

**THE CITY OF  
DEL CITY, OKLAHOMA**

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

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

**CITY OF DEL CITY, OKLAHOMA**  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Del City, Oklahoma (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Supplementary and Other Information***


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, combining and individual nonmajor fund financial statements – modified cash basis, and debt service coverage information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information, combining and individual nonmajor fund financial statements, and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City's internal control over financial reporting and compliance.



November 16, 2015

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

The management of the City of Del City is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2015. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

**FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$123,872, and the assets of the City exceed its liabilities at June 30, 2015, by \$27,906,552 (net position).
- At June 30, 2015, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$3,817,036.
- At the end of fiscal year 2015, unassigned fund balance on a modified cash basis for the General Fund was \$2,536,411 deficit or a negative 31% of General Fund revenues.

**ABOUT THE CITY**

The City of Del City is a council-manager form of government with a population of approximately 21,000 located in Oklahoma County in central Oklahoma. The City is governed by a five-member City Council and operates under state law and City ordinances through the three branches of democratic government:

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

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, library, community development, and through its Utilities Authority, certain utility services including water, wastewater, and sanitation.

***The City's Financial Reporting Entity***

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Del City (primary government)** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Del City Municipal Services (DCMSA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City. The City of Del City is the beneficiary of the trust and the City Council serves as the governing body of the trust.

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Management's Discussion and Analysis  
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- **The Del City Economic Development Authority (DCEDA)** – public trust created pursuant to 60 O.S. § 176 to promote development within the City. The Del City Council appoints the trustees.

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Del City (the "City"), the Del City Municipal Services Authority and the Del City Economic Development Authority (the "Authorities"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**Reporting the City as a Whole**

*The Statement of Net Position and Statement of Activities*

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

**Reporting the City's Most Significant Funds - Fund Financial Statements**

*Fund Financial Statements*

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term

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

view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

*Proprietary funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. The City's proprietary funds are the Del City Municipal Services Authority that accounts for the operation of the water, sewer, and sanitation activities and the Del City Economic Development Authority which accounts for activities promoting development in the City.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the basic financial statement section of this report as noted in the table of contents.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund.

**THE CITY AS A WHOLE**

For the year ended June 30, 2015, net position on a modified cash basis for the governmental activities increased \$566,163 and business-type activities decreased \$442,291 for a total net increase of \$123,872.

A portion of the City's total of \$27,906,552 in net position, \$27,972,083, represents resources that are subject to restrictions on how they may be used.

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

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$3,817,036. For the year ended June 30, 2015, the General Fund's total fund balance decreased by \$1,079,176.

**Budgetary Highlights**

For the year ended June 30, 2015, the General Fund reported actual modified cash basis revenues under final estimates by \$624,648 or a negative 5.7% variance. General Fund actual expenditures exceeded final appropriations by \$273,857 or a 2.5% negative variance.

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

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

- The Fiscal 2016 budget is consistent with prior years.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 3701 SE 15<sup>th</sup> Street, Del City, Oklahoma 73115.

## Basic Financial Statements



**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**June 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,587,472	\$ 4,102,781	\$ 6,690,253
Due from fiduciary funds	35,852	-	35,852
Internal balances	1,193,712	(1,193,712)	-
Capital assets:			
Capital assets, non-depreciable	4,894,098	1,228,496	6,122,594
Other capital assets, net	18,281,048	8,185,022	26,466,070
<b>Total assets</b>	<b>26,992,182</b>	<b>12,322,587</b>	<b>39,314,769</b>
<b>Liabilities</b>			
Customer deposits payable	-	492,524	492,524
Long-term liabilities:			
Due within one year	476,913	1,768,311	2,245,224
Due in more than one year	4,779,498	3,890,971	8,670,469
<b>Total liabilities</b>	<b>5,256,411</b>	<b>6,151,806</b>	<b>11,408,217</b>
<b>Net Position</b>			
Invested in capital assets net of related debt	17,918,735	3,754,236	21,672,971
Restricted for:			
Capital projects	3,216,406	-	3,216,406
Economic development	2,704	-	2,704
Debt service	-	2,950,491	2,950,491
Grant projects	73,159	-	73,159
Police training	33,359	-	33,359
Labor relations	22,993	-	22,993
Unrestricted (deficit)	468,415	(533,946)	(65,531)
<b>Total net position</b>	<b>\$ 21,735,771</b>	<b>\$ 6,170,781</b>	<b>\$ 27,906,552</b>

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**Year ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 3,341,570	\$ 170,944	\$ 127,099	\$ -	\$ (3,043,527)	\$ -	\$ (3,043,527)
Public safety	7,525,293	989,449	-	-	(6,535,844)	-	(6,535,844)
Streets	664,206	-	-	-	(664,206)	-	(664,206)
Community services	660,996	-	-	-	(660,996)	-	(660,996)
Economic development	78,236	-	-	-	(78,236)	-	(78,236)
Parks and recreation	441,532	131,983	-	-	(309,549)	-	(309,549)
Interest on long-term debt	207,339	-	-	-	(207,339)	-	(207,339)
<b>Total governmental activities</b>	<b>12,919,172</b>	<b>1,292,376</b>	<b>127,099</b>	<b>-</b>	<b>(11,499,697)</b>	<b>-</b>	<b>(11,499,697)</b>
Business-type activities:							
Water	2,145,203	2,934,463	-	-	-	789,260	789,260
Sewer	1,592,217	2,317,088	-	-	-	724,871	724,871
Sanitation	911,177	1,729,333	-	-	-	818,156	818,156
General government	1,356,736	362,339	-	-	-	(994,397)	(994,397)
Economic development	669,899	-	-	-	-	(669,899)	(669,899)
Interest on long-term debt	289,834	-	-	-	-	(289,834)	(289,834)
Fleet maintenance	489,671	-	-	-	-	(489,671)	(489,671)
<b>Total business-type activities</b>	<b>7,454,737</b>	<b>7,343,223</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(111,514)</b>	<b>(111,514)</b>
<b>Total primary government</b>	<b>\$ 20,373,909</b>	<b>\$ 8,635,599</b>	<b>\$ 127,099</b>	<b>\$ -</b>	<b>(11,499,697)</b>	<b>(111,514)</b>	<b>(11,611,211)</b>

**General Revenues:**

Taxes:

Sales and use taxes	10,419,181	-	10,419,181
Franchise and miscellaneous taxes	1,027,840	-	1,027,840
Investment income (loss)	5,165	484	5,649
Miscellaneous	181,651	100,762	282,413
Transfers - internal activities	432,023	(432,023)	-
<b>Total general revenues and transfers</b>	<b>12,065,860</b>	<b>(330,777)</b>	<b>11,735,083</b>
Change in net position	566,163	(442,291)	123,872
Net position, beginning of year	21,169,608	6,613,072	27,782,680
<b>Net position, end of year</b>	<b>\$ 21,735,771</b>	<b>\$ 6,170,781</b>	<b>\$ 27,906,552</b>

**CITY OF DEL CITY, OKLAHOMA**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<b>General Fund</b>	<b>Limited Purpose Sales Tax</b>	<b>Police Grant</b>	<b>Debt Service</b>	<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>							
Current Assets:							
Cash and cash equivalents	\$ 5,026	\$ 600,365	\$ 73,559	\$ 95,646	\$ 1,753,620	\$ 59,256	\$ 2,587,472
Due from fiduciary funds	35,852	-	-	-	-	-	35,852
Due from other funds	49,561	2,010,965	-	473,327	-	-	2,533,853
Total assets	<u>\$ 90,439</u>	<u>\$ 2,611,330</u>	<u>\$ 73,559</u>	<u>\$ 568,973</u>	<u>\$ 1,753,620</u>	<u>\$ 59,256</u>	<u>\$ 5,157,177</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Current liabilities							
Due to other funds	\$ 1,164,064	\$ -	\$ -	\$ 175,877	\$ -	\$ 200	\$ 1,340,141
Total current liabilities	<u>1,164,064</u>	<u>-</u>	<u>-</u>	<u>175,877</u>	<u>-</u>	<u>200</u>	<u>1,340,141</u>
<b>Fund Balances</b>							
Restricted	1,462,786	-	73,559	-	1,753,620	59,056	3,349,021
Unassigned	(2,536,411)	2,611,330	-	393,096	-	-	468,015
Total fund balances	<u>(1,073,625)</u>	<u>2,611,330</u>	<u>73,559</u>	<u>393,096</u>	<u>1,753,620</u>	<u>59,056</u>	<u>3,817,036</u>
Total liabilities and fund balances	<u>\$ 90,439</u>	<u>\$ 2,611,330</u>	<u>\$ 73,559</u>	<u>\$ 568,973</u>	<u>\$ 1,753,620</u>	<u>\$ 59,256</u>	<u>\$ 5,157,177</u>

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2015**

	<b>General Fund</b>	<b>Limited Purpose Sales Tax</b>	<b>Police Grant</b>	<b>Debt Service</b>	<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Revenues:							
Sales and use taxes	\$ 5,806,606	\$ 3,894,981	\$ -	\$ 613,152	\$ -	\$ 104,442	\$ 10,419,181
Franchise and miscellaneous taxes	1,027,840	-	-	-	-	-	1,027,840
Licenses and permits	170,944	-	-	-	-	-	170,944
Charges for services	131,983	-	-	-	-	-	131,983
Fees and fines	989,449	-	-	-	-	-	989,449
Grant proceeds	48,183	-	-	-	-	78,916	127,099
Interest income	5,165	-	-	-	-	-	5,165
Miscellaneous	130,756	10,331	-	-	-	42,164	183,251
<b>Total revenues</b>	<b>8,310,926</b>	<b>3,905,312</b>	<b>-</b>	<b>613,152</b>	<b>-</b>	<b>225,522</b>	<b>13,054,912</b>
Expenditures:							
Current:							
General government	1,836,190	-	-	-	-	-	1,836,190
Municipal court	325,663	-	-	-	-	-	325,663
Community services	660,996	-	-	-	-	-	660,996
Public safety	6,353,762	-	-	-	-	10,293	6,364,055
Street/Alley	664,206	-	-	-	-	-	664,206
Parks and recreation	441,532	-	-	-	-	-	441,532
Economic development	-	-	-	-	-	78,236	78,236
Debt service	-	-	-	613,415	-	-	613,415
Capital outlay	483,077	1,583,538	10,505	-	53,773	-	2,130,893
<b>Total expenditures</b>	<b>10,765,426</b>	<b>1,583,538</b>	<b>10,505</b>	<b>613,415</b>	<b>53,773</b>	<b>88,529</b>	<b>13,115,186</b>
Excess (deficiency) of revenues over expenditures	(2,454,500)	2,321,774	(10,505)	(263)	(53,773)	136,993	(60,274)
Other financing sources (uses):							
Transfers in	1,991,754	-	-	-	-	-	1,991,754
Transfers out	(616,430)	(1,969,948)	-	-	-	(107,670)	(2,694,048)
<b>Total other financing sources and (uses)</b>	<b>1,375,324</b>	<b>(1,969,948)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(107,670)</b>	<b>(702,294)</b>
Net change in fund balances	(1,079,176)	351,826	(10,505)	(263)	(53,773)	29,323	(762,568)
Fund balances, beginning of year	5,551	2,259,504	84,064	393,359	1,807,393	29,733	4,579,604
<b>Fund balances, end of year</b>	<b>\$ (1,073,625)</b>	<b>\$ 2,611,330</b>	<b>\$ 73,559</b>	<b>\$ 393,096</b>	<b>\$ 1,753,620</b>	<b>\$ 59,056</b>	<b>\$ 3,817,036</b>

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES**  
**June 30, 2015**

Total fund balance, governmental funds \$ 3,817,036

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement but are reported in the governmental activities of the Statement of Net Position. 23,175,146

Some liabilities (such as Notes Payable, Contracts Payable and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (5,256,411)

Net position, governmental activities \$ 21,735,771

Net change in fund balance, total governmental funds \$ (762,568)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized 2,130,893  
 Depreciation expense (1,208,238)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payments on long-term debt 420,000  
 Increase in judgments payable (13,924)

Change in net position, governmental activities \$ 566,163

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	Enterprise Funds		
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 170,526	\$ 170,526
Restricted cash and cash equivalents	981,764	2,950,491	3,932,255
Due from other funds	126,516	-	126,516
Total current assets	1,108,280	3,121,017	4,229,297
Non-current assets:			
Capital assets, non-depreciable	1,228,496	-	1,228,496
Other capital assets, net	8,185,022	-	8,185,022
Total Assets	10,521,798	3,121,017	13,642,815
<b>Liabilities</b>			
Current liabilities:			
Customer deposits payable	492,524	-	492,524
Due to other funds	473,327	846,901	1,320,228
Total current liabilities	965,851	846,901	1,812,752
Long-term liabilities			
Due within one year	318,311	1,450,000	1,768,311
Due in more than one year	990,971	2,900,000	3,890,971
Total Liabilities	2,275,133	5,196,901	7,472,034
<b>Net Position</b>			
Invested in capital assets net of related debt	8,104,236	(4,350,000)	3,754,236
Restricted for debt service	-	2,950,491	2,950,491
Unrestricted (deficit)	142,429	(676,375)	(533,946)
Total net position	\$ 8,246,665	\$ (2,075,884)	\$ 6,170,781

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS**

**Year ended June 30, 2015**

	Enterprise Funds		
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds
Operating revenues:			
Water charges	\$ 2,934,463	\$ -	\$ 2,934,463
Sewer charges	2,317,088	-	2,317,088
Sanitation charges	1,729,333	-	1,729,333
Fees and fines	362,339	-	362,339
Miscellaneous	47,671	-	47,671
Total operating revenues	<u>7,390,894</u>	<u>-</u>	<u>7,390,894</u>
Operating expenses:			
General government	702,556	-	702,556
Administration	654,180	-	654,180
Wastewater treatment	731,998	-	731,998
Water services	1,851,856	-	1,851,856
Sewer services	566,872	-	566,872
Sanitation services	911,177	-	911,177
Fleet maintenance	489,671	-	489,671
Economic Development	-	669,899	669,899
Depreciation expense	586,694	-	586,694
Total operating expenses	<u>6,495,004</u>	<u>669,899</u>	<u>7,164,903</u>
Operating income (loss)	<u>895,890</u>	<u>(669,899)</u>	<u>225,991</u>
Nonoperating revenues (expenses):			
Investment income	202	282	484
Lease revenue	-	53,091	53,091
Interest expense	(219,027)	(70,807)	(289,834)
Total nonoperating revenue (expenses)	<u>(218,825)</u>	<u>(17,434)</u>	<u>(236,259)</u>
Income (loss) before contributions and transfers	677,065	(687,333)	(10,268)
Transfers in	78,916	2,123,378	2,202,294
Transfers out	(1,500,000)	(1,134,317)	(2,634,317)
Change in net position	(744,019)	301,728	(442,291)
Total net position, beginning of year	8,990,684	(2,377,612)	6,613,072
Total net position, end of year	<u>\$ 8,246,665</u>	<u>\$ (2,075,884)</u>	<u>\$ 6,170,781</u>

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2015**

	Enterprise Funds		
	Del City Municipal Services Authority	Del City Economic Development Authority	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 7,390,894	\$ -	\$ 7,390,894
Water meter deposits received	26,152	-	26,152
Internal activity	436,225	-	436,225
Payments to employees	(1,818,192)	-	(1,818,192)
Payments to suppliers	(4,090,118)	(669,899)	(4,760,017)
Net cash provided by (used in) operating activities	<u>1,944,961</u>	<u>(669,899)</u>	<u>1,275,062</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in from other funds	78,916	2,123,378	2,202,294
Transfers out to other funds	(1,500,000)	(1,134,317)	(2,634,317)
Net cash provided by (used in) noncapital financing activities	<u>(1,421,084)</u>	<u>989,061</u>	<u>(432,023)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(255,188)	-	(255,188)
Principal paid on debt	(315,767)	(1,450,000)	(1,765,767)
Interest and debt issuance costs paid	(219,027)	(70,807)	(289,834)
Net cash provided by (used in) capital and related financing activities	<u>(789,982)</u>	<u>(1,520,807)</u>	<u>(2,310,789)</u>
<b>Cash Flows from Investing Activities</b>			
Investment income	202	53,373	53,575
Net cash provided by investing activities	<u>202</u>	<u>53,373</u>	<u>53,575</u>
Net increase (decrease) in cash and cash equivalents	(265,903)	(1,148,272)	(1,414,175)
Cash and cash equivalents, beginning of year	<u>1,247,667</u>	<u>4,269,289</u>	<u>5,516,956</u>
Cash and cash equivalents, end of year	<u>\$ 981,764</u>	<u>\$ 3,121,017</u>	<u>\$ 4,102,781</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</b>			
Operating Income (Loss)	\$ 895,890	\$ (669,899)	\$ 225,991
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Change in assets and liabilities:			
Depreciation expense	586,694	-	586,694
Due from(to) other fund	436,225	-	436,225
Meter deposit liability	26,152	-	26,152
Net cash provided by (used in) operating activities	<u>\$ 1,944,961</u>	<u>\$ (669,899)</u>	<u>\$ 1,275,062</u>

*See accompanying notes to the basic financial statements.*



**CITY OF DEL CITY, OKLAHOMA**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**June 30, 2015**

	<u>AGENCY FUNDS</u>
<b>Assets</b>	
Cash	\$ 519,981
Total assets	<u>\$ 519,981</u>
<b>Liabilities</b>	
Assets held on behalf of others	\$ 484,129
Due to general fund	<u>35,852</u>
Total liabilities	<u>\$ 519,981</u>

*See accompanying notes to the basic financial statements.*

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes three separate legal entities reported as the primary government.

- **The City of Del City** – that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities
- **The Del City Municipal Service Authority** – that operates the water, sewer, and sanitation services of the City (*blended*)
- **The Del City Economic Development Authority** – that operates the economic development services within the City (*blended*)

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statements 14, 34, 39 and 54, and includes all component units for which the City is financially accountable.

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

The City is able to impose its will on the Authorities through the Trustees as well as through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate financial statements.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for capital assets, long-term debt, the meter deposit liability and interfund balances arising from cash transactions.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

- General government: License and permits and rents and royalties
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

*Governmental Funds:*

The City's governmental funds are comprised of the following:

**Major Funds:**

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Limited Purpose Sales Tax Fund - accounts for certain restricted sales tax revenue.
- Police Grant Fund - accounts for grant activity for the police department.
- Debt Service Fund- accounts for revenues restricted for debt extinguishment.
- Capital Improvements Fund- accounts for debt proceeds restricted for capital improvements.

**Non-Major Funds (Reported as Other Governmental Funds):**

**Special Revenue Funds:**

- CDBG Fund – accounts for funds of the Community Development Block Grant.
- Hotel/Motel Tax Fund - accounts for all hotel/motel tax revenue restricted for economic development activity.
- Police Training Fund – accounts for the police training revenues and expenses.
- Labor Relations Fund – monies restricted for labor negotiations.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Funds:*

The City's proprietary funds are comprised of the following accounts:

- Del City Municipal Services Authority- accounts for the operation of the water, wastewater, and sanitation activities.
- Del City Economic Development Authority- accounts for economic development activities.

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

The proprietary funds are reported using the same basis of accounting and measurement focus as the government-wide statements.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

All of the above noted governmental funds are legally required to adopt annual budgets or appropriations. The public trusts (or Authorities) are not required to adopt legal annual appropriations. While the trusts develop an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, money market accounts, and certificates of deposit or short-term investments with an original maturity of three-months or less.

**D. Capital Assets**

Property, plant and equipment are accounted for as capital assets. The City's capitalization threshold for the year ended June 30, 2015 was \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2012, governmental activities' infrastructure assets were not capitalized. These assets (dating back to July 1, 1964) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	20-50 years
Other Improvements	20-50 years
Equipment and vehicles	5-50 years
Infrastructure	25-50 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The City capitalizes interest as a component of capital assets constructed for its own use.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

**E. Debt**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds and repayment of debt as other financing sources and uses for the current period. Issuance costs are reported as expenditures.

**F. Fund Balances and Net Position**

*Fund Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority.
- e. *Unassigned* – represents fund balance that has not been restricted, committed, or assigned to specific purposes.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position is displayed in three components:

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

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

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

**G. Internal and Interfund Balances and Transfers**

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

**H. Use of Estimates**

Certain estimates are made in the preparation of the financial statements. Estimates are based on management's best judgments and may vary from actual results.

**2. Deposits and Investments**

For the year ended June 30, 2015, the City recognized \$5,649 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2015, the primary government held the following deposits and investments:

<u>Type</u>	<u>Carrying Value</u>
Petty cash	\$ 2,935
Demand deposits	4,256,808
Money market mutual fund	2,950,491
	<u>\$ 7,210,234</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 6,690,253
Agency fund cash and cash equivalents	519,981
	<u>\$ 7,210,234</u>

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2015, the City was not exposed to custodial credit risk as defined above.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2015, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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

**3. Internal and Interfund Balances and Transfers**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	CDBG	200
General Fund	Debt Service	49,361
Limited Purpose Sales Tax	General Fund	1,164,064
Debt Service	Del City MSA	473,327
Del City MSA	Debt Service	126,516
Limited Purpose Sales Tax	Del City EDA	846,901
Total		<u>\$ 2,660,369</u>

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 2,533,853	\$ 1,340,141	\$ 1,193,712
Business-Type Funds	126,516	1,320,228	(1,193,712)
Total	<u>\$ 2,660,369</u>	<u>\$ 2,660,369</u>	<u>\$ -</u>

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2015, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Del City Municipal Services Authority	\$ 1,500,000
General Fund	Limited Purpose Sales Tax	463,000
General Fund	Hotel/Motel Tax	28,754
Del City Municipal Svcs Auth	CDBG	78,916
Governmental Cap Assets	Del City Economic Dev Auth	1,134,317
Del City Economic Dev Auth	General Fund	616,430
Del City Economic Dev Auth	Limited Purpose Sales Tax	1,506,948
		<u>\$ 5,328,365</u>

**Reconciliation to fund financial statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,991,754	\$ 2,694,048	\$ (702,294)
Proprietary Funds	2,202,294	2,634,317	(432,023)
Total	<u>\$ 4,194,048</u>	<u>\$ 5,328,365</u>	<u>\$ (1,134,317)</u>

**Reconciliation to Statement of Activities:**

Net transfers	\$ (702,294)
Capital assets transferred to governmental funds	1,134,317
Transfers - internal activity	<u>\$ 432,023</u>



**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

**4. Capital Assets**

For the year ended June 30, 2015, reported capital asset balances changed as follows:

	Balance at June 30, 2014	Additions	Transfers	Disposals	Balance at June 30, 2015
<b>Governmental Activities:</b>					
Non-depreciable:					
Land	\$ 1,743,222	\$ 738,233	\$ -	\$ -	\$ 2,481,455
Construction in Progress	1,072,510	1,340,133	-	-	2,412,643
Total non-depreciable assets at historical cost	<u>2,815,732</u>	<u>2,078,366</u>	<u>-</u>	<u>-</u>	<u>4,894,098</u>
Depreciable:					
Buildings	6,561,378	-	-	-	6,561,378
Machinery and Equipment	4,575,304	52,527	-	-	4,627,831
Infrastructure	20,944,417	-	-	-	20,944,417
Total depreciable assets at historical cost	<u>32,081,099</u>	<u>52,527</u>	<u>-</u>	<u>-</u>	<u>32,133,626</u>
Less accumulated depreciation					
Buildings	1,002,104	229,534	-	-	1,231,638
Machinery and Equipment	1,009,793	472,263	-	-	1,482,056
Infrastructure	10,632,443	506,441	-	-	11,138,884
Total accumulated depreciation	<u>12,644,340</u>	<u>1,208,238</u>	<u>-</u>	<u>-</u>	<u>13,852,578</u>
Net Depreciable Assets	<u>19,436,759</u>	<u>(1,155,711)</u>	<u>-</u>	<u>-</u>	<u>18,281,048</u>
Governmental activities capital assets, net	<u>\$ 22,252,491</u>	<u>\$ 922,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,175,146</u>
<b>Business-type activities:</b>					
Non-depreciable:					
Land	\$ 982,281	\$ -	\$ -	\$ -	\$ 982,281
Construction in Progress	177,508	68,707	-	-	246,215
Total non-depreciable assets at historical cost	<u>1,159,789</u>	<u>68,707</u>	<u>-</u>	<u>-</u>	<u>1,228,496</u>
Depreciable:					
Buildings	2,835,974	-	-	-	2,835,974
Machinery and Equipment	8,240,775	186,481	-	-	8,427,256
Infrastructure	14,033,370	-	-	-	14,033,370
Total depreciable assets at historical cost	<u>25,110,119</u>	<u>186,481</u>	<u>-</u>	<u>-</u>	<u>25,296,600</u>
Less accumulated depreciation					
Buildings	2,596,901	39,734	-	-	2,636,635
Machinery and Equipment	6,563,936	223,752	-	-	6,787,688
Infrastructure	7,364,047	323,208	-	-	7,687,255
Total accumulated depreciation	<u>16,524,884</u>	<u>586,694</u>	<u>-</u>	<u>-</u>	<u>17,111,578</u>
Net Depreciable Assets	<u>8,585,235</u>	<u>(400,213)</u>	<u>-</u>	<u>-</u>	<u>8,185,022</u>
Business-type activities capital assets, net	<u>\$ 9,745,024</u>	<u>\$ (331,506)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,413,518</u>

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

**5. Long-Term Debt**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amount Due Within One Year
Governmental:					
General Obligation Bonds - Series 2011A	\$ 2,790,000	\$ -	\$ 210,000	\$ 2,580,000	\$ 210,000
General Obligation Bonds - Series 2011B	2,790,000	-	210,000	2,580,000	210,000
Judgments Payable	82,487	59,247	45,323	96,411	56,913
Total	<u>\$ 5,662,487</u>	<u>\$ 59,247</u>	<u>\$ 465,323</u>	<u>\$ 5,256,411</u>	<u>\$ 476,913</u>
Business-type:					
DCEDA Sales Tax Revenue Note, Series 2013	\$ 5,800,000	\$ -	\$ 1,450,000	\$ 4,350,000	\$ 1,450,000
Notes Payable	1,123,408	-	195,384	928,024	196,238
Contracts Payable	501,641	-	120,383	381,258	122,073
Total	<u>\$ 7,425,049</u>	<u>\$ -</u>	<u>\$ 1,765,767</u>	<u>\$ 5,659,282</u>	<u>\$ 1,768,311</u>

**General Obligation Bonds Payable:**

\$3,000,000 General Obligation Bonds, Series 2011A, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2015 \$2,580,000

\$3,000,000 General Obligation Limited Tax Bonds, Series 2011B, due in annual installments of \$210,000 with a final installment of \$270,000; final maturity in November 2026 with interest rate of 3%.

Balance Outstanding at June 30, 2015 \$2,580,000

**CITY OF DEL CITY, OKLAHOMA  
FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2015**

**Del City Economic Development Authority (DCEDA):**

**Revenue Note Payable:**

\$7,250,000 Del City Economic Development Authority Sales Tax Revenue Note, Series 2013, dated March 28, 2013, payable semi-annually at \$725,000 at an interest rate of 1.11%, final maturity March 1, 2018; used for the acquisition of public works vehicles, constructions of a public works administration building, construction of a fire department administration building, the construction of a women's veteran monument and land acquisition.

Balance Outstanding at June 30, 2015 \$4,350,000

**Del City Municipal Services Authority (DCMSA):**

**Contract Payable:**

\$2,172,000 contract payable with Central Oklahoma Master Conservancy District, 1974 Repayment Contract, payable in 42 annual installments; final maturity dated 2017 with interest at 2.74% used for the purpose of reimbursing costs of construction of water storage, distribution and pumping facilities to furnish a municipal water supplies to cities and towns within the district; secured by a lien on the net revenues of DCMSA's water system.

Balance Outstanding as of June 30, 2015 \$100,669

**Contract Payable:**

The City and Del City Municipal Services Authority on 9/22/2009 approved refinancing the 7/1/2007 amendment to the Central Oklahoma Master Conservancy District dated October 2007, whereby DCMSA agreed to incur \$397,502 of debt, payable in 34 semiannual installments beginning March 2010; final maturity dated 2026 with interest of 2.44% used for the purpose of funding its proportionate share of the District's 2007 Electrical Energy Savings Project with a total projected cost of \$2,475,000.

Balance Outstanding as of June 30, 2015 \$280,589

Total Contracts Payable \$381,258

**Notes Payable:**

Del City Municipal Services Authority entered into a loan agreement with Oklahoma Water Resources Board (OWRB) on October 1, 2009 in the amount of \$1,190,000 for modifications to their wastewater treatment plant. During 2011 a change order was added to the loan agreement increasing the principal balance with semi-annual payments of principal and accrued interest at 2.58% beginning March 15, 2010. Using funds received from the American Recovery and Reinvestment Act of 2009, OWRB forgave \$367,472 of the principal of this loan. The note is to be repaid no later than 20 years after the date the project is completed; maturity is on the earlier of March 15 or September 15, 2030.

Balance Outstanding as of June 30, 2015 \$633,778

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

Del City Municipal Services Authority entered into a loan agreement with FNB Community Bank on March 8, 2013 to finance two additional water wells for the City. The loan is payable in 48 monthly installments of \$14,474 with 3.25% interest. Maturity date of the loan is March 8, 2017.

Balance Outstanding as of June 30, 2015	<u>\$294,246</u>
Total Notes Payable	<u>\$928,024</u>

*Payment requirements to maturity:*

Payment Requirements to Maturity

Year Ending June 30	Governmental-Type Activities		Business-Type Activities	
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 420,000	\$ 60,765	\$ 1,768,800	\$ 75,233
2017	420,000	55,830	1,632,304	49,605
2018	420,000	52,103	1,509,796	30,386
2019	420,000	48,060	61,302	16,886
2020	420,000	43,755	62,818	15,459
2021-2025	2,100,000	143,491	339,048	53,760
2026-2029	960,000	15,705	285,214	15,350
	<u>\$ 5,160,000</u>	<u>\$ 419,709</u>	<u>\$ 5,659,282</u>	<u>\$ 256,679</u>

**Pledge of Future Revenues:**

Sales Tax and Net Revenues Pledge – The City has pledged one cent of future sales tax revenues and also net water and wastewater utility revenues to repay the \$1,190,000 OWRB Promissory Note Payable. Proceeds from the note provided financing for improvements to the water and wastewater system in the City of Del City. The notes are payable from the pledged sales tax and net utility revenues and are payable through September 15, 2030. The pledged sales tax revenues were \$780,000 and the net water and wastewater utility revenues were \$2,667,697. Debt service payments of \$195,384 for the current fiscal year were 5.7% of the pledged sales tax and net utility revenues of \$3,447,697.

**6. Sales Tax Increment Districts**

The City has established two sales tax increment districts. A portion of the City’s non-dedicated sales tax attributable to investment and development within the specified districts is apportioned for improvements under the project plans. The Crutcho Creek Floodplain Remediation tax apportionment is an effective 2.25% incremental sales tax rate, 50% of the use tax revenues, and 50% of the hotel/motel tax revenues. The Eagle Point Apartments Remediation, Increment District No. 2, has an effective 1.75% incremental sales tax rate and is apportioned 100% of the incremental use tax revenues and 50% of the hotel/motel tax generated by commercial transactions in the project area.

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

**7. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for injuries to employees. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**8. Commitments and Contingencies**

*Litigation:*

The City is party 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. These statutory provisions do not apply to the City's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Del City participates in various federal and state grant and loan programs from year to year. In 2015, the City's involvement in federal and state award programs was not significant. The programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability or 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.

**9. Pension Plan Participation**

The City of Del City participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS)- a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF)-an agent multiple-employer defined plan

*Firefighter Pension System*

Pursuant to the requirements of Title 11, section 22-102, the City of Del City participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan, while the City is required by law to contribute 14% per year per firefighter to the statewide plan.

**CITY OF DEL CITY, OKLAHOMA  
 FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS  
 As of and for the Year Ended June 30, 2015**

The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making thee statutorily required contributions. For 2015, the City's annual contribution was \$210,420 for the OFPRS plan.

A copy of the Firefighter Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

*Police Pension System*

The City of Del City, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2015, the City's annual contribution was \$205,427 for the OPPRS plan.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to, OPPRS, 1001 N.W. 63<sup>rd</sup> St., Suite 605, Oklahoma City, OK 73116.

*OMRF Defined Benefit Plan*

The City contributes to the City of Del City Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, and agent multiple employer-defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contributions Methods, and Benefit Provisions:

<u>Provisions</u>	<u>OMRF Plan</u>
Eligible to Participate	Full-time, non-uniformed employees of the City after 1 year of service
Contribution Requirements:	
Authorization	By City ordinance
Actuarially Determined	Yes
Employer Rate	14% of covered payroll
Employee Rate	4% for employees hired prior to 2/1/2010; 6% for subsequent hires
Period Required to Vest	7 years of credited service
Eligibility for Distribution	Normal retirement at age 60 with 7 years of service Early retirement at age of 55 with 20 years of service Disability retirement with 10 years of service Marital death benefit with 10 years of service
Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service

Benefit Determination

**CITY OF DEL CITY, OKLAHOMA**  
**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended June 30, 2015**

Methods:

Normal Retirement	3% of final average salary multiplied by credited years of service
Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
Disability Retirement	Same as normal retirement
Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
Prior to 7 Years of Service	Return of employee contributions with accrued interest
Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis; employee may elect, with City consent, optional form based on actuarial equivalent

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma 73105.

## Supplementary Information



**CITY OF DEL CITY, OKLAHOMA**  
**Budgetary Comparison Schedule (Modified Cash Basis) - General Fund**  
**Year Ended June 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance Positive (Negative)
<b>Beginning Budgetary Fund Balance</b>	\$ 143,956	\$ 143,956	\$ 5,551	\$ (138,405)
<b>Resources (Inflows):</b>				
Taxes	6,642,000	6,642,000	6,834,446	192,446
Intergovernmental	511,333	511,333	48,183	(463,150)
Charges for services	514,000	514,000	131,983	(382,017)
Fines & forfeitures	640,000	800,000	989,449	189,449
Licenses & permits	281,300	281,300	170,944	(110,356)
Investment income	8,500	8,500	5,165	(3,335)
Miscellaneous	91,500	156,845	130,756	(26,089)
Transfers in	2,013,350	2,013,350	1,991,754	(21,596)
<b>Total Resources (Inflows)</b>	<u>10,701,983</u>	<u>10,927,328</u>	<u>10,302,680</u>	<u>(624,648)</u>
<b>Amount Available for Appropriation</b>	<u>10,845,939</u>	<u>11,071,284</u>	<u>10,308,231</u>	<u>(763,053)</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	146,481	322,681	321,856	825
Community Services	565,526	554,926	554,784	142
Police	3,480,440	3,747,434	3,746,873	561
Fire	2,285,710	2,434,061	2,433,438	623
General government	2,419,296	2,698,196	2,391,131	307,065
Streets	629,495	637,295	637,240	55
Parks and recreation	515,823	527,323	494,169	33,154
Capital Improvements	350,942	186,083	185,935	148
Transfers out	-	-	616,430	(616,430)
<b>Total Charges to Appropriations</b>	<u>10,393,713</u>	<u>11,107,999</u>	<u>11,381,856</u>	<u>(273,857)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 452,226</u>	<u>\$ (36,715)</u>	<u>\$ (1,073,625)</u>	<u>\$ (1,036,910)</u>

**CITY OF DEL CITY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2015**

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

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require City Council approval.

**CITY OF DEL CITY, OKLAHOMA**  
**COMBINING BALANCE SHEET - MODIFIED CASH BASIS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>
	<b>CDBG</b>	<b>Hotel/Motel Tax</b>	<b>Police Training</b>	<b>Labor Relations</b>	
<b>Assets</b>					
Cash and cash equivalents	\$ 200	\$ 2,704	\$ 33,359	\$ 22,993	\$ 59,256
Total assets	<u>\$ 200</u>	<u>\$ 2,704</u>	<u>\$ 33,359</u>	<u>\$ 22,993</u>	<u>\$ 59,256</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ 200	-	-	-	\$ 200
Total liabilities	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>
<b>Fund Balances</b>					
Restricted	-	2,704	33,359	22,993	59,056
Total fund balances	<u>-</u>	<u>2,704</u>	<u>33,359</u>	<u>22,993</u>	<u>59,056</u>
Total liabilities and fund balances	<u>\$ 200</u>	<u>\$ 2,704</u>	<u>\$ 33,359</u>	<u>\$ 22,993</u>	<u>\$ 59,256</u>

**CITY OF DEL CITY, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year ended June 30, 2015**

	<u>Special Revenue Funds</u>				<b>Total Governmental Funds</b>
	<b>CDBG</b>	<b>Hotel/Motel Tax</b>	<b>Police Training</b>	<b>Labor Relations</b>	
Revenues:					
Taxes	\$ -	\$ 104,442	\$ -	\$ -	\$ 104,442
Grant proceeds	78,916	-	-	-	78,916
Miscellaneous	-	-	34,263	7,901	42,164
Total revenues	<u>78,916</u>	<u>104,442</u>	<u>34,263</u>	<u>7,901</u>	<u>225,522</u>
Expenditures:					
Current:					
Economic development	-	78,236	-	-	78,236
Public safety	-	-	10,293	-	10,293
Total expenditures	<u>-</u>	<u>78,236</u>	<u>10,293</u>	<u>-</u>	<u>88,529</u>
Excess (deficiency) of revenues over expenditures	<u>78,916</u>	<u>26,206</u>	<u>23,970</u>	<u>7,901</u>	<u>136,993</u>
Other financing sources (uses):					
Transfers out	(78,916)	(28,754)	-	-	(107,670)
Total other financing sources and (uses)	<u>(78,916)</u>	<u>(28,754)</u>	<u>-</u>	<u>-</u>	<u>(107,670)</u>
Net change in fund balances	-	(2,548)	23,970	7,901	29,323
Fund balances, beginning of year	-	5,252	9,389	15,092	29,733
Fund balances, end of year	<u>\$ -</u>	<u>\$ 2,704</u>	<u>\$ 33,359</u>	<u>\$ 22,993</u>	<u>\$ 59,056</u>

**CITY OF DEL CITY, OKLAHOMA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION- MODIFIED CASH BASIS**  
**AGENCY FUNDS**  
**June 30, 2015**

	FIDUCIARY FUNDS						
	Police Training	Municipal Court	Employee Benefit	Legal Escrow	Housing Authority	TOTAL AGENCY FUNDS	
<b>Assets</b>							
Cash	\$ 36,252	\$ -	\$ 453,883	\$ 25,144	\$ 4,702	\$ 519,981	
Total assets	<u>\$ 36,252</u>	<u>\$ -</u>	<u>\$ 453,883</u>	<u>\$ 25,144</u>	<u>\$ 4,702</u>	<u>\$ 519,981</u>	
<b>Liabilities</b>							
Assets held on behalf of others	\$ 400	\$ -	\$ 453,883	\$ 25,144	\$ 4,702	\$ 484,129	
Due to general fund	35,852	-	-	-	-	35,852	
Total liabilities	<u>\$ 36,252</u>	<u>\$ -</u>	<u>\$ 453,883</u>	<u>\$ 25,144</u>	<u>\$ 4,702</u>	<u>\$ 519,981</u>	

**City of Del City, Oklahoma**  
**Schedule of Debt Coverage**  
**For the fiscal year ended June 30, 2015**

	<u>2009 OWRB Note, MCD Contracts, FNB Loan</u>
Gross revenue available for debt service:	
Charges for services:	
Water charges	\$ 2,934,463
Wastewater charges	2,317,088
Sales tax pledged and transferred	<u>780,000</u>
 Total gross revenues available	 <u>\$ 6,031,551</u>
 Operating expenses:	
Water	1,851,856
Wastewater	<u>1,298,870</u>
 Total operating expenses	 <u>3,150,726</u>
 Net revenues for debt service	 <u><u>\$ 2,880,825</u></u>
 Debt service requirements:	
Average annual debt service - FNB Loan, Master Conservancy Contracts	\$ 281,398
Maximum annual debt service - 2009 OWRB Note	<u>216,726</u>
 Total debt service requirements	 <u><u>\$ 498,124</u></u>
 Computed coverage	 578%
 Coverage requirement	 125%

Note: The above gross revenue and operating expenses only include the activities of the Authority related to water and wastewater service, excluding depreciation and amortization expense.

Internal Control over Financial Reporting and Compliance



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

To the Honorable Mayor and City Council  
City of Del City, 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 Del City, Oklahoma (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2015. Our report included an emphasis-of-a-matter paragraph related to the City's use of comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described in the accompanying summary schedule of findings as item 15-01.



### **City of Del City, Oklahoma's Response to Finding**

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

### **Purpose of this Report**

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

*Arledge & Associates, P.C.*

November 16, 2015

**CITY OF DEL CITY, OKLAHOMA**

**SUMMARY SCHEDULE OF FINDINGS  
Year Ended June 30, 2015**

**Finding 15-01 Negative Fund Balance**

**Criteria:** Oklahoma law prescribes that the City may not have a negative fund balance.

**Condition:** The City's General Fund reports a deficit fund balance of approximately \$1.1 million.

**Cause:** Controls were not sufficient to ensure that proceeds were placed in the General Fund prior to the incurrence of liabilities in accordance with State law.

**Recommendation:** We recommend that the City put procedures in place to ensure that restricted or assigned funds be spent only for their intended purposes and that negative fund balances be monitored and spending constrained or that the City reimburse this fund from other sources.

**City's Response:** The City will monitor fund balances and make transfers as necessary to maintain a positive fund balance.