

**CITY OF BETHANY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2016
WITH INDEPENDENT AUDITOR'S REPORT**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Bethany, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bethany, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bethany, Oklahoma'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 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 financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bethany, Oklahoma, as of June 30, 2016, 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

Management has omitted the management discussion and analysis, budget to actual schedules and historical pension information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension information on pages 38-41 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

The combining financial statements – other governmental funds on page 37 to 38 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the City of Bethany, Oklahoma'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 of Bethany, Oklahoma's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
December 22, 2016

City of Bethany, Oklahoma
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents - Unrestricted	13,281,897	4,726,498	18,008,395
Cash and Cash Equivalents - Restricted	-	3,990,365	3,990,365
Investments - Unrestricted	471,652	4,599,685	5,071,337
Receivables (net of allowance for uncollectibles)	995,397	727,892	1,723,289
Interest Receivable	27,467	-	27,467
Lease Settlement Receivable	-	1,770,537	1,770,537
Net capital assets	<u>5,340,987</u>	<u>28,211,757</u>	<u>33,552,744</u>
Total assets	<u>\$ 20,117,400</u>	<u>\$ 44,026,734</u>	<u>\$ 64,144,134</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	<u>\$ 2,409,605</u>	<u>\$ -</u>	<u>\$ 2,409,605</u>
LIABILITIES			
Accounts Payable	324,704	254,722	579,426
Accrued Salaries and Related Taxes	55,664	18,146	73,810
Compensated Absences - Current Portion	128,506	32,127	160,633
Interest Payable	17,630	121,651	139,281
Current portion long term debt	-	1,218,098	1,218,098
Customer Deposits	-	349,355	349,355
Compensated Absences - Non Current Portion	509,516	133,016	642,532
Pension Benefit Liability	5,078,611	-	5,078,611
Long Term Liabilities	<u>8,359,144</u>	<u>15,192,216</u>	<u>23,551,360</u>
Total liabilities	<u>\$ 14,473,775</u>	<u>\$ 17,319,331</u>	<u>\$ 31,793,106</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plans	<u>\$ 3,032,164</u>	<u>\$ -</u>	<u>\$ 3,032,164</u>
NET POSITION			
Invested in capital assets, net of related debt	5,340,987	11,801,443	17,142,430
Restricted	-	3,990,365	3,990,365
Unrestricted	<u>(319,921)</u>	<u>10,915,595</u>	<u>10,595,674</u>
Total net position	<u>\$ 5,021,066</u>	<u>\$ 26,707,403</u>	<u>\$ 31,728,469</u>

The accompanying notes are an integral part of these financial statements

City of Bethany, Oklahoma
Statement of Activities
For the Year Ending June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government						
Governmental activities:						
General Government	2,971,427	870,355	-	(2,101,072)	-	(2,101,072)
Public Safety	6,129,215	1,550,210	-	(4,579,005)	-	(4,579,005)
Highway and Streets	751,231	184,192	-	(567,039)	-	(567,039)
Culture and Recreation	1,242,736	81,710	-	(1,161,026)	-	(1,161,026)
Economic Development	2,672	-	-	(2,672)	-	(2,672)
Total governmental activities	<u>11,097,281</u>	<u>2,686,467</u>	<u>-</u>	<u>(8,410,814)</u>	<u>-</u>	<u>(8,410,814)</u>
Business-type activities						
Water department	3,614,568	3,619,102	-	-	4,534	4,534
Sewer department	2,282,409	2,233,912	-	-	(48,497)	(48,497)
Garbage department	1,538,806	2,270,752	-	-	731,946	731,946
Hospital	478,717	115,334	-	-	(363,383)	(363,383)
Total business-type activities	<u>7,914,500</u>	<u>8,239,100</u>	<u>-</u>	<u>-</u>	<u>324,600</u>	<u>324,600</u>
Total primary government	<u>\$ 19,011,781</u>	<u>\$ 10,925,567</u>	<u>\$ -</u>	<u>\$ (8,410,814)</u>	<u>\$ 324,600</u>	<u>\$ (8,086,214)</u>
General revenues:						
Taxes:						
Sales taxes				4,795,177	-	4,795,177
Other taxes				1,216,523	-	1,216,523
On Behalf Payments				623,755	-	623,755
Interest income				17,166	86,215	103,381
Transfers in/out				1,750,257	(1,750,258)	(1)
Total general revenues				<u>8,402,878</u>	<u>(1,664,043)</u>	<u>6,738,835</u>
Change in net position				(7,936)	(1,339,443)	(1,347,379)
Net position - beginning				5,029,002	28,046,846	33,075,848
Net position - ending				<u>\$ 5,021,066</u>	<u>\$ 26,707,403</u>	<u>\$ 31,728,469</u>

The accompanying notes are an integral part of these financial statements

**City of Bethany, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash in bank	3,243,944	815,581	9,222,372	13,281,897
Investments	234,050	237,602	-	471,652
Accounts Receivable (Net of Allowances)	991,814	-	3,583	995,397
Interest Receivable	-	-	27,467	27,467
Total assets	<u>\$ 4,469,808</u>	<u>\$ 1,053,183</u>	<u>\$ 9,253,422</u>	<u>\$ 14,776,413</u>
LIABILITIES				
Accounts payable	153,634	31,866	156,834	342,334
Accrued Salaries and Related Taxes	55,664	-	-	55,664
Total liabilities	<u>209,298</u>	<u>31,866</u>	<u>156,834</u>	<u>397,998</u>
FUND BALANCES				
Unassigned	4,260,510	1,021,317	9,096,588	14,378,415
Total fund balances	<u>4,260,510</u>	<u>1,021,317</u>	<u>9,096,588</u>	<u>14,378,415</u>
Total liabilities and fund balances	<u>\$ 4,469,808</u>	<u>\$ 1,053,183</u>	<u>\$ 9,253,422</u>	<u>\$ 14,776,413</u>

***Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
June 30, 2016***

<i>Total Governmental Fund Balances</i>	\$ 14,378,415
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
<i>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</i>	5,340,987
<i>Amounts related to pensions are applicable to future periods and therefore, are not reported in the funds</i>	
<i>Pension benefit liability</i>	(5,078,611)
<i>Deferred pension outflow</i>	2,409,605
<i>Deferred pension inflow</i>	(3,032,164)
<i>Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the funds.</i>	<u>(8,997,166)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 5,021,066</u>

City of Bethany, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	5,976,115	-	4,710	5,980,825
Interest	15,168	1,998	-	17,166
Licenses and Permits	166,588	-	-	166,588
Intergovernmental	215,062	-	-	215,062
Charges for Services	506,411	-	75,700	582,111
Fines and Court Costs	1,155,660	-	-	1,155,660
Other	258,820	102,520	236,581	597,921
Total revenues	8,293,824	104,518	316,991	8,715,333
Expenditures:				
General Government	1,321,136	1,392,964	-	2,714,100
Public Safety	5,950,757	-	453,290	6,404,047
Highways and Streets	673,331	-	-	673,331
Culture and Recreation	1,110,512	-	29,155	1,139,667
Capital Outlay	-	-	85,916	85,916
Total expenditures	9,055,736	1,392,964	568,361	11,017,061
Excess revenues over (under) expenditures before other sources (uses)	(761,912)	(1,288,446)	(251,370)	(2,301,728)
Other sources (uses)				
Capital Financing	-	-	8,359,144	(8,359,144)
Transfers in/out	1,487,429	292,086	(29,258)	1,750,257
Excess revenues over (under) expenditures after other sources (uses)	725,517	(996,360)	8,078,516	7,807,673
Fund balances at beginning of year	3,534,997	2,017,676	1,018,069	6,570,742
Fund balances at end of year	<u>\$ 4,260,514</u>	<u>\$ 1,021,316</u>	<u>\$ 9,096,585</u>	<u>\$ 14,378,415</u>

**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities for the
Year Ended June 30, 2016**

<i>Net change in fund balances-total government funds</i>	\$ 7,807,673
<i>Purchase of fixed assets recorded as an expense in the fund financial statements but recorded as an addition to fixed assets in the government wide statements</i>	85,916
<i>financial statements but are recorded as a liability in the government wide financial statements.</i>	(8,359,144)
<i>Expenses recorded in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the government fund financial statements:</i>	
<i>Net changes in Accrued Compensated Absences</i>	374,972
<i>On-behalf payments made by the State of Oklahoma for the benefit of police and fire pension plans are presented in the government wide statements but not in the fund financial statements.</i>	623,755
<i>Depreciation expense recorded in the government wide financial statements but not recorded in the fund financial statements</i>	<u>(541,108)</u>
<i>Change in net position of governmental activities</i>	<u>\$ (7,936)</u>

City of Bethany, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds		Totals
	Bethany Public Works Authority	Bethany Hospital Trust	
ASSETS			
Cash and Cash Equivalents - Unrestricted	2,822,760	1,903,738	4,726,498
Cash and Cash Equivalents - Restricted	3,990,365	-	3,990,365
Investments - Unrestricted	3,838,252	761,433	4,599,685
Receivables (net of allowance for uncollectibles)	727,892	-	727,892
Lease Settlement Receivable	-	1,770,537	1,770,537
Net capital assets	24,468,564	3,743,193	28,211,757
Total assets	<u>\$ 35,847,833</u>	<u>\$ 8,178,901</u>	<u>\$ 44,026,734</u>
LIABILITIES			
Accounts Payable	254,722	-	254,722
Accrued Salaries and Related Taxes	18,146	-	18,146
Interest Payable	121,651	-	121,651
Current portion long term debt	1,218,098	-	1,218,098
Customer Deposits	349,355	-	349,355
Compensated Absences - Non Current Portion	165,143	-	165,143
Long Term Liabilities	13,625,702	1,566,514	15,192,216
Total liabilities	<u>15,752,817</u>	<u>1,566,514</u>	<u>17,319,331</u>
NET POSITION			
Invested in capital assets, net of related debt	9,624,764	2,176,679	11,801,443
Restricted	3,990,365	-	3,990,365
Unrestricted	6,479,887	4,435,708	10,915,595
Total net position	<u>20,095,016</u>	<u>6,612,387</u>	<u>26,707,403</u>
Total liabilities and net position	<u>\$ 35,847,833</u>	<u>\$ 8,178,901</u>	<u>\$ 44,026,734</u>

City of Bethany, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund Type
For the Year Ended June 30, 2016

	Enterprise Funds		Totals
	Bethany Public Works Authority	Bethany Hospital Trust	
Operating Revenues:			
Water sales	\$ 3,619,102	-	3,619,102
Sewer fees	2,233,912	-	2,233,912
Garbage fees	2,270,752	-	2,270,752
Hospital Lease	-	115,334	115,334
Total operating revenues	<u>8,123,766</u>	<u>115,334</u>	<u>8,239,100</u>
Operating Expenses:			
Water department	3,374,756	-	3,374,756
Sewer department	2,115,069	-	2,115,069
Garbage department	1,538,806	-	1,538,806
Hospital	-	478,717	478,717
Total operating expenses	<u>7,028,631</u>	<u>478,717</u>	<u>7,507,348</u>
Operating income (loss)	1,095,135	(363,383)	731,752
Non-operating revenues (expenses):			
Interest income	46,043	40,172	86,215
Interest Expense	(407,152)	-	(407,152)
Net non-operating revenues (expenses)	<u>(361,109)</u>	<u>40,172</u>	<u>(320,937)</u>
Change in net position before transfers	734,026	(323,211)	410,815
Transfers in/out	<u>(1,750,258)</u>	<u>-</u>	<u>(1,750,258)</u>
Change in net position after transfers	(1,016,232)	(323,211)	(1,339,443)
Net position at beginning of year	<u>21,111,248</u>	<u>6,935,598</u>	<u>28,046,846</u>
Net position at end of year	<u>\$ 20,095,016</u>	<u>\$ 6,612,387</u>	<u>\$ 26,707,403</u>

City of Bethany, Oklahoma
Statement of Cash Flows - Proprietary Fund
For the Year Ending June 30, 2016

	Enterprise Funds		Totals
	Bethany Public Works Authority	Bethany Hospital Trust	
Cash flows from operating activities			
Cash received from customers	8,074,660	-	8,074,660
Cash received from hospital rental activities	-	263,311	263,311
Cash (paid) received for meter deposits	17,640	-	17,640
Cash paid to employees	(2,125,863)	-	(2,125,863)
Cash paid to suppliers	(4,251,136)	(266,131)	(4,517,267)
Net cash provided by operating activities	1,715,301	(2,820)	1,712,481
Cash flows from noncapital financing activities			
Due from other funds	160,526		160,526
Transfers to other funds	(1,750,258)	-	(1,750,258)
Net cash used provided (used) by noncapital financing activities	(1,589,732)	-	(1,589,732)
Cash flows from capital and related financing activities			
Purchase of fixed assets	(904,165)	(169,904)	(1,074,069)
Disposal of fixed assets	-	(172,288)	(172,288)
Interest paid on capital debt	(432,949)		(432,949)
Principal paid on capital debt	(978,957)	-	(978,957)
Net cash provided (used) for capital and related financing activities	(2,316,071)	(342,192)	(2,658,263)
Cash flows from investing activities			
Proceeds from liquidation or purchase of investments	(1,887,929)	85,854	(1,802,075)
Interest on investments	46,046	-	46,046
Net cash provided (used) by investing activities	(1,841,883)	85,854	(1,756,029)
Net increase (decrease) in cash and cash equivalents	(4,032,385)	(259,158)	(4,291,543)
Cash and cash equivalents at beginning of year	10,845,510	2,162,896	13,008,406
Cash and cash equivalents at end of year	<u>\$ 6,813,125</u>	<u>\$ 1,903,738</u>	<u>\$ 8,716,863</u>
Reconciliation of Cash and Cash Equivalents			
Cash and Cash Equivalents - Unrestricted	2,822,760	1,903,738	4,726,498
Cash and Cash Equivalents - Restricted	3,990,365	-	3,990,365
Total Cash and Cash Equivalents	<u>\$ 6,813,125</u>	<u>\$ 1,903,738</u>	<u>\$ 8,716,863</u>

The accompanying notes are an integral part of these financial statements

City of Bethany, Oklahoma
Statement of Cash Flows - Proprietary Fund
For the Year Ending June 30, 2016

Reconciliation of Cash and Changes in Fund Net Assets

Operating income (loss)	1,095,135	(323,211)	771,924
Adjustment to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	929,840	220,532	1,150,372
(Increase) decrease in accounts receivable	(49,106)	18,270	(30,836)
(Increase) decrease in interest receivable	-	89,535	89,535
(Increase) decrease in prepaid expenses	5,000		5,000
Increase (decrease) in accounts payable	(316,380)	(7,946)	324,326
Increase (decrease) in accrued salaries, taxes and benefits	4,538		4,538
Increase (decrease) in meter deposit liability	17,640		17,640
Increase (decrease) in compensated absences	28,635	-	(28,635)
Net cash provided (used) by operating activities	<u>\$ 1,715,302</u>	<u>\$ (2,820)</u>	<u>\$ 1,712,482</u>

City of Bethany, Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2016

ASSETS	
Cash and Cash Equivalents	294,871
Total Assets	\$ 294,871
 LIABILITIES	
Due to Depositors and Others	294,871
Total Liabilities	\$ 294,871

The notes are an integral part of these financial statements

City of Bethany, Oklahoma
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ending June 30, 2016

Cash and Cash Equivalents, Beginning	94,404
Additions	300,640
Deductions	(100,173)
Cash and Cash Equivalents, Ending	\$ 294,871
Liabilities, Beginning	94,404
Additions	300,640
Deductions	(100,173)
Liabilities, Ending	\$ 294,871

The notes are an integrall part of these financial statements

City of Bethany, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

The City of Bethany, Oklahoma, (the City) is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The accompanying financial statements present the City of Bethany and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. There were no discretely presented component units.

Blended Component Unit

The City has two blended component units.

The Bethany Hospital Trust is a public trust created to provide health care and health care financing services to the community and surrounding area. The Council members of the City serve in ex-officio positions on the Board of Trustees for the Trust. It is included as an enterprise fund of the City.

The Bethany Public Works Authority is a public trust created for the purpose of furnishing various forms of public and municipal services within and without the boundaries of the City. The City Council members are trustees of the Authority. It is included as an enterprise fund of the City.

Related Organizations

The Bethany Public Works Authority and Warr Acres Public Works Authority contract with the Bethany-Warr Acres Public Works Authority (BWA-PWA) for the provision of sewer treatment services for the two cities. The Cities of Bethany and Warr Acres jointly govern the authority. The governments do not exercise specific control over budgeting and financing the authority's activities, and do not have a specific equity interest in the assets. Accordingly, the financial statements of the Bethany-Warr Acres Public Works Authority are not included with this report as a component unit.

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements of the City are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee withholding taxes that have not been deposited with the IRS but relate to compensation paid are recorded as liabilities.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in each fund-type financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt is not recorded.

The City reports the following major government funds:

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

Capital Improvement Fund – was established by a vote of the citizens and City ordinance to account for a limited purpose sales tax designated for capital improvements in the City of Bethany.

Nonmajor Governmental Funds consist of the Public Safety Fund, Library GO Fund, Parks and Streets Fund, Debt Service Fund, Juvenile Fund, Cemetery Fund, Utility Assistance Fund and Bethany Development Authority.

The City reports the Bethany Public Works Authority (BPWA) and Bethany Hospital Trust Fund (BHT) as a major proprietary funds.

BPWA accounts for transactions relating to water, wastewater, and sanitation, utilities construction, contracting, debt, and other matters requiring commitment for more than one fiscal year.

BHT accounts for transactions relating to the Bethany Hospital building and related improvements, contracting, debt, and other matters requiring commitment for more than one fiscal year.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the current financial resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. The City has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The City has elected not to apply FASB pronouncements issued after the applicable date.

1.D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

RESTRICTED CASH

Restricted cash consists of monies held for debt service and capital projects, \$3,641,010 and water meter deposits of \$349,355.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

RECEIVABLES

Accounts receivable are stated at net realizable value and consist of governmental tax revenues due the City of Bethany and for the sale of water, sewer and trash services.

LEASE SETTLEMENT RECEIVABLE

The lease settlement receivable consists of a series of \$200,000 payments due the City of Bethany to settle a contract dispute over the lease of the Bethany hospital building. The assets is presented at its net present value using a discount rate of 6%

CAPITAL ASSETS

The City's reports capital assets resulting from cash or accrual transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events 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. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

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

LONG-TERM DEBT

Government-Wide Financial Statements

All long-term bonds, notes, and other debt arising from cash and accrual transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Fund Financial Statements

Long-term debt arising from cash and accrual transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

1. *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 improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable. Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted. Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed. Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the City's highest level of decision-making authority. (In the case of the City of Bethany, commitments are evidenced by adoption of an ordinance by the City Council.)

Assigned. Amounts constrained by the City's intent to be used for specific purposes but that are neither restricted nor committed. (In the case of the City of Bethany, assignments are evidenced either by resolution of the City Council or by the City Manager in written form as approved by vote of the City Council pursuant to City policy.)

Unassigned. The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the City's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also City policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The City has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Proprietary Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

1. Sales Tax

Sales and use tax revenue represent a 4 cents tax on each dollar of taxable sales which is recorded as revenue within the respective funds. As of June 30, 2016 all sales tax revenues were pledged as collateral for various long term debt obligations. In addition the city is required to transfer 7/10 of one cent to the Bethany Economic Development Authority.

Sales tax resulting from sales occurring prior to year-end and received by the City after year end have been accrued and is included under the caption receivables because they represent taxes on sales occurring during the reporting period.

2. Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. At the present time the City levies a property tax for court-assessed judgments.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent or more than 13 percent.

Property taxes levied by the City are billed and collected by the County Treasurer's office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

For the year ended June 30, 2016, the City's net assessed valuation of taxable property was \$88,826,430.

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

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

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

1.H. BUDGET

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

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

NOTE 3. DEPOSITS WITH FINANCIAL INSTITUTIONS

The accounts of the City are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The City of Bethany is considered a separate entity from the Valliant Municipal Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the City of Bethany's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Bethany Utility Authority. The remaining funds would be category 3.

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

Capital Asset activity for the year ended June 30, 2016 was as follows:

<u>General Government</u>	Beginning			Ending
	Balance	Increases	Decreases	Balance
Land	\$ 1,692,059	\$ -	\$ -	\$ 1,692,059
Construction in Progress	271,251			271,251
Buildings	2,749,038			2,749,038
Equipment	5,362,907	\$ 85,916		5,448,823
Infrastructure	13,433,043	-	-	13,433,043
	23,508,298	85,916	-	23,594,214
Accumulated Depreciation	(17,712,119)	(541,107)	-	(18,253,226)
Net Assets	<u>\$ 5,796,179</u>			<u>\$ 5,340,988</u>

Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. The City does not depreciate land or construction in progress. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Depreciation was charged to governmental activities as follows:

Management and Finance	33,245
Police and Court	118,111
Fire	67,272
Community Development	2,672
Public Works and Streets	78,573
Parks	17,152
General Government	224,082
	<u>\$ 541,107</u>

<u>Proprietary Funds</u>	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 484,404	\$ -	\$ -	484,404
Construction in Progress	219,631	\$ 993,298		1,212,929
Buildings & Improvements	9,611,134	\$ 2,023,833	\$ (376,548)	11,258,419
Machinery & Equipment	1,975,601			1,975,601
Infrastructure	35,284,349	-	-	35,284,349
	47,575,119	3,017,131	(376,548)	50,215,702
Accumulated Depreciation	(21,025,860)	(1,150,372)	172,286	(22,003,946)
Net Assets	<u>\$ 26,549,259</u>			<u>\$ 28,211,756</u>

Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. The City does not depreciate land or construction in progress. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

Depreciation expense was charged to proprietary funds as follows:

Water	627,359
Sewer	302,481
Hospital	220,532
Total Depreciation	<u>\$ 1,150,372</u>

NOTE 5. LONG TERM LIABILITIES

5.A. LEASE COMMITMENTS

The City leases certain acreages for additional water capacity. These operating leases are only cancelable at the City's option while water is being produced at the location. Expenses related to these leases for the year ended June 30, 2016 are \$50,032 and were reported in the Bethany Public Works Authority.

5.B. REVENUE BONDS NOTES PAYABLE

5.B.1 BETHANY PUBLIC WORKS AUTHORITY

2012 REFUNDING BONDS

The 2012 refunding bonds were issued in 2015 in the amount of \$3,585,000. The bonds are secured by sales taxes and utility revenues. The bonds carry interest rates ranging from 1% to 3.4%. Principal and interest is paid annually on July 1 with an interest only payment made each January 1. The bonds will pay off on July 1, 2022. As of June 30, 2016 there were \$2,595,000 in bonds outstanding.

The Bethany Public Works authority is required to maintain schedules of rates and charges rendered through the system which combined with moneys appropriated and paid by the City to the Authority will provide annually a sum equal to not less than one and one-fourth (1.25) times the maximum annual

amount required to be paid into the sinking fund after payment of all costs and expenses of operation and maintenance of the system.

2013 SALES TAX AND UTILITY SYSTEM REVENUE NOTE

The 2013 sales tax and utility system revenue note was issued in 2013 in the amount of \$9,665,000. The note is secured by sales taxes and utility revenues. The note carries an interest rate %2.86%. Principal and interest is paid semi-annually each April 1st and October 1st. The note will pay off on April 1, 2028. As of June 30, 2016 the note balance was \$8,605,000.

The Bethany Public Works authority is required to maintain schedules of rates and charges rendered through the system which combined with moneys appropriated and paid by the City to the Authority will provide annually a sum equal to not less than one and one-fourth (1.25) times the maximum annual amount required to be paid into the sinking fund after payment of all costs and expenses of operation and maintenance of the system.

CLEAN WATER STATE REVOLVING FUND PROMISSORY NOTE with the OKLAHOMA WATER RESOURCES BOARD.

The Bethany Public Works Authority borrowed \$5,069,197 in 2008. The note is secured by sales taxes and utility revenues. The note carries an interest rate 3.1%. Principal and interest is paid semi-annually each March 15th and September 15th. The note will pay off on March 15, 2029. As of June 30, 2016 the note balance was \$3,643,800.

5.B.2 CITY OF BETHANY GENERAL OBLIGATION BONDS

During the year ending June 30, 2016 the City of Bethany issued general obligation bonds in the amount of \$8,180,000. The bonds were for the purpose of constructing, furnishing and equipping a new public library. The bonds carry interest rates that vary from 2% to 2.6%. The bonds are secured and will be repaid by the levy of ad valorem taxes. There is no limitation as to the rate or amount to pay principal and interest on the bonds. The bonds were sold with a premium of \$187,741 and discount of \$2,597. The bonds will pay off in 2036.

5.B.3 BETHANY HOSPITAL AUTHORITY

During the year ending June 30, 2016 the Bethany Hospital Authority leased the Bethany hospital building to an outside party. The lease calls for monthly lease payments of \$18,500 to commence in fiscal year 2016/2017. As part of the agreement the Lessor is allowed a rent credit of up to \$2,000,000. As of June 30, 2016 the Lessor had spent \$1,566,514 in renovations. These renovation have been capitalized into capital assets and will be depreciated over there useful lives.

5.B.4 COMPENSATED ABSENCES

Compensated absences represent monies owed to City and Bethany Public Works Authority employees for accumulated sick and vacation time. The current portion is an estimate by management.

5.C. CHANGES IN BALANCES OF LONG-TERM LIABILITIES, AMORTIZATION OF OBLIGATIONS AND CURRENT PORTION

	2012 Refunding Bonds	2013 Sales Tax & Utility Note Payable	Clean Water State Revolving Fund Loan	Deferred Lease Revenue	General Obligation Bonds	Compensated Absences
Beginning Principal	2,935,000	9,015,000	3,873,756			819,877
Increases				1,566,514	8,180,000	
Decreases	(340,000)	(410,000)	(228,957)			(16,712)
Ending Pricipal	2,595,000	8,605,000	3,644,799	1,566,514	8,180,000	803,165
Premium					181,741	
Discount					(2,597)	
Ending Book Balance	\$ 2,595,000	\$ 8,605,000	\$ 3,644,799	\$ 1,566,514	\$ 8,359,144	\$ 803,165
2017 Current	345,000	415,000	236,098	222,000		160,633
2018	350,000	435,000	243,137	222,000	430,000	160,633
2019	360,000	445,000	250,400	222,000	430,000	160,633
2020	370,000	460,000	257,644	222,000	430,000	160,633
2021	380,000	470,000	265,614	222,000	430,000	160,633
2021 to 2026	790,000	4,290,000	1,452,696	456,514	2,150,000	
2026 to 2031		2,090,000	938,210		2,150,000	
2031 to 2036					2,160,000	
Totals	\$ 2,595,000	\$ 8,605,000	\$ 3,643,799	\$ 1,566,514	\$ 8,180,000	\$ 803,165

Bethany Public Works Authority

2012 Refunding Bonds	2,595,000
2013 Sales Tax Note Payable	8,605,000
Clean Water State Revolving Loan	3,643,799
Compensated Absences	165,143
	<u>\$ 15,008,942</u>

Bethany Hospital Authority

Deferred Lease	<u>\$ 1,566,514</u>
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General Government

General Obligation Bonds	8,359,144
Compensated Absences	638,022
	<u>\$ 8,997,166</u>

Total Long Term Debt

	<u><u>\$ 25,572,622</u></u>
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NOTE 6. RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

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, and natural disasters. The City participated in a program administered by the Municipal Assurance Group (“Group”) for workers’ compensation whereby the Group has determined an actuarial estimate of the City’s expected claims (“Loss Fund”). The City pays a quarterly participation fee that funds the Loss Fund and administrative costs. All risk in excess of the Loss Fund is reinsured by the Group. The City continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7. TRANSFERS IN (OUT)

The composition of inter-fund transfers for the year ending June 30, 2016 were as follows:

	Transfer In (Out)
<u>Governmental Funds</u>	
General Fund	(1,487,429)
Public Safety Fund	22,745
E-911 Fund	6,513
Capital Improvement Fund	(292,086)
Total Governmental Funds	<u>\$ (1,750,257)</u>
Proprietary Fund	
Bethany Public Works Authorit	<u>\$ 1,750,257</u>
Net Transfers In (Out)	<u><u>\$ -</u></u>

All inter-fund transfers were routine in amounts and nature.

NOTE 8. LITIGATION

There are various lawsuits representing claims against the City of Bethany. The City and Bethany Public Works Authority are insured for full coverage on all such claims through the Municipal Assurance Group. The City attorney does not anticipate judgement or payments to exceed the applicable coverage.

NOTE 9. BUDGETS AND BUDGETARY ACCOUNTING

The City Council adopts a legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for fund financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor’s office as required by state statues. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used.

NOTE 10. RETIREMENT PLANS

Defined Benefit Pension Plans

The City of Bethany participates in three pension plans.

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Employee Retirement System Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement System (OFPRS)

Plan description. The city contributes to the Oklahoma Firefighters Pension and Retirement System (OFPRS), a state-wide cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The OFPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained at www.ok.gov/fprs.

Benefits provided. OFPRS provides retirement, disability, and death benefits to members of the plan. A paid firefighter with 20 years of credited service is entitled to 50% or 2.5% of final average salary. "Final average salary" means the highest 30 consecutive months of the last 60 months of credited service. A paid firefighter with more than 20 years of service will receive an additional 2.5% for each year of credited service not to exceed 30 years or 75%.

A disability in line of duty pension for a paid firefighter is 50% of the average monthly salary which was paid to the firefighter during the last 30 months of service. For a paid firefighter with over 20 years of service, the pension is the same as a regular service pension.

A disability not in the line of duty pension is 50% of the average monthly salary which was paid to the firefighter during the last 60 months of service if the firefighter has less than 20 years of credited service. Firefighters with over 20 years of service do not qualify.

Volunteer firefighters retiring after 20 years of service receive a pension in the amount retired volunteers are receiving at the time the volunteer begins to receive a pension for each year of credited service not to exceed 30 years. The amount is subject to change each year and shall not be less than what retired volunteers were receiving on July 1, 2008. A copy of the payment schedule is available from OFPRS.

A disability in line of duty pension for volunteer firefighters is paid the same as a 20 year volunteer service pension unless the volunteer has more than 20 years of credited service, in which case the benefit would be the same as a volunteer retiring after 20 years of service.

A firefighter is not entitled to a pension benefit unless the firefighter has completed 10 years of credited service, except for a line of duty disability benefit. A firefighter with 10 or more years of credited service who terminates service with less than 20 years of credited service may apply for a vested benefit. A vested benefit entitles a firefighter to receive a monthly retirement annuity once the firefighter reaches 50 years of age or the date the firefighter would have completed 20 years of uninterrupted employment, whichever is later. A vested benefit for a paid firefighter is 2.5% of the final average salary multiplied by the number of years of credited service. A vested benefit for a volunteer is a flat amount determined by the OFPRS for each year of service.

A \$5,000 lump sum death benefit is payable to a qualified beneficiary upon a firefighters death, except for those receiving a vested benefit.

Contributions. The contribution requirements of the OFPRS are determined by Oklahoma Statutes and are not based on actuarial calculations. Paid firefighters are required to contribute 9% of covered compensation to the Plan while the City is required to contribute 14%. The City's actual contributions to OFPRS for the year ended June 30, 2016 were \$180,005. The State of Oklahoma made on-behalf contributions to OFPRS of \$429,341 during the year. These contributions are reported in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balance as both a revenue and an expense. In the government-wide Statement of Activities, the revenue recognized for those contributions was \$429,341. These on-behalf payments do not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the City reported a liability of \$4,994,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was .470584%, which was an increase of .0018639% from its proportion measured as of June 30, 2015

For the year ended June 30, 2016, the City recognized pension expense of \$390,030. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	98,682	
Net difference between projected and actual earnings on pension plan investments	177,068	549,396
Changes in proportion City contributions subsequent to the measurement date	182,743	181,871
Total	<u>\$458,493</u>	<u>\$731,267</u>

The \$182,743 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	Outflows/Inflows
2016	141,210
2017	141,210
2018	141,210
2019	20,498
2020	11,389
	<u>\$455,517</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.00%

Salary increases: 3.5% to 9% average, including inflation

Investment rate of return: 7.5% net of pension plan investment expense

Mortality rates for active employees (pre and post retirement and nondisabled pensioners) were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA. Mortality rates for disabled pensioners were based on RP-2000 Blue Collar Healthy Combined.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial study for the period July 1, 2007 through June 30, 2012. Such studies are conducted every 5 years.

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

	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	20.00%	5.48%
Domestic equity	37.00%	9.61%
International equity	20.00%	9.24%
Real estate	10.00%	7.76%
Other assets	13.00%	6.88%
	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by state statutes. Projected cash flows also assume that the State of Oklahoma will continue to contribute 36% of the Insurance Premium Tax. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 6.50%	Current Discount Rate - 7.5%	1% Increase 8.50%
Employers' net pension liability	6,485,247	4,994,817	3,744,788

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Oklahoma Firefighters Pension and Retirement System financial report.

Oklahoma Police Pension and Retirement System (OPPRS)

Plan description. The city contributes to the Oklahoma Police Pension and Retirement System (OPPRS), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The OPPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 50-103.1 et. seq. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained at www.ok.gov/opprs.

Benefits provided. OPPRS provides retirement, disability, and death benefits to members of the plan. Normal retirement begins at age 50, or after 20 years of service, whichever is later. Benefits are 2.5% of the highest average salary multiplied by the years of credited service. Highest average salary is the highest consecutive 30 months of salary from the last 60 months of employment.

Members are vested after 10 years of service. Member contributions are refundable without interest upon termination prior to normal retirement. Members who have completed 10 years of service may elect a vested benefit in lieu of having their contributions refunded. A vested benefit begins when a member reaches the age of 50, or the date the member would have had 20 years of credited service, whichever is later.

Duty disability does not have a minimum service requirement and is paid at 50%, 75%, or 100% of a normal 20 year retirement benefit based on an impairment rating. Non-duty disability requires a minimum 10 years of service and is paid at 25%, 50%, 75%, 90%, or 100% based on an impairment rating.

Benefits for a duty related death include a \$5,000 death benefit and a normal 20 year retirement benefit. Non-duty related death benefits require a minimum 10 years of service and include a \$5,000 death benefit and accrued retirement benefits. Members with less than 10 years service will receive a refund of member contributions and a \$5,000 death benefit. The beneficiary of a retired member will receive a \$5,000 death benefit.

Contributions. The contribution requirements of the OPPRS are determined by Oklahoma Statutes and are not based on actuarial calculations. Participants are required to contribute 8% of covered compensation to the Plan while the City is required to contribute 13%. The City's actual contributions to OPPRS for the year ended June 30, 2016 were \$201,308. The State of Oklahoma made on-behalf contributions to OFPRS of \$194,414 during the year. These contributions are reported in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balance as both a revenue and an expense. In the government-wide Statement of Activities, the revenue recognized for those contributions was \$194,414. These on-behalf payments do not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the City reported a liability of \$22,336 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was .5478%, which was a decrease of .0058% from its proportion measured as of June 30, 2014

For the year ended June 30, 2016, the City recognized pension expense of \$84,652. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	400,282	123,519
Net difference between projected and actual earnings on pension plan investments	4,848	486,236
Changes in proportion City contributions subsequent to the measurement date	200,615	
Total	<u>\$605,745</u>	<u>\$609,755</u>

The \$200,615 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	Outflows/Inflows
2016	63,434
2017	63,434
2018	63,434
2019	9,208
2020	5,115
	<u>\$204,625</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 3.00%
- Salary increases: 4.5% to 17% average, including inflation
- Investment rate of return: 7.5% net of pension plan investment expense
- Mortality rates:
 - Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined (Fully generational using Scale AA) with age set back 4 years
 - Active employees (post-retirement RP-2000 Blue Collar Healthy Combined (Fully generational using Scale AA) and non-disabled pensioners)
 - Disabled pensioners RP-2000 Blue Collar Healthy Combined with age set forward 4 years

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial study for the period July 1, 2007 through June 30, 2012. Such studies are conducted every 5 years.

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

and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Long-term Expected Real Rate of Return
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real estate	5.50%
Private equity	5.96%
Commodities	3.08%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by state statutes. Projected cash flows also assume that the State of Oklahoma will continue to contribute 14% of the Insurance Premium Tax. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 6.50%	Current Discount Rate - 7.5%	1% Increase 8.50%
Employers' net pension liability	1,342,116	22,336	(1,090,330)

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Oklahoma Police Pension and Retirement System financial report.

OKLAHOMA MUNICIPAL RETIREMENT FUND (OMRF)

1. Defined Benefit Plan Description

The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Provision	OkMRF – As of 7/01/15
a. Eligible to participate	Full-time employees except, police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	Normal retirement at age 65 with 10 years of service Early retirement at age 55 with 80 points and 10 years’ service Disability retirement upon disability with 10 years’ service Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
-	3% of final average salary multiplied by credited years of service
- Normal Retirement	Actuarially reduced benefit based upon age, final average salary, and years of service at termination
-	Same as normal retirement
- Early Retirement	50% of employees accrued benefit, but terminates upon spouse re-marriage
-	
- Disability Retirement	No benefits
- Death Benefit	
- Prior to 10 Years Service	
f. Benefit Authorization	Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Sec. 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Employees Covered by Benefit Terms	
Active Employees	81
Deferred Vested Former Employees	6
Retirees or Retiree Beneficiaries	<u>38</u>
Total	125

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 10.64% of covered payroll as of 7-1-15. For the year ended June 30, 2016, the City recognized \$694,552 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$2,112,080. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2015
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 4% and 7.42% based on age
d. Post Retirement cost of living increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional Rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large Cap Stocks			
S&P 500	25%	5.40%	1.35%
Small/mid cap stocks			
Russell 2500	10%	7.50%	0.75%
Long/short equity			
MSCI ACWI	10%	6.10%	0.61%
International Stocks			
MSCI EAFE	20%	5.10%	1.02%
Fixed Income Bonds			
Barclay's Capital Aggregate	30%	2.60%	0.78%
Real Estate			
NCREIF	5%	4.80%	0.24%
Cash Equivalents			
3 month Treasury	<u>0%</u>	0.00%	<u>0.00%</u>
Total	100%		
Average Real Return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances Beginning of Year	\$ 23,602,663	\$ 23,682,766	\$ (80,103)
Changes for the Year:			
Service Cost	385,355	-	385,355
Interest Expense	1,759,621	-	1,759,621
Benefit Changes	-	-	-
Experience losses (gains)	-	-	-
Changes in Assumptions	-	-	-
Contributions - City	-	583,840	(583,840)
Contributions - Members	-	153,204	(153,204)
Net Investment Income	-	650,013	(650,013)
Expected return on plan investments	-	-	-
Expensed portion of current-period differences between actual and expected returns on plan investments	(665,220)	-	(665,220)
Non expensed portion of earnings on plan investments above expectation	-	-	-
Refunds of Contributions	-	-	-
Benefits Paid	(1,829,907)	(1,829,907)	-
Plan Administrative Expenses	-	(48,861)	48,861
Net Changes	(350,151)	(491,711)	141,560
Balances End of Year	\$ 23,252,512	\$ 23,191,055	\$ 61,457

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Total Pension Liability	\$ 25,798,271	\$ 23,252,512	21,114,622
Plan Net Fiduciary Position	23,191,055	23,191,055	23,191,055
Net Pension Liability	\$ 2,607,216	\$ 61,457	\$ (2,076,433)

The City reported \$538,839 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	\$ -	\$ 538,992
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	650,816	1,152,150
City contributions subsequent to the measurement date	694,552	-
Total	\$ 1,345,368	\$ 1,691,142

The \$694,552 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For Year Ended June 30:

2016	\$ (347,574)
2017	(347,574)
2018	(347,574)
2019	36,476
2020	(34,080)
	<u>\$ (1,040,326)</u>

The OkMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OMRF, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma 73105 or by calling 1.888.394.6673.

NOTE 11 SUBSEQUENT EVENTS

Management performed an evaluation of the City's activity through December 22, 2016, the date the audit report was available to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

City of Bethany, Oklahoma
Combining Balance Sheet - Other Governmental Funds
June 30, 2016

	Public Safety Fund	E-911 Fund	Library Fund	Parks/Streets CIP Fund	Debt Service Fund	Juvenile Fund	Cemetery Fund	Bethany Development Authority	Utility Assistance Fund	Totals
ASSETS										
Cash in Bank	306,807	(840)	8,148,321	47,972	104,809	189,751	247,262	178,104	186	9,222,372
Receivables, net	3,583	-	27,467	-	-	-	-	-	-	31,050
Total Assets	\$ 310,390	\$ (840)	\$ 8,175,788	\$ 47,972	\$ 104,809	\$ 189,751	\$ 247,262	\$ 178,104	\$ 186	\$ 9,253,422
LIABILITIES										
Accounts Payable	56,631	-	17,630	-	-	-	46,120	36,453	-	156,834
Total Liabilities	56,631	-	17,630	-	-	-	46,120	36,453	-	156,834
FUND BALANCES										
Unassigned	253,759	(840)	8,158,158	47,972	104,809	189,751	201,142	141,651	186	9,096,588
Total Fund Balances	253,759	(840)	8,158,158	47,972	104,809	189,751	201,142	141,651	186	9,096,588
Total Liabilities and Fund Balances	\$ 310,390	\$ (840)	\$ 8,175,788	\$ 47,972	\$ 104,809	\$ 189,751	\$ 247,262	\$ 178,104	\$ 186	\$ 9,253,422

City of Bethany, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Other Governmental Funds
June 30, 2016

	Public Safety Fund	E-911 Fund	Library Fund	Parks/Streets CIP Fund	Debt Service Fund	Juvnile Fund	Cemetary Fund	Bethany Development Authority	Utility Assistance Fund	Totals
Revenues:										
Taxes	-	4,710	-	-	-	-	-	-	-	4,710
Charges for Services	75,700	-	-	-	-	-	-	-	-	75,700
Other	236,428	-	-	-	-	-	-	-	153	236,581
Total Revenues	312,128	4,710	-	-	-	-	-	-	153	316,991
Expenditures:										
Public Safety	367,374	-	-	-	-	-	-	-	-	367,374
Culture and Recreation	-	-	115,071	-	-	-	-	-	-	115,071
Capital Outlay	-	-	85,916	-	-	-	-	-	-	85,916
Total Expenditures	367,374	-	200,987	-	-	-	-	-	-	(568,361)
Excess revenues over (under) expenditures before other financing soures (Uses)										
	(55,246)	4,710	(200,987)	-	-	-	-	-	153	(251,370)
Other Financing Sources (Uses)										
Transfers In (Out)	(22,745)	(6,513)	-	-	-	-	-	-	-	(29,258)
Capital Financing	-	-	8,359,144	-	-	-	-	-	-	8,359,144
Total Other Sources (Uses)	(22,745)	(6,513)	8,359,144	-	-	-	-	-	-	8,329,886
Excess revenues over (under) after other financing sources (uses)										
	(77,991)	(1,803)	8,158,157	-	-	-	-	-	153	8,078,516
Fund balances, beginnig of year	331,749	963	-	47,972	104,809	189,751	201,142	141,650	33	1,018,069
Fund balances, end of year	\$ 253,758	\$ (840)	\$ 8,158,157	\$ 47,972	\$ 104,809	\$ 189,751	\$ 201,142	\$ 141,650	\$ 186	\$ 9,096,585

City of Bethany, Oklahoma
As of and for the Year Ended June 30, 2016

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

SCHEDULE OF CITY OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>2016</u>
City's proportion of the net pension liability	0.4705840%
City's proportionate share of the net pension liability	\$ 655,239
City's covered-employee payroll	\$ 1,285,750
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	51%
Plan fiduciary net position as a percentage of the total pension liability	68.27%

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

Notes to Schedule:

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

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Fiscal Years

	<u>2016</u>
Statutorially required contribution	\$ 180,005
Contributions in relation to the statutorially required contribution	180,005
	<u>\$ -</u>
City's covered-employee payroll	\$ 1,285,750
Contributions as a percentage of covered employee payroll	14.00%

Notes to Schedule:

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

City of Bethany, Oklahoma
As of and for the Year Ended June 30, 2016

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

**SCHEDULE OF CITY OF T PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

	<u>2016</u>
City's proportion of the net pension liability (asset)	0.548%
City's proportionate share of the net pension liability (asset)	\$ 22,336.00
City's covered-employee payroll	\$ 1,548,523
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	1.44%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.82%

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

Notes to Schedule:

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

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

**SCHEDULE OF CITY CONTRIBUTIONS
Last 10 Fiscal Years**

	<u>2016</u>
Statutorially required contribution	\$ 201,308
Contributions in relation to the statutorially required contribution	\$ 201,308
	<u>\$ -</u>
City's covered-employee payroll	\$ 1,548,523
Contributions as a percentage of covered employee payroll	13.00%

Notes to Schedule:

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

City of Bethany, Oklahoma
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Notes
As of and for the Year Ended June 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios	Last Fiscal Year
	<u>2016</u>
Total pension liability	
Service Cost	350,458
Interest	1,732,533
Change in Benefit Terms	-
Difference between expected and actual experience	-
Change in assumptions	-
Benefit payments, including refunds of member contributions	<u>(952,501)</u>
Net change in total pension liability	1,130,490
Total pension liability - beginning	<u>22,472,174</u>
Total pension liability - ending (a)	<u><u>\$ 23,602,664</u></u>
Plan fiduciary net position	
Contributions - employers	537,682
Contributions - member	150,355
Net investment income	3,380,397
Benefit payments, including refunds of member contributions	(952,501)
Administrative expense	(49,979)
Other	
Net change in plan fiduciary net position	<u>3,065,954</u>
Plan fiduciary net positon - beginning	<u>20,616,812</u>
Plan fiduciary net positon - ending (b)	<u>23,682,766.00</u>
Net pension liability - ending (a) - (b)	<u><u>\$ (80,102)</u></u>
Plan fiduciary net position as a percentage of total pension liability	100.34%
Covered employee payroll	3,256,228.00
Net pension liability as a percentage of covered-employee payroll	-2.46%

Notes to Schedule

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

City of Tecumseh, Oklahoma
Oklahoma Municipal Retirement Fund
Schedule of Employer Contributions
As of and for the Year Ended June 30, 2016

	<u>2016</u>
Actuarially determined contribution	694,552
Contributions in relation to the actuarially determined contribution	<u>694,552</u>
Contribution deficiency (excess)	-
Covered employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2014
 July 2015 through June 15 contributions were at a rate of 19.66%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Unit Credit
 - Amortization method - Level Dollar Amount
 - Remaining amortization period - 25 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increased - N/A
 - Investment rate of return - 7.5%

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

To the City Council
City of Bethany, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bethany, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Bethany, Oklahoma's basic financial statements, and have issued our report thereon dated December 22, 2016.

Internal Control over Financial Reporting

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

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

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 City of Bethany, Oklahoma'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Russell & Williams CPAs, PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
December 22, 2016