------------------|---------------|-----------------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 1,767 | 2,063 | 1,282 | 1,001 | 3,049 | 3,064 |
| Capital assets | 2,824 | 2,773 | 9,833 | 10,120 | 12,657 | 12,893 |
| Total assets | <u>4,591</u> | <u>4,836</u> | <u>11,115</u> | <u>11,121</u> | <u>15,706</u> | <u>15,957</u> |
| Long-term debt outstanding | 261 | 398 | 4,362 | 4,682 | 4,623 | 5,080 |
| Other liabilities | 11 | 94 | 141 | 94 | 152 | 188 |
| Total liabilities | <u>272</u> | <u>492</u> | <u>4,503</u> | <u>4,776</u> | <u>4,775</u> | <u>5,268</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 2,548 | 2,172 | 4,550 | 5,676 | 7,098 | 7,848 |
| Restricted | 711 | 861 | 60 | 300 | 771 | 1,161 |
| Unrestricted | 1,060 | 861 | 2,002 | 368 | 3,062 | 1,229 |
| Total net assets | <u>\$ 4,319</u> | <u>3,894</u> | <u>6,612</u> | <u>6,344</u> | <u>10,931</u> | <u>10,238</u> |

By far the largest portion of the City's net position (64.9%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (28.1%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the City's net position increased by \$692,903 during the current fiscal year. This increase represents the overall excess of revenues over expenses, including depreciation of \$744,798.

Governmental activities. Governmental activities increased the City's net position by \$425,294. The key element was an increase in sales tax revenues.

Business-type activities. Business-type activities increased the City's net position by \$267,609. The increase in net position was due to minor increases in utility income.

Table 2
Changes in Net Position
(In Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------|----------------------------|--------------|-----------------------------|--------------|-----------------------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services \$ | 229 | 210 | 1,746 | 1,559 | 1,975 | 1,769 |
| Operating grants | 4 | 4 | - | - | 4 | 4 |
| Capital grants | - | 5 | - | - | - | 5 |
| General revenues | | | | | | |
| Sales and use taxes | 2,369 | 2,155 | - | - | 2,369 | 2,155 |
| Franchise tax (fees) | 224 | 224 | - | - | 224 | 224 |
| Other taxes | 86 | 90 | - | - | 86 | 90 |
| Investment income | 1 | 1 | - | - | 1 | 1 |
| Other | 70 | 51 | 8 | (2) | 78 | 49 |
| Total revenues | <u>2,983</u> | <u>2,740</u> | <u>1,754</u> | <u>1,557</u> | <u>4,737</u> | <u>4,297</u> |
| Expenses: | | | | | | |
| General government | 483 | 642 | - | - | 483 | 642 |
| Public safety | 1,155 | 1,113 | - | - | 1,155 | 1,113 |
| Public works | 108 | 79 | - | - | 108 | 79 |
| Cultural & recreation | 153 | 55 | - | - | 153 | 55 |
| Water/wastewater | - | - | 2,145 | 2,034 | 2,145 | 2,034 |
| Total expenses | <u>1,899</u> | <u>1,889</u> | <u>2,145</u> | <u>2,034</u> | <u>4,044</u> | <u>3,923</u> |
| Increase in net position | | | | | | |
| before transfers | 1,084 | 851 | (391) | (477) | 693 | 374 |
| Transfers | (659) | (584) | 659 | 584 | - | - |
| Change in net position | <u>425</u> | <u>267</u> | <u>268</u> | <u>107</u> | <u>693</u> | <u>374</u> |
| Beginning net position | <u>3,894</u> | <u>3,627</u> | <u>6,344</u> | <u>6,237</u> | <u>10,238</u> | <u>9,864</u> |
| Ending net position \$ | <u>4,319</u> | <u>3,894</u> | <u>6,612</u> | <u>6,344</u> | <u>10,931</u> | <u>10,238</u> |

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,754,765, an increase of \$155,429, in comparison with the prior year. Of this total amount, \$1,044,137 is *unassigned fund balance* for the governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,044,137. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. *Unassigned fund balance* and *total fund balance* represents approximately 67% and 67% of total General Fund expenditures, respectively.

During the current fiscal year, the fund balance of the City's General Fund increased by \$306,244.

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

Unrestricted net position of the Harrah Public Works Authority at the end of the year amounted to \$2,002,516. The total increase in net position was \$267,609.

- Operating revenues increased by \$187,248 over the prior year due to increased utility revenues.
- Operating expenses increased by \$109,447, mainly due to a general increase utility operating expense.

General Fund Budgetary Highlights

There were differences between the original budget and the final budget for the General Fund. Overall, actual revenues on the budgetary basis of \$2,905,017 were \$436,217 more than the estimated revenues in the budget of \$2,468,800. Actual expenditures of \$1,565,408 were \$193,248 less than the \$1,758,656 approved in budget appropriations. After a net transfer out of \$1,033,765 to other funds, the City increased by \$305,844 its carry forward funds. The amount of carryover funds budget for expenditure was \$1,043,737.

Capital Asset and Long-term Obligations

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$12,657,424 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

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

- Equipment and infrastructure.

Table 3
Capital Assets
(In Thousands)

| | Governmental Activities <u>2014</u> | Business-type Activities <u>2014</u> | Total <u>2014</u> |
|---------------------------------|---|--|----------------------|
| Land | \$ 102 | - | 102 |
| Construction in progress | - | - | - |
| Building and improvements | 1,279 | 476 | 1,755 |
| Machinery and equipment | 1,181 | 1,152 | 2,333 |
| Vehicles | 1,849 | - | 1,849 |
| Infrastructure | 1,810 | 16,413 | 18,223 |
| | <u>6,221</u> | <u>18,041</u> | <u>24,262</u> |
| Less : Accumulated depreciation | <u>3,397</u> | <u>8,208</u> | <u>11,605</u> |
| Net capital assets | <u>\$ 2,824</u> | <u>9,833</u> | <u>12,657</u> |

| | Governmental Activities <u>2013</u> | Business-type Activities <u>2013</u> | Total <u>2013</u> |
|---------------------------------|---|--|----------------------|
| Land | \$ 102 | - | 102 |
| Construction in progress | - | 480 | 480 |
| Building and improvements | 1,140 | 476 | 1,616 |
| Machinery and equipment | 1,071 | 1,006 | 2,077 |
| Vehicles | 1,806 | - | 1,806 |
| Infrastructure | 1,810 | 15,862 | 17,672 |
| | <u>5,929</u> | <u>17,824</u> | <u>23,753</u> |
| Less : Accumulated depreciation | <u>3,156</u> | <u>7,704</u> | <u>10,860</u> |
| Net capital assets | <u>\$ 2,773</u> | <u>10,120</u> | <u>12,893</u> |

Additional information of the City's capital assets can be found in Note 3 in the Notes to the Basic Financial Statements as listed in the table of contents.

Long-term obligations. At the end of the current fiscal year, the City had total debt outstanding of \$4,498,893. This represents debt secured solely by specified revenue sources (i.e., general obligation bonds, revenue notes and bonds) of \$3,886,235 and other notes payable of \$612,658.

Table 4
Outstanding Debt
(In Thousands)

| | Governmental Activities <u>2014</u> | Business-type Activities <u>2014</u> | Total <u>2014</u> |
|--------------------|---|--|----------------------|
| Notes payable | \$ 176 | 4,323 | 4,499 |
| Other | - | - | - |
| Net long-term debt | <u>\$ 176</u> | <u>4,323</u> | <u>4,499</u> |

| | Governmental Activities <u>2013</u> | Business-type Activities <u>2013</u> | Total <u>2013</u> |
|--------------------|---|--|----------------------|
| Notes payable | \$ 398 | 4,683 | 5,081 |
| Other | - | - | - |
| Net long-term debt | <u>\$ 398</u> | <u>4,683</u> | <u>5,081</u> |

The City's total debt decreased by \$582,477 during the current fiscal year. The key factors in this decrease were principal payments on the long-term debt and the early payoff of the City Hall note.

Additional information on the City's long-term debt can be found in Note 3 in the Notes to the Basic Financial Statements as listed in the table of contents.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2014-2015 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. Slower growth of the national economy has affected the local economy. Unemployment is up, sales tax revenues, however, have shown steady growth for the last several years, and utility revenues were strong and have shown moderate growth.

These indicators were taken into account when adopting the general fund budget for 2014-2015.

- Revenues, transfers in and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2014.
- As for the City's proprietary fund activities, we expect moderate growth in the revenues and expenses over those received in 2014.

All of these factors were considered in preparing the City's budget for the 2014-2015 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, bond rating agencies and creditors with a general overview of the City's finances reflecting the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Harrah, P.O. Box 636, Harrah, Oklahoma 73045.

BASIC FINANCIAL STATEMENTS

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

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|--------------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Pooled cash and cash equivalents | \$ 1,508,907 | 792,916 | 2,301,823 |
| Restricted cash and investments | - | 339,677 | 339,677 |
| Receivables (net of allowance for uncollectibles) | 74,801 | 132,434 | 207,235 |
| Internal balances | 28,757 | (28,757) | - |
| Due from other governments | 153,314 | 46,086 | 199,400 |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 101,528 | - | 101,528 |
| Other capital assets, net of depreciation | 2,723,413 | 9,832,483 | 12,555,896 |
| Total assets | <u><u>4,590,720</u></u> | <u><u>11,114,839</u></u> | <u><u>15,705,559</u></u> |
| DEFERRED OUTFLOW OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | - | - | - |
| Accrued interest payable | - | 41,625 | 41,625 |
| Deferred revenues | - | 12,697 | 12,697 |
| Due to bondholders | 4,195 | - | 4,195 |
| Deposits subject to refund | 6,819 | 85,935 | 92,754 |
| Long-term liabilities | | | |
| Due within one year | 56,808 | 363,050 | 419,858 |
| Due in more than one year | 204,076 | 3,999,479 | 4,203,555 |
| Total liabilities | <u><u>271,898</u></u> | <u><u>4,502,786</u></u> | <u><u>4,774,684</u></u> |
| DEFERRED INFLOW OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,547,851 | 4,549,861 | 7,097,712 |
| Restricted for: | | | |
| Debt service | - | 59,676 | 59,676 |
| Capital improvements | 696,712 | - | 696,712 |
| Other purposes | 13,916 | - | 13,916 |
| Unrestricted (deficit) | 1,060,343 | 2,002,516 | 3,062,859 |
| Total net position | <u><u>\$ 4,318,822</u></u> | <u><u>6,612,053</u></u> | <u><u>10,930,875</u></u> |

The accompanying notes are an integral part of these financial statements.

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

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue</u> |
|--------------------------------|-------------------------|---------------------------------|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 482,716 | 71,263 | - | (411,453) |
| Public safety: | | | | |
| Police | 586,571 | 151,741 | - | (434,830) |
| Fire | 568,622 | - | 4,474 | (564,148) |
| Public works | 107,733 | 5,670 | - | (102,063) |
| Culture and recreation | 153,092 | - | - | (153,092) |
| Total government activities | <u>1,898,734</u> | <u>228,674</u> | <u>4,474</u> | <u>(1,665,586)</u> |
| Business-type activities: | | | | |
| Water and sewer | 2,145,178 | 1,745,999 | - | (399,179) |
| Total business-type activities | <u>2,145,178</u> | <u>1,745,999</u> | <u>-</u> | <u>(399,179)</u> |
| Total primary government | <u><u>4,043,912</u></u> | <u><u>1,974,673</u></u> | <u><u>4,474</u></u> | <u><u>(2,064,765)</u></u> |

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

| | Primary Government | | |
|--------------------------------------|----------------------------|-----------------------------|-------------|
| | Governmental Activities | Business-type Activities | Total |
| Change in Net Position: | | | |
| Net (expense) revenue | \$ (1,665,586) | (399,179) | (2,064,765) |
| General revenues: | | | |
| Taxes: | | | |
| Sales taxes | 2,275,297 | - | 2,275,297 |
| Use taxes | 93,397 | - | 93,397 |
| Franchise taxes (fees) | 223,874 | - | 223,874 |
| Other taxes | 86,417 | - | 86,417 |
| Unrestricted investment income | 791 | 378 | 1,169 |
| Miscellaneous | 69,811 | 7,703 | 77,514 |
| Transfers | (658,707) | 658,707 | - |
| Total general revenues and transfers | 2,090,880 | 666,788 | 2,757,668 |
| Change in net position | 425,294 | 267,609 | 692,903 |
| Net Position - beginning | 3,893,528 | 6,344,444 | 10,237,972 |
| Net Position - ending | \$ 4,318,822 | 6,612,053 | 10,930,875 |

The accompanying notes are an integral part of these financial statements.

**City of Harrah, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2014**

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 838,117 | 558,059 | 107,535 | 1,503,711 |
| Cash - Police bond account | 5,196 | - | - | 5,196 |
| Receivables: | | | | |
| Due from other governments | 102,862 | 46,087 | 4,365 | 153,314 |
| Due from other funds | 30,356 | 94,165 | - | 124,521 |
| Other receivables | 74,801 | - | - | 74,801 |
| | <u>1,051,332</u> | <u>698,311</u> | <u>111,900</u> | <u>1,861,543</u> |
| Total assets | | | | |
| Deferred outflow of resources | - | - | - | - |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | - | - | - | - |
| Police bonds outstanding | 4,195 | - | - | 4,195 |
| Deposits subject to refund | 3,000 | - | 3,819 | 6,819 |
| Due to other funds | - | 1,599 | 94,165 | 95,764 |
| | <u>7,195</u> | <u>1,599</u> | <u>97,984</u> | <u>106,778</u> |
| Total liabilities | | | | |
| Deferred inflow of resources | - | - | - | - |
| Fund balances: | | | | |
| Nonspendable | - | 696,712 | 13,916 | 710,628 |
| Unassigned | 1,044,137 | - | - | 1,044,137 |
| | <u>1,044,137</u> | <u>696,712</u> | <u>13,916</u> | <u>1,754,765</u> |
| Total fund balances | | | | |
| Total liabilities, deferred inflows and fund balances | \$ <u>1,051,332</u> | <u>698,311</u> | <u>111,900</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not required in the funds. | | | | 2,824,941 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | | | |
| Note payable | | | | (175,562) |
| Accrued compensated absences | | | | (85,322) |
| | | | | <u>(260,884)</u> |
| Net position of governmental activities | | | \$ | <u>4,318,822</u> |

The accompanying notes are an integral part of these financial statements.

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

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 2,627,752 | - | 51,233 | 2,678,985 |
| Intergovernmental | 4,474 | - | - | 4,474 |
| Licenses and permits | 71,263 | - | - | 71,263 |
| Charge for services | 400 | - | 5,270 | 5,670 |
| Fines and forfeitures | 151,741 | - | - | 151,741 |
| Interest | 408 | 372 | 11 | 791 |
| Miscellaneous | 49,379 | - | 20,432 | 69,811 |
| Total revenues | <u>2,905,417</u> | <u>372</u> | <u>76,946</u> | <u>2,982,735</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 176,313 | 221,029 | 7,749 | 405,091 |
| City manager | 2,842 | - | - | 2,842 |
| Administration | 218,021 | - | - | 218,021 |
| Code enforcement | 49,864 | - | - | 49,864 |
| Legal | 20,277 | - | - | 20,277 |
| Police | 648,449 | 113,523 | - | 761,972 |
| Fire | 394,036 | 86,328 | - | 480,364 |
| Senior citizens center | 55,606 | 21,322 | - | 76,928 |
| Parks | - | - | 45,507 | 45,507 |
| Streets | - | 48,681 | 59,052 | 107,733 |
| Public works | - | - | - | - |
| Total expenditures | <u>1,565,408</u> | <u>490,883</u> | <u>112,308</u> | <u>2,168,599</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,340,009</u> | <u>(490,511)</u> | <u>(35,362)</u> | <u>814,136</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 95,498 | 548,347 | 32,569 | 676,414 |
| Transfers out | (1,129,263) | (205,858) | - | (1,335,121) |
| Total other financing sources and uses | <u>(1,033,765)</u> | <u>342,489</u> | <u>32,569</u> | <u>(658,707)</u> |
| Net change in fund balances | 306,244 | (148,022) | (2,793) | 155,429 |
| Fund balances-beginning | 737,893 | 844,734 | 16,709 | 1,599,336 |
| Fund balances-ending | <u>\$ 1,044,137</u> | <u>696,712</u> | <u>13,916</u> | <u>1,754,765</u> |

The accompanying notes are an integral part of these financial statements.

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

Net change in fund balances - total governmental funds \$ 155,429

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

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

| | |
|---|------------------|
| Capital outlay expenditures, net of retirements | 292,234 |
| Depreciation expense | <u>(240,668)</u> |
| | <u>51,566</u> |

The increase of long-term debt provides current financial resources to governmental funds, while the repayment or reductions in of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

| | |
|--|----------------|
| Repayment of long-term debt | 222,747 |
| Change in accrued compensated absences | <u>(4,448)</u> |
| | <u>218,299</u> |

Change in net position of governmental activities. \$ 425,294

City of Harrah, Oklahoma
Statement of Net Position - Proprietary Fund
June 30, 2014

| | Harrah Public Works <u>Authority</u> |
|---|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 792,916 |
| Restricted: | |
| Cash and investments | 339,677 |
| Receivables | |
| Accounts, net of allowance of \$173,607 | 132,434 |
| Due from other governments | 46,086 |
| Total current assets | <u>1,311,113</u> |
| Non-current assets: | |
| Capital assets: | |
| Other capital assets, net of accumulated depreciation | 9,832,483 |
| Total non-current assets | <u>9,832,483</u> |
| Total assets | <u><u>11,143,596</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accrued interest payable | 41,625 |
| Deferred revenues | 12,697 |
| Due to other funds | 28,757 |
| Deposits subject to refund | 85,935 |
| Current portion of long-term obligations | 363,050 |
| Total current liabilities | <u>532,064</u> |
| Non-current liabilities: | |
| Notes payable | 3,960,281 |
| Accrued compensated absences | 39,198 |
| Total non-current liabilities | <u>3,999,479</u> |
| Total liabilities | <u>4,531,543</u> |
| NET POSITION | |
| Net investment in capital assets | 4,549,861 |
| Restricted: | |
| Debt service | 59,676 |
| Unrestricted | <u>2,002,516</u> |
| Total net position | <u><u>\$ 6,612,053</u></u> |

The accompanying notes are an integral part of these financial statements.

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

| | <u>Harrah Public Works Authority</u> |
|---|--|
| REVENUES | |
| Water | \$ 709,179 |
| Wastewater | 451,943 |
| Sanitation | 489,109 |
| Other | 95,768 |
| Total operating revenues | <u>1,745,999</u> |
| OPERATING EXPENSES | |
| Personal services | 750,782 |
| Maintenance and operations | 721,688 |
| Bad debt expense | 20,846 |
| Depreciation and amortization | 504,130 |
| Total operating expenses | <u>1,997,446</u> |
| Operating income (loss) | <u>(251,447)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Miscellaneous revenues (expense) | 7,703 |
| Interest income | 378 |
| Interest expense and fiscal charges | (147,732) |
| Total nonoperating revenues (expenses) | <u>(139,651)</u> |
| OPERATING TRANSFERS | |
| Transfers in | 698,707 |
| Transfers out | (40,000) |
| Total operating transfers | <u>658,707</u> |
| Change in net position | 267,609 |
| Net position - beginning | 6,344,444 |
| Net position-ending | <u><u>\$ 6,612,053</u></u> |

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2014

| | Harrah Public Works Authority |
|---|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 1,683,120 |
| Payments to suppliers and employees | (1,479,196) |
| Net cash provided (used) by operating activities | <u>203,924</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Operating transfers in (out) | 658,707 |
| Net cash provided (used) by noncapital financing activities | <u>658,707</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal paid on long-term debt | (359,730) |
| Interest expense and fiscal charges | (147,732) |
| (Acquisition) disposition of capital assets | (216,122) |
| Net cash provided (used) by capital and related financing activities | <u>(723,584)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 378 |
| Net cash provided (used) by investing activities | <u>378</u> |
| Net increase (decrease) in cash and cash equivalents | 139,425 |
| Cash and cash equivalents, beginning of the year | 993,168 |
| Cash and cash equivalents, end of the year | <u>\$ 1,132,593</u> |
| Reconciliation to Statement of Net Position: | |
| Cash and cash equivalents | 792,916 |
| Restricted cash and cash equivalents | 339,677 |
| Total cash and cash equivalents, end of year | <u>\$ 1,132,593</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating income (loss) | (251,447) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Cash flows reported in other categories: | |
| Depreciation and amortization expense | 504,130 |
| Miscellaneous revenue | 7,703 |
| Change in assets and liabilities: | |
| (Increase) decrease in receivables | (56,580) |
| Increase (decrease) in accounts payable and accrued expenses | (12,579) |
| Increase (decrease) in deferred revenues | 12,697 |
| Total adjustments | <u>455,371</u> |
| Net cash provided by (used in) operating activities | <u>\$ 203,924</u> |

The accompanying notes are an integral part of these financial statements.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 1 - ORGANIZATION

The City of Harrah, Oklahoma (the City) is a municipal corporation organized as a Town on May 12, 1908, and became a City on September 15, 1992. The City is governed by an elected mayor and four-member council. The City operates under a Council-Manager Charter form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. Each blended unit has a June 30 fiscal year end.

Blended Component Units. The Harrah Public Works Authority (HPWA) was created February 27, 1991 pursuant to a Trust Indenture to finance, develop, and operate the water, wastewater, and solid waste activities of the City. Council members serve as Trustees and the City Manager is the General Manager. The rates for user charges and debt authorization are approved by the city council. The HPWA is reported as an enterprise fund type.

The Harrah Industrial and Economic Development Trust (HIEDT) was created April 15, 1988 pursuant to a Trust Indenture purpose is to finance and promote industrial development and economic growth. The mayor and vice mayor members serve as trustees and the City Manager is General Manager. The Authority is reported as a governmental fund.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable. Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the 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. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation and Accounting:

Government-Wide and Fund Financial Statements - The statements of net position and activities are reported on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public Safety - Police and Fire - fines and forfeitures, fire run charges, 911 revenue, operating and capital grants
- Streets - commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation - recreation fees and operating grants
- General Government - licenses and permits and operating and capital grants

All governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

Major Funds:

The following are the City's major governmental funds:

General Fund - is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Capital Projects Fund - accounts for designated revenues and the purchase and construction of capital projects.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

The following are the City's non-major governmental funds:

Special Revenue Funds - accounts for the proceeds of government grants or specific revenue sources (other than grants applicable to enterprise fund activities, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

- Street & Alley Fund
- Harrah Industrial Economic Development Trust
- Park Funds

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting revenues are reported when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue available as collected within 60 days of the period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statement is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund is considered a major fund and therefore displayed in a separate column. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

The following are the City's major proprietary funds:

Harrah Public Works Authority (HPWA) - accounts for the revenues from operations of water, sanitary sewer, solid waste systems.

For purposes of the statement of revenues, expenses and changes in financial position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

- a. *Deposits and Investments* - Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity dates of three months or less. Debt instruments with a maturity date of three months from the date of issue are considered investments. Investments are stated at cost.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b. *Restricted Cash and Investments* - The restricted debt fund cash and investments are the result of financial requirements of debt issues and consist of funds held in accounts with the Trustee bank. Under terms and provisions of the Bond Indenture, these special accounts and reserves funds are maintained for the benefit of the holders of the bonds and notes and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any of the related bonds or notes are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.
- c. *Fair Value of Financial Instruments* - The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.
- d. *Receivables and payables* - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

- e. *Inventory* - Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.
- f. *Interfund Receivable 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 / due 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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- g. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

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

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

| | |
|--|---------------|
| Buildings | 40 - 65 years |
| Infrastructure | 25 - 50 years |
| Improvements other than buildings & infrastructure | 10 - 20 years |
| Machinery and equipment | 3 - 20 years |
| Vehicles | 3 - 7 years |

- h. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for vacation leave accumulated and vested accumulated sick leave. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees' years of service. Upon retirement, employees are paid one-half of accumulated sick leave and accumulated vacation time, subject to the above limitations.
- i. *Long-term Debt* - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, issuance costs and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred losses on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

- j. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The General Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.
- k. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
 - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. The most significant restriction as of June 30, 2014 related to three ordinances benefiting the City's wastewater system which provide funds that are being held to complete capital projects.
 - 3. *Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net position are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. To commit these funds, formal action is required by the City Council either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended.
- d) *Assigned* - Includes fund balance amount that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the governing body, another body (such as Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes with the General Fund.

Revenues, Expenditures and Expenses

- a. *Property Tax Revenue* - Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except those received within 60 days of year end, which are recognized as revenues as of June 30, 2014 in both the government-wide and fund financial statements.
- b. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.

City of Harrah, Oklahoma
Notes to Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.
- d. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

New Accounting Pronouncements - There were no new accounting pronouncements applicable to the City's financial reporting for the year ended June 30, 2014.

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, Net Position/fund balances, revenues and expenditures/expenses.

Cash and Investments

A summary of cash and investments shown in the Statement of Net Position is as follows:

| | |
|----------------------|---------------------|
| Cash and equivalents | \$ 2,301,823 |
| Investments | <u>0</u> |
| Total | <u>\$ 2,301,823</u> |

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

The local government had the following deposits and investments at June 30, 2014:

| | Credit rating | Fair value | Maturities in Years | | |
|-------------------------------------|------------------|---------------------|---------------------|----------------|----------|
| | | | On demand | Less than 1 | 1-5 |
| Demand deposits and cash on hand | (1) | \$ 2,301,823 | 2,301,823 | - | - |
| Money market mutual funds | AAA | - | - | - | - |
| Time deposits | (1) | - | - | - | - |
| Total | | \$ 2,301,823 | 2,301,823 | - | - |

(1) Note subject to rating

Standard and Poor's (S&P) was the source for all credit ratings reported above.

Custodial Credit Risk

At June 30, 2014, the City held deposits of approximately \$2,458,159 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the City or by its agent in the City's name.

Investment Interest Credit Risk

The City does not 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.

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by Federal Housing Administrator, and obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph (a.-d.).

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 0% in Certificates of deposit and 100% in Money Market funds.

Receivables and Uncollectible Accounts

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

| | General <u>Fund</u> | Capital Project <u>Fund</u> | Nonmajor Governmental <u>Funds</u> | Harrah Public Works <u>Authority</u> |
|------------------------------------|------------------------|-----------------------------------|--|--|
| Receivables: | | | | |
| Accounts | \$ 74,801 | - | - | 306,041 |
| Due from other governments | <u>102,862</u> | <u>46,087</u> | <u>4,365</u> | <u>-</u> |
| Gross receivables | 177,663 | 46,087 | 4,365 | 306,041 |
| Less: Allowance for uncollectibles | - | - | - | 173,607 |
| Net total receivables | <u>\$ 177,663</u> | <u>46,087</u> | <u>4,365</u> | <u>132,434</u> |

Restricted Assets

The Harrah Public Works Authority has issued Utility System and Sales Tax Revenue Note, Series 2008 include restricted cash and investments for unexpended construction funds, debt service funds for repayment of the principal and interest when due. In addition, restricted assets include funds held on utility customer deposits. Funds related to the Series 2008 Sales Tax Revenue Note are on deposit with trustee banks.

| | |
|---|-------------------|
| Utility Sales Tax Revenue Note, Series 2008 : | |
| Project account | \$ 192,370 |
| Debt service | 59,676 |
| Meter deposit funds | <u>87,630</u> |
| Total restricted assets | <u>\$ 339,676</u> |

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

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

Governmental activities

Capital assets not being depreciated :

| | | | | |
|--|----------------|----------|----------|----------------|
| Land | \$ 101,528 | - | - | 101,528 |
| Total capital assets not being depreciated | <u>101,528</u> | <u>-</u> | <u>-</u> | <u>101,528</u> |

Capital assets being depreciated :

| | | | | |
|--|------------------|----------------|----------|------------------|
| Buildings and improvements | 1,140,081 | 139,082 | - | 1,279,163 |
| Machinery and equipment | 1,070,837 | 110,051 | - | 1,180,888 |
| Vehicles | 1,806,322 | 43,101 | - | 1,849,423 |
| Infrastructure | 1,810,865 | - | - | 1,810,865 |
| Total capital assets being depreciated | <u>5,828,105</u> | <u>292,234</u> | <u>-</u> | <u>6,120,339</u> |

Less accumulated depreciation for :

| | | | | |
|---|---------------------|------------------|----------|--------------------|
| Buildings and improvements | (432,765) | (37,717) | - | (470,482) |
| Machinery and equipment | (785,293) | (57,067) | - | (842,360) |
| Vehicles | (1,209,215) | (78,638) | - | (1,287,853) |
| Infrastructure | (728,985) | (67,246) | - | (796,231) |
| Total accumulated depreciation | <u>(3,156,258)</u> | <u>(240,668)</u> | <u>-</u> | <u>(3,396,926)</u> |
| Total capital assets being depreciated, net | <u>2,671,847</u> | <u>51,566</u> | <u>-</u> | <u>2,723,413</u> |
| Governmental activities capital assets, net | <u>\$ 2,773,375</u> | <u>51,566</u> | <u>-</u> | <u>2,824,941</u> |

Business-type activities

Capital assets not being depreciated :

| | | | | |
|--|----------------|----------|------------------|----------|
| Construction in progress | \$ 479,502 | - | (479,502) | - |
| Total capital assets not being depreciated | <u>479,502</u> | <u>-</u> | <u>(479,502)</u> | <u>-</u> |

Capital assets being depreciated :

| | | | | |
|--|-------------------|----------------|----------|-------------------|
| Buildings and improvements | 475,934 | - | - | 475,934 |
| Equipment and vehicles | 1,006,503 | 145,161 | - | 1,151,664 |
| Water and sewer infrastructure | 15,463,284 | 550,463 | - | 16,013,747 |
| Industrial Park | 398,926 | - | - | 398,926 |
| Total capital assets being depreciated | <u>17,344,647</u> | <u>695,624</u> | <u>-</u> | <u>18,040,271</u> |

Less accumulated depreciation for :

| | | | | |
|--|----------------------|------------------|------------------|--------------------|
| Buildings and improvements | (283,266) | (11,631) | - | (294,897) |
| Equipment and vehicles | (708,000) | (59,969) | - | (767,969) |
| Water and sewer infrastructure | (6,552,504) | (422,557) | - | (6,975,061) |
| Industrial Park | (159,888) | (9,973) | - | (169,861) |
| Total accumulated depreciation | <u>(7,703,658)</u> | <u>(504,130)</u> | <u>-</u> | <u>(8,207,788)</u> |
| Total capital assets being depreciated, net | <u>9,640,989</u> | <u>191,494</u> | <u>-</u> | <u>9,832,483</u> |
| Business-type activities capital assets, net | <u>\$ 10,120,491</u> | <u>191,494</u> | <u>(479,502)</u> | <u>9,832,483</u> |

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

| | |
|--|-----------|
| General government | \$ 55,819 |
| Fire department | 54,444 |
| Police department | 50,834 |
| Park department | 79,571 |
| Total depreciation expense - governmental activities | 240,668 |

Business-type activities:

| | |
|---|------------|
| Water and sewer | 504,130 |
| Total depreciation expense - business-type activities | \$ 504,130 |

Deposits Subject to Refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2014, cash and investments included \$87,630 available for refund of customer deposits, while the liability to customers was \$87,935.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2014, \$4,195 was being held that was subject to refund.

Long-term Debt

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

Governmental activities:

| | |
|---|------------|
| \$284,286 capital lease with no termination cost, dated February 8, 2012, payable in annual installments of \$62,049, with a final payment due February 8, 2017, inclusive of interest at 3.50%, secured by a fire truck. | \$ 175,562 |
| Total governmental activities | \$ 175,562 |

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Business-type activities:

Revenue notes payable:

\$2,220,000 Clean Water SRF Series 2004 loan payable to the Oklahoma Water Resources Board (OWRB), dated December 16, 2004, payable in semi-annual installments with a final payment due Sept. 15, 2025; interest rate of 2.60% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues. \$ 1,454,073

\$1,470,000 Utilities System and Sales Tax Revenue Note, Series 2008, payable in semi-annual installments ranging from \$35,000 to \$70,000 over 13 years plus interest due at 3.73% secured by pledge of a three cent sales tax and water and sewer revenues. 890,000

\$1,930,000 Clean Water SRF Series 2009 loan payable to the Oklahoma Water Resources Board (OWRB), dated May 29, 2009, payable in semi-annual installments with a final payment due March 15, 2030; interest rate of 2.35% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues. 1,088,776

\$490,000 Drinking Water SRF Series 2011 loan payable to the Oklahoma Water Resources Board (OWRB), dated October 1, 2011, payable in semi-annual installments with a final payment due March 15, 2032; interest rate of 3.05% and administrative fee of 0.5%; secured by a pledge of a three cent sales tax and water and sewer revenues. 453,386

\$526,000 capital lease with no termination costs, dated August 17, 2012, payable in monthly installments of \$7,239 inclusive of interest at 4.25%, secured by certain capital equipment. 437,096

Total net revenue bonds and notes payable 4,323,331

Total business-type activities \$ 4,323,331

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

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

| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> | Amounts Due Within <u>One Year</u> |
|-----------------------------------|-----------------------------|------------------|------------------|--------------------------|--|
| Governmental activities | | | | | |
| Note payable - City Hall | \$ 167,586 | - | 167,586 | - | - |
| Note payable - Fire truck | 230,723 | - | 55,161 | 175,562 | 56,808 |
| Total governmental activities | <u>398,309</u> | <u>-</u> | <u>222,747</u> | <u>175,562</u> | <u>56,808</u> |
| Business-type activities | | | | | |
| Notes payable: | | | | | |
| OWRB Series 2004 | 1,557,590 | - | 103,517 | 1,454,073 | 107,888 |
| OWRB Series 2009 | 1,141,648 | - | 52,872 | 1,088,776 | 54,415 |
| OWRB Series 2011 | 471,974 | - | 18,588 | 453,386 | 19,230 |
| Water meters | 511,849 | - | 74,753 | 437,096 | 71,516 |
| Revenue note - Series 2008 | 1,000,000 | - | 110,000 | 890,000 | 110,000 |
| Total business-type activities \$ | <u>4,683,061</u> | <u>-</u> | <u>359,730</u> | <u>4,323,331</u> | <u>363,049</u> |

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, with interest rates applicable at June 30, 2014 are as follows:

| Year Ending June 30, | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------------------|--------------------------------|-----------------|-------------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| | 2015 | \$ 56,808 | 5,241 | 363,050 |
| 2016 | 58,504 | 3,545 | 381,570 | 126,429 |
| 2017 | 60,250 | 1,798 | 390,380 | 113,143 |
| 2018 | - | - | 409,489 | 109,583 |
| 2019 | - | - | 418,907 | 15,031 |
| 2020-2024 | - | - | 1,463,581 | 46,395 |
| 2025-2029 | - | - | 754,350 | 26,156 |
| 2030-2034 | - | - | 142,004 | 5,062 |
| Totals | <u>\$ 175,562</u> | <u>10,584</u> | <u>4,323,331</u> | <u>581,131</u> |

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Applicability of Federal Arbitrage Regulations - Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a debt issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

Non-Commitment Debt

Harrah Tax Increment Finance Authority Revenue Notes- Series 2009

On December 28, 2008, the Harrah Tax Increment Finance Authority issued tax increment revenue notes in the aggregate principal amount of \$15,760,000 with a maturity date on July 1, 2035. The Notes will be issued on a drawdown basis as project costs are incurred. The Notes shall bear interest and principal on a monthly basis, as more fully set out in a Loan Agreement and Security Agreement dated December 1, 2009. The Notes were issued in furtherance of the implementation of the Harrah Town Center Economic Development Project Plan. The proceeds of the Notes are financing the certain project costs outlined in the Project Plan.

The Notes are secured by a pledge of certain ad valorem tax and sales and use revenues generated within the Increment District. The Notes are a limited obligation of the Authority and does not constitute an obligation of the State of Oklahoma or the City of Harrah. The Authority has no taxing power.

During the fiscal year ended June 30, 2014, the Authority received and paid \$22,586 of sales tax related to the Tax Increment District.

Pledge of Future Revenues

Sales Tax Pledge - The City has entered into a Sales Tax Agreement dated February 1, 2008 of future sales tax revenues to repay the 2004, 2008, 2009 and 2011 Revenue Notes which are payable through March 15, 2032. Proceeds from the notes provided funding for improvements and expansion of the water and sanitary sewer systems. The total principal and interest payable for the remaining life of the notes is \$4,418,083. Pledged sales tax received in the current year was \$1,677,461. Debt service payments on the 2004, 2008, 2009 and 2011 Revenue Notes of \$416,479 for the current fiscal year were 24.8% of pledged sales tax.

Utility Revenue Pledge - The City has pledged the revenues from future sale of water to repay the 2004, 2008, 2009 and 2011 revenue notes which are payable through March 15, 2032. Proceeds from the notes provided funding for improvements and expansion of the water and sanitary sewer systems. The total principal and interest payable for the remaining life of the notes is \$4,418,083. Water and sewer revenues received in the current year were \$1,161,122. Debt service payments of \$416,479 for the current fiscal year were 35.8% of the pledged water and sewer revenues.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Compensated Absences

Compensated absences of the City of Harrah as of June 30, 2014, are as summarized as follows:

| | | |
|----------------------------|----|---------|
| Governmental activities | \$ | 85,322 |
| Business-type activities | | 39,198 |
| Total compensated absences | \$ | 124,520 |

Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-------------------------------|---------------|
| General Fund | Harrah Public Works Authority | \$ 28,757 |
| General Fund | Capital Projects Fund | 1,599 |
| Capital Projects Fund | Harrah Ind. Econ. Dev. Trust | 95,764 |
| | | \$ 126,120 |

Interfund transactions:

| | Transfers In | | | |
|-------------------------------|------------------------|----------------------------|---------------------------------|--|
| | General <u>Fund</u> | Capital <u>Projects</u> | Nonmajor <u>Governmental</u> | Harrah Public Works <u>Authority</u> |
| Transfer out: | | | | |
| General Fund | \$ - | 548,347 | 32,569 | 548,347 |
| Capital Projects Fund | 55,498 | - | - | 150,360 |
| Nonmajor Governmental | - | - | - | - |
| Harrah Public Works Authority | 40,000 | - | - | - |
| Totals | \$ 95,498 | 548,347 | 32,569 | 698,707 |

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City manages these various risks of loss as follows:

- General Liability - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Physical Property - Covered through purchased insurance with a \$1,000 deductible, per occurrence.
- Workers' Compensation - The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a matter of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A loss Fund has been established from the proceeds of the fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

- Employee's Group Medical - Covered through purchased insurance with a deductible of \$1,000 per employee and \$3,000 per family.

Contingent Liabilities

General Litigation

The City and Utilities Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions 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 judgment rendered against the City.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

While the outcome of the above noted proceedings cannot be predicted, due to the self-insurance reserves maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance reserves would not have a material adverse effect on the financial condition of the City.

Grant Program Involvement

In the normal course of operations, the City participates in various federal and state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Commitments

Sales Tax Rebate Agreement

On September 17, 2012, the City entered into a sales tax rebate agreement with a developer as an incentive to have the developer construct a McDonald's restaurant. The rebate of a portion of the sales tax is based on a calculation set forth in the agreement with a maximum payment of \$60,000. As of June 30, 2014 the City has paid and accrued cumulative rebates of \$42,667.

Stewardship, Compliance and Accountability

By its nature as a local government entity, the City and its component units are subject to various federal, state and local laws and contractual regulations. Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2014, the City did not have deficits in any funds.

Employee Retirement Systems and Pension Plans

The City of Harrah participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost sharing multiple-employer defined benefit plans administered by the State of Oklahoma. Copies of the State of Oklahoma sponsored multiple-employer plans and a schedule of funding progress is available, for each from the respective Plan. The State of Oklahoma is responsible for any funding deficiencies. Additionally, for other City employees not covered by the other plans, the City maintains the Oklahoma Municipal Retirement Fund, an agent multiple employer defined benefit pension plan and a related defined contribution plan.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

Oklahoma Police Pension and Retirement System (OPPRS)

Plan Description - The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7335, or by calling (405) 840-3555.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Harrah contributes 13.0% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2014, for employees and employer were \$23,252 and \$37,784, respectively, on covered payroll of \$290,649. The state made on-behalf payments for the police pension system of \$34,878 (or 12% of covered payroll). These on-behalf payments were recognized as both revenue and expenditures in the current year.

The required employer contributions and actual employer contributions made to OPPRS for the current and past two years are as follows:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|------------------------|----------------------------------|-------------------------------|
| 2013 | \$ 37,784 | 37,784 |
| 2012 | 38,824 | 38,824 |
| 2011 | 37,397 | 37,397 |

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling (405) 525-7813.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Harrah contributes 13.0% of annual covered payroll through October, 2013. Effective November 1, 2013 the required contribution rates for the employee and employer are 9.0% and 14.0%, respectively. The contribution requirements of the plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2014, for employees and employer were \$17,682 and \$27,846, respectively, on covered payroll of \$203,260. The state made on-behalf payments for the fire pension system of \$60,978 (or 30% of covered payroll). These on-behalf payments were recognized as both revenue and expenditures in the current year.

The required employer contributions and actual employer contributions made to OPPRS for the current and past two years are as follows:

| Fiscal Year | Required Contribution | Amount Contributed |
|----------------|--------------------------|-----------------------|
| 2014 | \$ 27,846 | 27,846 |
| 2013 | 23,849 | 23,849 |
| 2012 | 22,442 | 22,442 |

Oklahoma Municipal Retirement Fund Employee Retirement System (DB)

The Oklahoma Municipal Retirement Fund Employee Retirement System of Harrah, (the Plan) is a defined benefit retirement plan (the DB plan) covering City employees not covered by other plans. The Plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF). The OMRF board of trustees retains JP Morgan Chase as custodian to hold the Plan assets which are invested by various professional managers. All regular, full-time City employees not covered by other plans are required to participate in the Plan. Benefits vest after five years of service. Employees who retire at age 65 or completion of five years of service are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.625% of final average compensation multiplied by the number of years of credited service.

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

A participant who becomes totally and permanently disabled after completion of five years of service will be entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

Employee contributions are returned with interest if their employment is terminated prior to completion of five years of service. A death benefit is payable after five years of service based on 50.0% of the employee's accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse. For a vested single participant, 50.0% of the accrued benefit is payable for 60 months certain.

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

The actuarial accrued liability was computed as part of an actuarial valuation dated March 31, 2014. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7.50% compounded annually, and 2) future salary increases of 5.25% per year.

Net Position available for benefits at actuarial value were less than the total actuarial liability (entry age normal) by \$526,570 at January 1, 2014, (the most recent information available) as follows:

| | |
|---|---------------------|
| Actuarial liability: | |
| Retirees, survivors, and deferred vested | \$ 642,636 |
| Active employees | <u>1,430,042</u> |
| Total | 2,072,678 |
| Net assets available for benefits (actuarial value) | <u>1,546,108</u> |
| Unfunded actuarial liability | \$ <u>(526,570)</u> |

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method. Unfunded actuarial accrued liabilities are being amortized as a level percentage of payrolls over a period of 30 years.

For the year ended June 30, 2014, the City's payroll for all employees and the City's total covered payroll was \$669,436. Covered payroll refers to all compensation paid by the City of Harrah to active employees covered by the Plan on which contributions are based.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

For the year ended June 30, 2014, employees were required to contribute 5.25% of annual compensation, while the City contributed the remaining amounts necessary to fund the pension plan, using an actuarial basis. The City's contribution rate for the year ended June 30, 2014, was 14.00.

The required contributions from the City for the OMRF plan are as follows:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|------------------------|----------------------------------|-------------------------------|
| 2014 | \$ 93,722 | 93,722 |
| 2013 | 83,119 | 83,119 |
| 2012 | 81,957 | 81,957 |

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

The schedule of funding progress for the Plan for the current and past nine years is as follows:

| <u>Actuarial Valuation Date</u> | <u>Value of Assets Available For Benefits</u> | <u>Actuarial Accrued Liability</u> | <u>Unfunded Actuarial Accrued Liability</u> | <u>Percentage Funded</u> | <u>Annual Covered Payroll</u> | <u>Accrued Liability as a Percentage of Covered Payroll</u> |
|---|---|--|---|------------------------------|---------------------------------------|---|
| 01/01/05 | \$ 667,117 | 911,455 | 244,339 | 73.20% | 452,879 | 54.00% |
| 01/01/06 | 746,898 | 914,504 | 167,606 | 81.70% | 443,631 | 37.80% |
| 01/01/07 | 860,483 | 1,209,241 | 348,757 | 71.20% | 525,339 | 66.40% |
| 01/01/08 | 979,806 | 1,306,628 | 326,823 | 75.00% | 501,262 | 65.20% |
| 01/01/09 | 972,998 | 1,324,279 | 351,281 | 73.50% | 560,144 | 62.70% |
| 01/01/10 | 1,049,192 | 1,506,623 | 457,431 | 69.60% | 589,111 | 77.60% |
| 01/01/11 | 1,145,406 | 1,635,546 | 490,140 | 70.00% | 599,045 | 81.80% |
| 01/01/12 | 1,240,450 | 1,761,848 | 521,398 | 70.40% | 604,302 | 86.30% |
| 01/01/13 | 1,378,968 | 1,914,574 | 535,606 | 72.00% | 597,919 | 89.60% |
| 01/01/14 | 1,546,108 | 2,072,679 | 526,570 | 74.60% | 652,709 | 80.70% |

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

OMRF Defined Contribution Plan (DC) -

The City has provided a defined contribution plan and trust known as the City of Harrah Plan and Trust (the Plan) in the form of The Oklahoma Municipal Retirement System 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 JP Morgan Chase Bank, Oklahoma. The defined contribution plan is available to all full-time employees except those participating in state fire and police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and are required to make contributions to the plan of 2% and make additional contributions at their option. By City ordinance, the City, as employer, is required to make contributions at a current rate of 1% of covered payroll. The City's contributions for each employee (and interest allocated to the employee account) are vested at a rate of 100% after 5 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining participants. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2014, the City contributed \$6,062 to the plan, while the employee contributions totaled \$13,849.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Dr., Oklahoma City, Oklahoma 73105.

Deferred Compensation Plan

The City makes available to all full-time employees a deferred compensation plan. The DC Plan was created in accordance with Section 457 of the *Internal Revenue Code*, and permits employees to defer a portion of their salary until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in case of an unforeseeable emergency.

The City makes no contributions to the Deferred Compensation Plan which the employees may contribute up to a maximum of 25% of compensation of \$17,500 annually, whichever is less. Vesting in such contributions is 100% immediately. During the year ended June 30, 2014, employees contributed \$3,694 to the DC Plan.

Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug and dental benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State Law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 55 and 65. As of June 30, 2014, approximately no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier.

There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2014 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reporting amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB No. 68 establishes standards of measuring and recognizing liabilities, deferred outflow of resources, deferred inflow of resources, and pension expense. 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 No. 68 was issued in June, 2013, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

Statement No. 69, *Government Combinations and Disposals of Government Operations* - GASB No. 69 was issued in January 2013, and establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfer of operations. A disposal of a government's operations results in a removal of specific activities of a government. The requirement of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

City of Harrah, Oklahoma
Notes to the Basic Financial Statements
As of and For the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - GASB No. 70 required a government that extends a Nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Early application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The City has not yet evaluated the effects that GASB NO. 70 will have on its financial statements.

Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB No. 68* - amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with provisions of Statement No. 68. The City has not yet evaluated the effects that GASB NO. 71 will have on its financial statements.

Subsequent Events

Management has evaluated subsequent events through September 15, 2014, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

| | Budget | | Actual | Variance with Final Budget Over (Under) |
|--|------------------|------------------|--------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 2,276,000 | 2,274,000 | 2,627,752 | 353,752 |
| Intergovernmental | 4,500 | 4,500 | 4,474 | (26) |
| Licenses and permits | 50,000 | 54,000 | 71,263 | 17,263 |
| Fines and forfeitures | 125,000 | 125,000 | 151,741 | 26,741 |
| Interest | 500 | 500 | 408 | (92) |
| Miscellaneous | 12,800 | 10,800 | 49,379 | 38,579 |
| Total revenues | <u>2,468,800</u> | <u>2,468,800</u> | <u>2,905,017</u> | <u>436,217</u> |
| EXPENDITURES | | | | |
| General government: | | | | |
| General government | 244,357 | 210,859 | 176,313 | 34,546 |
| City manager | 2,920 | 2,842 | 2,842 | - |
| Administration | 232,685 | 217,643 | 218,021 | (378) |
| Code enforcement | 114,630 | 57,726 | 49,864 | 7,862 |
| Legal | 29,274 | 20,277 | 20,277 | - |
| Public safety: | | | | |
| Police | 756,615 | 739,438 | 648,449 | 90,989 |
| Fire | 467,370 | 452,371 | 394,036 | 58,335 |
| Culture and recreation: | | | | |
| Senior citizen center | 57,500 | 57,500 | 55,606 | 1,894 |
| Total expenditures | <u>1,905,351</u> | <u>1,758,656</u> | <u>1,565,408</u> | <u>193,248</u> |
| Excess (deficiency) of revenues over (under) expenditures | 563,449 | 710,144 | 1,339,609 | 629,465 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | <u>(852,500)</u> | <u>(999,195)</u> | <u>(1,033,765)</u> | <u>(34,570)</u> |
| Net change in fund balances | (289,051) | (289,051) | 305,844 | 594,895 |
| Fund balances - beginning | 374,051 | 374,051 | 737,893 | 363,842 |
| Fund balances - ending | <u>\$ 85,000</u> | <u>85,000</u> | <u>1,043,737</u> | <u>958,737</u> |

The accompanying notes are an integral part of these financial statements.

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

| | Budget | | Actual | Variance with Final Budget Over (Under) |
|--|------------------|------------------|----------------|--|
| | Original | Final | | (Under) |
| REVENUES | | | | |
| Intergovernmental | \$ 135,000 | 135,000 | - | (135,000) |
| Interest | 1,000 | 1,000 | 372 | (628) |
| Miscellaneous | 150,000 | 150,000 | - | (150,000) |
| Total revenues | <u>286,000</u> | <u>286,000</u> | <u>372</u> | <u>(285,628)</u> |
| EXPENDITURES | | | | |
| General government: | | | | |
| General government | 281,700 | 281,700 | 221,029 | 60,671 |
| Administration | - | - | - | - |
| Code enforcement | - | - | - | - |
| Public safety: | | | | |
| Police | 145,500 | 145,500 | 113,523 | 31,977 |
| Fire | 233,800 | 233,800 | 86,328 | 147,472 |
| Culture and recreation: | | | | |
| Senior citizen center | 22,000 | 22,000 | 21,322 | 678 |
| Parks | 50,500 | 50,500 | - | 50,500 |
| Streets | 150,000 | 150,000 | 48,681 | 101,319 |
| Public works | 420,000 | 420,000 | - | 420,000 |
| Total expenditures | <u>1,303,500</u> | <u>1,303,500</u> | <u>490,883</u> | <u>812,617</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,017,500) | (1,017,500) | (490,511) | 526,989 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | 417,500 | 417,500 | 342,489 | (75,011) |
| Net change in fund balances | (600,000) | (600,000) | (148,022) | 451,978 |
| Fund balances - beginning | 600,000 | 600,000 | 844,734 | 244,734 |
| Fund balances - ending | <u>\$ -</u> | <u>-</u> | <u>696,712</u> | <u>696,712</u> |

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Notes to Required Supplemental Information
On Budgetary Accounting and Control
For the Year Ended June 30, 2014

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between funds also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Harrah Public Works Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal spending limit.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

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

OTHER SUPPLEMENTARY INFORMATION

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

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|--------------------------------------|-------------------|------------------------------------|---------------|--|
| | Street & Alley | Harrah Ind. Econ. Dev. Trust | Park Funds | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 82,264 | 14,407 | 10,864 | 107,535 |
| Due from other governments | 4,365 | - | - | 4,365 |
| | 86,629 | 14,407 | 10,864 | 111,900 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Deposits subject to refund | - | - | 3,819 | 3,819 |
| Due to other funds | - | 94,165 | - | 94,165 |
| | - | 94,165 | 3,819 | 97,984 |
| Fund balances: | | | | |
| Restricted | 86,629 | (79,758) | 7,045 | 13,916 |
| Assigned | - | - | - | - |
| | 86,629 | (79,758) | 7,045 | 13,916 |
| TOTAL | \$ 86,629 | 14,407 | 10,864 | 111,900 |

The accompanying notes are an integral part of these financial statements.

City of Harrah, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

| | <u>Special Revenue</u> | | | Total Nonmajor Governmental Funds |
|--|-------------------------------|---|-----------------------|--|
| | <u>Street & Alley</u> | <u>Harrah Ind. Econ. Dev. Trust</u> | <u>Park Funds</u> | |
| REVENUES | | | | |
| Taxes | \$ 51,233 | - | - | 51,233 |
| Charge for services | - | - | 5,270 | 5,270 |
| Interest | - | 9 | 2 | 11 |
| Miscellaneous | - | 20,432 | - | 20,432 |
| Total revenues | <u>51,233</u> | <u>20,441</u> | <u>5,272</u> | <u>76,946</u> |
| EXPENDITURES | | | | |
| Maintenance & operations | 59,052 | 7,749 | 45,507 | 112,308 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>59,052</u> | <u>7,749</u> | <u>45,507</u> | <u>112,308</u> |
| Excess (deficiency) of revenues over expenditures | <u>(7,819)</u> | <u>12,692</u> | <u>(40,235)</u> | <u>(35,362)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 32,569 | 32,569 |
| Transfers out | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>32,569</u> | <u>32,569</u> |
| Net change in fund balances | (7,819) | 12,692 | (7,666) | (2,793) |
| Fund balances-beginning | 94,448 | (92,450) | 14,711 | 16,709 |
| Fund balances-ending | <u>\$ 86,629</u> | <u>(79,758)</u> | <u>7,045</u> | <u>13,916</u> |

The accompanying notes are an integral part of these financial statements.

DILLON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
1401 S. DOUGLAS BLVD., SUITE A
MIDWEST CITY, OK 73130

ROBERT S. DILLON, CPA
bobdilloncpa@gmail.com

Phone: (405) 732-1800
Fax : (405) 737-7446

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

Honorable Mayor and City Council Members
City of Harrah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrah, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Harrah's basic financial statements and have issued our report thereon dated September 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Harrah's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Harrah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Harrah'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Harrah'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 15, 2014

City of Harrah, Oklahoma
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2014

| STATE GRANTOR/ PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u> | <u>GRANTOR NUMBER</u> | <u>PROGRAM OR AWARD AMOUNT</u> | <u>STATE EXPENDITURES</u> |
|---|---------------------------|--|-------------------------------|
| STATE PROGRAMS | | | |
| <u>State of Oklahoma</u> | | | |
| Passed through the Association of Central Oklahoma Governments (ACOG : | | | |
| REAP Grant | Reap #3-2013-08 | \$ 30,600 | 30,600 |
| Oklahoma Department of Agriculture | | | |
| Rural Fire Program | | 4,474 | 4,474 |
| Rural Fire Program | | 5,460 | 5,460 |
| Oklahoma State Arts Council | | | |
| Small Grant Support | | <u>1,437</u> | <u>1,437</u> |
| Total State of Oklahoma | | <u>41,971</u> | <u>41,971</u> |
| Total State Assistance | | <u>\$ 41,971</u> | <u>41,971</u> |