

**THE CITY OF ELGIN,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elgin, Oklahoma (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



September 12, 2016

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

The management of the City of Elgin is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2016. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position decreased by \$350,568 and the assets of the City exceed its liabilities at June 30, 2016, by \$4,423,137 (net position). Of this amount, \$2,603,996 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,763,232.
- At the end of fiscal year 2016, unassigned fund balance on a modified cash basis for the General Fund was \$265,136 or 24% of General Fund revenues.

ABOUT THE CITY

The City of Elgin is an incorporated municipality with a population of approximately 2,156 located in Comanche County in southwestern Oklahoma. The City is a statutory aldermanic form of government. Under this form of government, the City is governed by the Mayor and a four-member City Council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a four-member governing body with a weak Mayor; all are elected by the citizens at large
- Executive – the Mayor is the Chief Executive Officer
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority and Economic Development Authority, certain utility services including water, wastewater, sanitation and economic development activities.

The City's Financial Reporting Entity

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

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
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The City's financial reporting entity includes the following separate legal entities.

- **The City of Elgin** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Elgin Public Works Authority (EPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the Mayor and City Council members serving as the trustees – *considered part of the primary government for reporting purposes*
- **The Elgin Economic Development Authority (EEDA)** - public trust created pursuant to 60 O.S. § 176 that promotes general economic development within the City, with five members serving as the trustees, appointed by the Mayor and approved by the City Council which has authority to remove at will – *considered part of the primary government for reporting purposes*

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

Related Organization:

Although not included as part of the City of Elgin reporting entity, the City also is a participant in a joint venture with the towns of Apache, Cement, Cyril, Fletcher, Medicine Park, and Sterling. The joint venture is a public trust known as the Multiple Community Services Authority and is formed to conduct certain activities that are of mutual benefit to the participating towns. The City of Elgin has a 1/7 beneficial interest in the trust.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Elgin (the "City"), the Elgin Public Works Authority (the "EPWA"), and the Elgin Economic Development Authority (the "EEDA"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

Proprietary funds - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. The City's proprietary funds are the Elgin Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities and the Elgin Economic Development Authority that accounts for the promotion of economic development.

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
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Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-37 of this report.

Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, combining and individual fund financial statements and schedules, a schedule of expenditures of federal and state awards and a debt service coverage requirement schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2016, net position on a modified cash basis for the governmental and business-type activities decreased \$350,568.

Following is a summary of net position reported on a modified cash basis for the City of Elgin.

TABLE 1
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Total assets	\$ 2,763	\$ 2,735	1%	\$ 1,692	\$ 2,071	-18%	\$ 4,455	\$ 4,806	-7%
Total liabilities	-	-	-	32	32	1%	32	32	1%
Net position									
Restricted	1,744	1,960	-11%	76	76	-1%	1,820	2,036	-11%
Unrestricted	1,019	775	31%	1,584	1,963	-19%	2,603	2,738	-5%
Total net position	<u>\$ 2,763</u>	<u>\$ 2,735</u>	1%	<u>\$ 1,660</u>	<u>\$ 2,039</u>	-19%	<u>\$ 4,423</u>	<u>\$ 4,774</u>	-7%

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
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TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
Revenues									
Charges for service	\$ 66	\$ 70	-6%	\$ 1,041	\$ 1,019	2%	\$ 1,107	\$ 1,089	2%
Operating grants and contributions	34	31	10%	-	-	-	34	31	10%
Capital grants, contributions and debt proceeds	-	-	-	70	-	100%	70	-	100%
Taxes	1,277	1,241	3%	9	5	80%	1,286	1,246	3%
Intergovernmental revenue	20	19	5%	-	-	-	20	19	5%
Investment income	2	1	100%	2	2	0%	4	3	33%
Miscellaneous	25	15	67%	5	1	400%	30	16	88%
Total revenues	1,424	1,377	3%	1,127	1,027	10%	2,551	2,404	6%
Expenses									
General government	214	209	2%	-	-	-	214	209	2%
Public safety	329	369	-11%	-	-	-	329	369	-11%
Highways and streets	570	332	72%	-	-	-	570	332	72%
Cemetery	1	1	-	-	-	-	1	1	-
Culture and recreation	80	73	10%	-	-	-	80	73	10%
Interest on long-term debt	9	10	-10%	-	-	-	9	10	-10%
Water	-	-	-	427	405	5%	427	405	5%
Sewer	-	-	-	910	756	20%	910	756	20%
Sanitation	-	-	-	271	267	1%	271	267	1%
Economic development	-	-	-	91	96	-5%	91	96	-5%
Total expenses	1,203	994	21%	1,699	1,524	11%	2,902	2,518	15%
Excess (deficiency) before transfers	221	383	-42%	(572)	(497)	15%	(351)	(114)	208%
Transfers	(193)	(219)	-12%	193	219	-12%	-	-	
Change in net position	28	164	83%	(379)	(278)	36%	(351)	(114)	208%
Beginning net position	2,735	2,571	6%	2,039	2,317	-12%	4,774	4,888	-2%
Ending net position	\$ 2,763	\$ 2,735	1%	\$ 1,660	\$ 2,039	-19%	\$ 4,423	\$ 4,774	-7%

The following are explanations for significant changes:

Governmental Activities:

Capital grants, contributions and debt proceeds (\$70,000 increase- 100%) – current year grant from Indian Health Services to help pay for the Interceptor.

Highways and street expense (\$238,392 increase—72%) – related to the expense for the 2013 Sales Tax Revenue Note for the Keeney Road Project.

CITY OF ELGIN, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2016

Business-Type Activities:

Sewer expense (\$154,187 increase – -20%) – related to an increase in sewer operations and capital outlay.

Governmental Activities

The City's governmental activities had an increase in net position of \$28,482 or 1%.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
General government	\$ 214	\$ 209	2%	\$ (202)	\$ (199)	2%
Public safety	329	369	-11%	(274)	(305)	-10%
Highways and streets	570	332	72%	(544)	(309)	76%
Cemetery	1	1	-	2	1	100%
Culture and recreation	80	73	10%	(77)	(70)	10%
Interest on long-term debt	9	10	-10%	(9)	(11)	-18%
Total	<u>\$ 1,203</u>	<u>\$ 994</u>	21%	<u>\$ (1,104)</u>	<u>\$ (893)</u>	24%

Business-Type Activities

The business-type activities had a decrease in net position of \$379,050 or 19%.

TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Water	\$ 427	\$ 405	5%	\$ 87	\$ 106	-18%
Sewer	910	756	20%	(691)	(612)	13%
Sanitation	271	267	1%	10	9	11%
Economic Development	91	96	-5%	5	(8)	-163%
Total	<u>\$ 1,699</u>	<u>\$ 1,524</u>	11%	<u>\$ (589)</u>	<u>\$ (505)</u>	17%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$2,763,232.

Other fund highlights include:

- For the year ended June 30, 2016, the General Fund's total fund balance increased by \$56,520.
- The Street Capital Improvement Fund reported an ending fund balance of \$1,384,728 from cash remaining in the construction account from the 2013 Sales Tax Revenue Note proceeds.

Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues under final estimates by \$280,490 or a 19% negative variance. General Fund actual expenditures were under final appropriations by \$325,361 or a 22% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- In FY 2017, the City will continue with the street improvements for the 2013 Sales Tax Revenue Note.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 310, Elgin, Oklahoma 73538 or telephone at 580-492-5777.

**CITY OF ELGIN, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Position (Modified Cash Basis) – June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,217,226	\$ 1,334,348	\$ 2,551,574
Restricted cash and equivalents	1,322,604	99,846	1,422,450
Investments	223,402	250,000	473,402
Restricted investments	-	8,000	8,000
Total assets	<u>2,763,232</u>	<u>1,692,194</u>	<u>4,455,426</u>
LIABILITIES			
Due to depositors	-	32,289	32,289
Total liabilities	<u>-</u>	<u>32,289</u>	<u>32,289</u>
NET POSITION			
Restricted for:			
Animal Control	2,270	75,484	77,754
Cemetery	36,238	-	36,238
Streets	1,485,570	-	1,485,570
Parks	215,421	-	215,421
Library	3,994	-	3,994
DARE	164	-	164
Unrestricted	1,019,575	1,584,421	2,603,996
Total net position	<u>\$ 2,763,232</u>	<u>\$ 1,659,905</u>	<u>\$ 4,423,137</u>

See accompanying notes to the basic financial statements.

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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Debt Proceeds	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 214,347	\$ 12,651	\$ -	\$ -	\$ (201,696)	\$ -	\$ (201,696)
Public Safety	329,419	51,227	4,290	-	(273,902)	-	(273,902)
Highways and Streets	570,426	-	26,546	-	(543,880)	-	(543,880)
Cemetery	175	2,451	-	-	2,276	-	2,276
Culture and Recreation	80,060	-	3,206	-	(76,854)	-	(76,854)
Interest on Long-Term Debt	8,661	-	-	-	(8,661)	-	(8,661)
Total governmental activities	<u>1,203,088</u>	<u>66,329</u>	<u>34,042</u>	<u>-</u>	<u>(1,102,717)</u>	<u>-</u>	<u>(1,102,717)</u>
Business-Type Activities:							
Water	426,906	514,308	-	-	-	87,402	87,402
Sewer	910,171	149,163	-	70,000	-	(691,008)	(691,008)
Sanitation	271,514	281,621	-	-	-	10,107	10,107
Economic Development	90,776	96,097	-	-	-	5,321	5,321
Total business-type activities	<u>1,699,367</u>	<u>1,041,189</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>(588,178)</u>	<u>(588,178)</u>
Total primary government	<u>\$ 2,902,455</u>	<u>\$ 1,107,518</u>	<u>\$ 34,042</u>	<u>\$ 70,000</u>	<u>(1,102,717)</u>	<u>(588,178)</u>	<u>(1,690,895)</u>
General revenues:							
Taxes:							
Sales and use taxes					1,229,596	9,449	1,239,045
Franchise taxes and public service taxes					47,295	-	47,295
Intergovernmental revenue not restricted to specific programs					20,184	-	20,184
Unrestricted investment earnings					1,976	2,077	4,053
Miscellaneous					25,024	4,726	29,750
Transfers					(192,876)	192,876	-
Total general revenues and transfers					<u>1,131,199</u>	<u>209,128</u>	<u>1,340,327</u>
Change in net position					<u>28,482</u>	<u>(379,050)</u>	<u>(350,568)</u>
Net position - beginning					<u>2,734,750</u>	<u>2,038,955</u>	<u>4,773,705</u>
Net position - ending					<u>\$ 2,763,232</u>	<u>\$ 1,659,905</u>	<u>\$ 4,423,137</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF ELGIN, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2016

	<u>General Fund</u>	<u>Street and Alley CIP Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 216,702	\$ 1,384,728	\$ 595,657	\$ 342,743	\$ 2,539,830
Investments	113,402	-	100,000	10,000	223,402
Total assets	<u>\$ 330,104</u>	<u>1,384,728</u>	<u>\$ 695,657</u>	<u>\$ 352,743</u>	<u>\$ 2,763,232</u>
 Fund balances:					
Restricted for:					
Streets	-	1,384,728	-	100,842	1,485,570
Cemetery	-	-	-	36,238	36,238
Parks	-	-	-	215,421	215,421
DARE	164	-	-	-	164
Animal Control	2,270	-	-	-	2,270
Library	3,994	-	-	-	3,994
Assigned to:					
Streets	-	-	-	242	242
Cemetery	55,276	-	-	-	55,276
Library	3,264	-	-	-	3,264
Capital Improvements	-	-	695,657	-	695,657
Unassigned	265,136	-	-	-	265,136
Total fund balances	<u>330,104</u>	<u>1,384,728</u>	<u>695,657</u>	<u>352,743</u>	<u>2,763,232</u>
Total liabilities and fund balances	<u>\$ 330,104</u>	<u>\$ 1,384,728</u>	<u>\$ 695,657</u>	<u>\$ 352,743</u>	<u>\$ 2,763,232</u>

See accompanying notes to the basic financial statements.

CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2016

	General Fund	Street and Alley CIP Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,000,396	\$ 217,829	\$ -	\$ 72,610	\$ 1,290,835
Intergovernmental	13,736	-	-	26,546	40,282
Charges for services	28,367	-	-	743	29,110
Fines and forfeitures	24,568	-	-	-	24,568
Licenses and permits	12,651	-	-	-	12,651
Investment income	818	141	777	240	1,976
Miscellaneous	23,729	-	-	1,295	25,024
Total revenues	<u>1,104,265</u>	<u>217,970</u>	<u>777</u>	<u>101,434</u>	<u>1,424,446</u>
EXPENDITURES					
Current:					
General government	100,528	-	-	-	100,528
Public safety	324,794	-	-	-	324,794
Highway and streets	-	361,075	-	5,274	366,349
Culture and recreation	74,727	-	-	-	74,727
Cemetery	175	-	-	-	175
Capital Outlay	4,625	-	55,150	5,410	65,185
Debt Service:					
Principal	-	160,000	58,669	-	218,669
Interest and other charges	-	44,000	8,661	-	52,661
Total expenditures	<u>504,849</u>	<u>565,075</u>	<u>122,480</u>	<u>10,684</u>	<u>1,203,088</u>
Excess (deficiency) of revenues over expenditures	<u>599,416</u>	<u>(347,105)</u>	<u>(121,703)</u>	<u>90,750</u>	<u>221,358</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	137,637	31,882	307,512	10,626	487,657
Transfers out	(680,533)	-	-	-	(680,533)
Total other financing sources and uses	<u>(542,896)</u>	<u>31,882</u>	<u>307,512</u>	<u>10,626</u>	<u>(192,876)</u>
Net change in fund balances	56,520	(315,223)	185,809	101,376	28,482
Fund balances - beginning	273,584	1,699,951	509,848	251,367	2,734,750
Fund balances - ending	<u>\$ 330,104</u>	<u>\$ 1,384,728</u>	<u>\$ 695,657</u>	<u>\$ 352,743</u>	<u>\$ 2,763,232</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

**CITY OF ELGIN, OKLAHOMA
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As of and for the Year Ended June 30, 2016**

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2016

	<u>Elgin Public Works Authority</u>	<u>Elgin Economic Development Authority</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,074,928	\$ 259,420	\$ 1,334,348
Investments	250,000	-	250,000
Restricted cash and cash equivalents	99,846	-	99,846
Restricted investments	8,000	-	8,000
Total current assets	<u>1,432,774</u>	<u>259,420</u>	<u>1,692,194</u>
Total assets	<u>1,432,774</u>	<u>259,420</u>	<u>1,692,194</u>
LIABILITIES			
Current liabilities:			
Deposits subject to refund	<u>32,289</u>	-	<u>32,289</u>
Total current liabilities	<u>32,289</u>	-	<u>32,289</u>
Total liabilities	<u>32,289</u>	-	<u>32,289</u>
NET POSITION			
Restricted for debt service	75,484	-	75,484
Unrestricted	<u>1,325,001</u>	<u>259,420</u>	<u>1,584,421</u>
Total net position	<u>\$ 1,400,485</u>	<u>\$ 259,420</u>	<u>\$ 1,659,905</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2016

	Elgin Public Works Authority	Elgin Economic Development Authority	Total Proprietary Funds
Operating Revenues:			
Water charges	\$ 494,530	\$ -	\$ 494,530
Sewer charges	143,427	-	143,427
Taxes	-	9,449	9,449
Sanitation charges	281,621	-	281,621
Penalty charges	14,085	-	14,085
Reconnect fee	11,429	-	11,429
Rentals	-	96,097	96,097
Total operating revenues	<u>945,092</u>	<u>105,546</u>	<u>1,050,638</u>
Operating Expenses:			
Administration	369,755	-	369,755
Sewer	66,269	-	66,269
Water	60,705	-	60,705
Sanitation	271,514	-	271,514
Economic development	-	2,500	2,500
Total operating expenses	<u>768,243</u>	<u>2,500</u>	<u>770,743</u>
Net operating income	<u>176,849</u>	<u>103,046</u>	<u>279,895</u>
Non-Operating Revenues (Expenses):			
Investment income	2,046	31	2,077
Capital grants and contributions	70,000	-	70,000
Debt Service:			
Principal retirement	(146,089)	(64,615)	(210,704)
Interest expense and fees	(80,280)	(23,661)	(103,941)
Miscellaneous revenue	4,726	-	4,726
Capital Outlay	(613,979)	-	(613,979)
Total non-operating revenue (expenses)	<u>(763,576)</u>	<u>(88,245)</u>	<u>(851,821)</u>
Net income (loss) before transfers	<u>(586,727)</u>	<u>14,801</u>	<u>(571,926)</u>
Transfers in	892,838	-	892,838
Transfers out	(699,962)	-	(699,962)
Change in net position	(393,851)	14,801	(379,050)
Total net position - beginning	<u>1,794,336</u>	<u>244,619</u>	<u>2,038,955</u>
Total net position - ending	<u>\$ 1,400,485</u>	<u>\$ 259,420</u>	<u>\$ 1,659,905</u>

See accompanying notes to the basic financial statements.

CITY OF ELGIN, OKLAHOMA
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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2016

	Elgin Public Works Authority	Elgin Economic Development Authority	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 945,092	\$ 105,546	\$ 1,050,638
Payments to suppliers	(511,556)	(2,500)	(514,056)
Payments to employees	(256,687)	-	(256,687)
Interfund receipts/payments	-	-	-
Receipts of customer meter deposits	15,305	-	15,305
Refunds of customer meter deposits	(15,102)	-	(15,102)
Miscellaneous revenue	4,726	-	4,726
Net cash provided by operating activities	181,778	103,046	284,824
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	892,838	-	892,838
Transfers to other funds	(699,962)	-	(699,962)
Net cash provided by noncapital financing activities	192,876	-	192,876
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(613,979)	-	(613,979)
Principal paid on debt	(146,089)	(64,615)	(210,704)
Interest and fiscal agent fees paid on debt	(80,280)	(23,661)	(103,941)
Federal grants received	70,000	-	70,000
Net cash provided by (used in) capital and related financing activities	(770,348)	(88,276)	(858,624)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	2,046	31	2,077
Net cash provided by investing activities	2,046	31	2,077
Net increase (decrease) in cash and cash equivalents	(393,648)	14,801	(378,847)
Balances - beginning of year	1,568,422	244,619	1,813,041
Balances - end of year	\$ 1,174,774	\$ 259,420	\$ 1,434,194
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,074,928	\$ 259,420	\$ 1,334,348
Restricted cash and cash equivalents - current	99,846	-	99,846
Total cash and cash equivalents, end of year	\$ 1,174,774	\$ 259,420	\$ 1,434,194
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 176,849	\$ 103,046	\$ 279,895
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous revenue	4,726	-	4,726
Change in assets and liabilities:			
Deposits subject to refund	203	-	203
Net cash provided by operating activities	\$ 181,778	\$ 103,046	\$ 284,824

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the City uses the provisions of Governmental Accounting Standards Board Statement No. 14, *“The Financial Reporting Entity”* as amended by GASB Statement No. 61, *“The Financial Reporting Entity: Omnibus”* that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City’s financial reporting entity includes three separate legal entities reported as the primary government.

- **The City of Elgin** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government.*
- **The Elgin Public Works Authority (EPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council serving as the governing body of the trust – *considered part of the primary government for reporting purposes since the primary government can impose its will and both entities are managed by the same staff.*
- **The Elgin Economic Development Authority (EEDA)** – public trust created pursuant to 60 O.S. § 176 to promote the general economic development of the City. The City of Elgin is the beneficiary of the trust and the City Council appoints by majority, the five trustees that serve as the governing body of the trust – *considered part of the primary government for reporting purposes since it provides services that almost entirely benefit the primary government and managed by the same staff.*

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including water, wastewater, and sanitation, and economic development activities.

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

The EPWA component unit has the City Council as their governing body (trustees) and the EEDA has trustees appointed by the majority of the City Council and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position and statement of activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivables resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned

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

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

- General government: License and permits
- Public safety: Fine revenue, fire runs, operating and capital grants
- Highways and streets: Gas excise and commercial vehicle taxes
- Cemetery: Lot sales and interments

Governmental Funds:

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

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds

Combined as accounts of the General Fund:

- Cemetery Account – accounts for revenues and expenditures of the cemetery
- Community Library Account – accounts for revenues and expenditures of the library
- Capital Improvements Fund – a capital project fund that accounts for capital improvement activities
- Street and Alley Capital Improvement Fund – accounts for dedicated sales tax for design, construction, reconstruction and improvements to streets, roads and sidewalks in the City as well as related drainage improvements for the use and benefit of the City and any public trust having the City as beneficiary thereof and/or for the payment of debt service in connection with obligations heretofore issued or to be issued to finance or refinance said capital expenditures and related costs.

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

- Street and Alley Fund – a capital project fund that accounts for state-shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes
- Cemetery CIP Fund – a capital project fund that accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements
- Park and Recreation CIP Fund– a capital project fund that accounts for dedicated sales for design, construction, reconstruction, and improvements of parks and recreation facilities, all for the use and benefit of the City and any public trust having the City as beneficiary thereof and/or for the payment of debt service in connection with obligations heretofore issued or to be issued to finance or refinance said capital expenditures and related costs.

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

Proprietary Funds:

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

- Elgin Public Works Authority (EPWA) – accounts for the operation of the water, wastewater, and sanitation activities
- Elgin Economic Development Authority (EEDA) – accounts for promoting the general economic development of the City

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

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and a money market account with the trustee bank and are reported at cost.

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 7.

E. Fund Balances and Net Position

Fund Balances:

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

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

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

Net Position:

Net Position is displayed in two components:

- a. *Restricted Net Position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted Net Position* - All remaining net position that does not meet the definition of "restricted".

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

F. Internal and Interfund Balances and Transfers

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

2. Deposits and Investments

For the year ended June 30, 2016, the City recognized \$4,053 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2016, the primary government held the following deposits and investments:

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Type of Deposits and Investments-Primary Government	Carrying Value				
Deposits:					
Demand deposits	\$ 2,575,936				
Time deposit	481,402				
Investments:					
Money market fund	<table style="display: inline-table; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">Credit Rating</td> <td style="text-align: right; padding-left: 10px;">1,398,088</td> </tr> <tr> <td style="text-align: center;">AAAm</td> <td style="text-align: right; padding-left: 10px;">1,398,088</td> </tr> </table>	Credit Rating	1,398,088	AAAm	1,398,088
Credit Rating	1,398,088				
AAAm	1,398,088				
Total deposits	\$ 4,455,426				
 Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$ 2,551,574				
Restricted cash and cash equivalents	1,422,450				
Investments	473,402				
Restricted investments	8,000				
	\$ 4,455,426				

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

As of June 30, 2016, the City was not exposed to custodial credit risk as defined above.

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

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

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

Restricted Cash and Investments - The amounts reported as restricted assets on the proprietary funds statement of net position are comprised of amounts restricted for utility deposits and debt service. Restricted assets for Governmental Activities are comprised of amounts held by a trustee bank for debt retirement and bond proceeds. The restricted assets as of June 30, 2016 are as follows:

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	Cash and cash equivalents		Cash and cash equivalents		Investments
Governmental Activities:		Business-Type Activities and Proprietary Funds:			
2013 STRN Construction Acct BOK	\$ 1,235,668	Utility deposits	\$ 24,362	\$	8,000
2013 STRN Princ Acct BOK	70,835	OWRB Trustee Debt Service Account	75,484		-
2013 STRN Int Acct BOK	16,101				
Total	\$ 1,322,604	Total	\$ 99,846		\$ 8,000

3. Sales Tax Revenue

Sales tax revenue represents a 4 cent tax on each dollar of taxable sales of which 1 cent is required to be transferred to the EPWA for the OWRB loan (City Ordinance No. 49). 75% of 1 cent is to be recorded in the Street Capital Improvement Fund. 25% of one cent is to be recorded in the Parks and Recreation Capital Improvement Fund.

4. Schedule of Interfund Balances and Transfers

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

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Capital Improvement Fund	\$ 290,438	Sales tax
General Fund	Capital Improvement Fund	17,074	Use tax
General Fund	EPWA Operating	290,438	Sales tax
EPWA Operating	General Fund	114,637	Return of sales tax
General Fund	SAF CIF	31,882	Use tax
General Fund	Park CIF	10,626	Use tax
General Fund	Community Library Fund	23,000	Operating Subsidy
General Fund	EPWA Operating	17,074	Use tax
EPWA Operating	EPWA Bond Fund	585,326	Operating Subsidy
Total		\$ 1,380,495	
Reconciliation to Fund Financial Statements:			
	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 487,657	\$ (680,533)	\$ (192,876)
Proprietary Funds	892,838	(699,962)	192,876
	\$ 1,380,495	\$ (1,380,495)	-

5. Risk Management

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

6. Employee Retirement Plan Participation

The City of Elgin participates in two pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement Fund (OMRF-DCP) – an agent multiple-employer defined contribution plan

OFPRS

The City of Elgin, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2016, the City's annual required contribution was \$6,282 for the OFPRS plan and was equal to the City's actual contribution.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

OMRF Defined Contribution Plan

The City provides a defined contribution plan and trust known as the City of Elgin Plan and Trust (the Plan”) in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is available to all full-time employees on a voluntary basis who are not already participating in another plan. The employee must contribute 2% of gross wages. The City, as employer, contributes an amount equal to 3% of the employee’s gross wages. If an employee terminates before becoming fully vested, the employer’s contributions that are forfeited may be used to reduce the City’s current-period contribution requirements. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2016, the City contributed \$9,680 to the plan, while the employee contributions totaled \$12,835.

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Schedule of Retirement Plan Contributions – OFPRS and OMRF

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Municipal Retirement Fund		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2014	6,143	100%	2014	10,163	100%
2015	6,171	100%	2015	10,662	100%
2016	6,282	100%	2016	9,680	100%

7. Commitments and Contingencies

Long-term Debt Commitments:

Governmental Activities

At June 30, 2016, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Leases:

\$304,735 lease obligation with Arvest Equipment Leasing for the refinance of a fire truck, payable in 60 monthly installments of \$5,610.79 with an annual interest rate of 3.99%, final payment due May 2019.

	\$ 185,091
Total Capital Leases Payable	\$ 185,091
Current portion	61,053
Noncurrent portion	124,038
Total Capital Leases Payable	\$ 185,091

Notes Payable:

2013 Sales Tax Revenue Note, issued in September 2013, original amount \$1,780,000, with an annual interest rate of 2.85% , due in semi-annual installments, final installment due August 2023.

	\$ 1,380,000
Total Notes Payable	\$ 1,380,000
Current portion	170,000
Noncurrent portion	1,210,000
Total Notes Payable	\$ 1,380,000

CITY OF ELGIN, OKLAHOMA
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Business-Type Activities

Notes Payable:

2012 OWRB DWSRF Promissory Note, issued in March 2013, original amount \$1,250,000, with an annual interest rate of 1.80% and an administration fee of 0.5%, due in semi-annual installments of \$9,109, final installment due September 2032. \$ 1,084,561

Industrial Park Building Note Payable to Arvest Bank dated April 29, 2008, original amount of \$746,250 with an annual interest rate of 6.104% due in monthly installments of \$7,356 beginning January 29, 2009, final installment due December 29, 2018. 345,924

2011 OWRB Promissory Note dated December 1, 2011, original amount \$3,060,000 due in semi-annual principal installments each March 15 and September 15 beginning September 15, 2013, final installment due September 15, 2032 with an administration fee of 0.5% and interest at 2.13% payable annually based on principal outstanding. Remaining funds to be drawn at June 30, 2014 are \$436,442. 1,948,866

Total Notes Payable	\$ 3,379,351
Current portion	218,840
Noncurrent portion	3,160,511
Total Notes Payable	\$ 3,379,351

Change in Long-term Debt Commitments

<u>Type of Debt</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital lease payable	\$ 243,760	\$ -	\$ 58,669	\$ 185,091	\$ 61,053
Note Payable	1,540,000	-	160,000	1,380,000	170,000
Total Governmental Activities	\$ 1,783,760	\$ -	\$ 218,669	\$ 1,565,091	\$ 231,053
Business-Type Activities:					
Notes Payable	\$ 3,590,055	\$ -	\$ 210,704	\$ 3,379,351	\$ 218,840
Total Business-Type Activities	3,590,055	-	210,704	3,379,351	218,840
Total Long-Term Debt	\$ 5,373,815	\$ -	\$ 429,373	\$ 4,944,442	\$ 449,893

**CITY OF ELGIN, OKLAHOMA
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Payment Requirements to Maturity

<u>Year Ending June 30,</u>	Governmental Activities				Business-Type Activities	
	Capital Leases		Notes Payable		Notes Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	61,053	6,277	170,000	38,119	218,840	95,804
2018	63,536	3,796	170,000	33,274	227,064	87,578
2019	60,502	1,214	180,000	28,358	361,794	74,374
2020	-	-	180,000	23,228	161,701	64,668
2021	-	-	190,000	18,026	166,017	60,352
2022-2026	-	-	490,000	21,161	895,985	235,859
2027-2031	-	-	-	-	1,016,915	114,928
2032-2033	-	-	-	-	331,035	8,327
Totals	<u>\$ 185,091</u>	<u>\$ 11,287</u>	<u>\$ 1,380,000</u>	<u>\$ 162,166</u>	<u>\$ 3,379,351</u>	<u>\$ 741,890</u>

Pledge of Future Revenues:

Sales Tax and Net Revenues Pledge - The City has pledged one cent of future sales tax revenues and also net sewer utility revenues to repay \$3,060,000 of the OWRB Promissory Note Payable. Proceeds from the note provided financing for improvements to the wastewater system in the City of Elgin. The note is payable from pledged sales tax and net utility revenues and is payable through September 2032. The pledged sales tax revenues were \$290,438 and the net sewer utility revenues were \$77,158. Debt service payments of \$146,794 for the current fiscal year were 40% of the pledged sales tax and net utility revenues of \$367,596.

Sales Tax and Net Revenues Pledge - The City has pledged one cent of future sales tax revenues and also net water and sewer utility revenues to repay \$1,250,000 of the OWRB DWSRF Promissory Note Payable. Proceeds from the note provided refinancing of the 2011 USDA Promissory Note for improvements to the water system in the City of Elgin. The note is payable from pledged sales tax and net utility revenues and is payable through September 2032. The pledged sales tax revenues were \$290,438 and the net sewer and water utility revenues were \$510,983. Debt service payments of \$79,575 for the current fiscal year were 9.9% of the pledged sales tax and net utility revenues of \$801,421.

Sales Tax and Net Revenues Pledge - The City has pledged three-quarters of one cent of future sales tax revenues and also all sales tax revenues from the three-quarters of one cent Road and Street Improvement Ordinance to repay the \$1,780,000 of the 2013 Sales Tax Revenue Note Payable. Proceeds from the note provided financing for street improvements for the City of Elgin. The note is payable from pledged sales tax revenues and is payable through August 2023. The pledged sales tax revenues were \$435,658. Debt service payments of \$204,000 for the current fiscal year were 47% of the pledged sales tax revenues.

**CITY OF ELGIN, OKLAHOMA
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Conduit Debt Obligations of EEDA:

Conduit Debt:

Original Debt	Project	Remaining Principal
Elgin Economic Development Authority		
\$3,350,000	(1) BAE Systems Land & Armaments L.P. Tax Increment Revenue Note Series 2008	<u>\$ 2,292,581</u>
	Total EEDA Conduit Debt	<u><u>\$ 2,292,581</u></u>

(1) BAE Systems Land & Armaments L.P.

The Tax Increment Revenue Bonds were issued to partially fund the construction of the Fort Sill Industrial Park. The bonds were purchased by a subsidiary of BAE Systems Land & Armaments L.P. and are secured by incremental ad valorem taxes on the industrial park. The only commitment the Elgin Economic Development Authority has is remittance to the trustee bank of these incremental taxes received from the county. If the incremental taxes are insufficient to service the debt, the EEDA has no further liability.

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensatory time leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2016 is \$17,746.

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Elgin participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

**CITY OF ELGIN, OKLAHOMA
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8. Capital Assets Pledged for Debt

At June 30, 2016 the roll forward schedule to report infrastructure assets pledged to Oklahoma Water Resource Board Series 2011 and 2012 and related accumulated depreciation is as follows:

ELGIN PUBLIC WORKS AUTHORITY ENTERPRISE FUND

<u>DEPARTMENT</u>	ADJUSTED BALANCE JUNE 30, 2015	ADDITIONS	DISPOSALS	DETAIL BALANCE JUNE 30, 2016
PWA:				
Utility Property Improvements				
Water	3,700,942.00	17,333.00		3,718,275.00
Sewer	4,208,633.00	1,132,288.00		5,340,921.00
Subtotal	<u>7,909,575.00</u>	<u>1,149,621.00</u>	<u>0.00</u>	<u>9,059,196.00</u>
Total Property, Plant, Equip.	7,909,575.00	1,149,621.00	0.00	9,059,196.00
Accumulated Depreciation				
Utility Property Improvements				
Water	854,815.00	85,109.00		939,924.00
Sewer	586,163.00	104,359.00		690,522.00
	<u>1,440,978.00</u>	<u>189,468.00</u>	<u>0.00</u>	<u>1,630,446.00</u>
	0.00			
Net Property, Plant, Equip.	<u>6,468,597.00</u>	<u>960,153.00</u>	<u>0.00</u>	<u>7,428,750.00</u>
Sewer Construction in Progress	<u>518,309.00</u>	<u>34,029.00</u>	<u>-552,338.00</u>	<u>0.00</u>
Net PPE and CIP	<u>6,986,906.00</u>	<u>994,182.00</u>	<u>-552,338.00</u>	<u>7,428,750.00</u>

**CITY OF ELGIN, OKLAHOMA
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SUPPLEMENTARY AND OTHER INFORMATION

CITY OF ELGIN, OKLAHOMA
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As of and for the Year Ended June 30, 2016

Budgetary Comparison Schedule (Modified Cash Basis) – General Fund – Year Ended June 30, 2016

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ 207,199	\$ 207,199	\$ 207,199	\$ -
Resources (Inflows):				
Taxes	1,195,100	1,287,100	1,000,396	(286,704)
Intergovernmental	12,000	12,000	10,530	(1,470)
Charges for services	34,230	34,230	27,552	(6,678)
Fines and forfeitures	19,000	19,000	24,568	5,568
Licenses and permits	10,000	10,000	12,651	2,651
Investment income	1,600	1,600	689	(911)
Miscellaneous	8,200	8,200	19,552	11,352
Transfers in	118,935	118,935	114,637	(4,298)
Total Resources (Inflows)	<u>1,399,065</u>	<u>1,491,065</u>	<u>1,210,575</u>	<u>(280,490)</u>
Amounts available for appropriation	<u>1,606,264</u>	<u>1,698,264</u>	<u>1,417,774</u>	<u>(280,490)</u>
Charges to Appropriations (Outflows):				
Police	224,450	224,450	184,302	40,148
Fire	122,960	122,960	116,639	6,321
Animal control	20,000	22,500	25,478	(2,978)
Parks	42,995	42,995	39,724	3,271
General government	109,460	114,460	100,528	13,932
Library	23,000	23,000	-	23,000
Municipal court	3,000	3,000	3,000	-
Transfers out	853,200	922,200	680,533	241,667
Total Charges to Appropriations	<u>1,399,065</u>	<u>1,475,565</u>	<u>1,150,204</u>	<u>325,361</u>
Ending Budgetary Fund Balance	<u>\$ 207,199</u>	<u>\$ 222,699</u>	<u>\$ 267,570</u>	<u>\$ 44,871</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:				
Cemetery Account			55,276	
Community Library Account			7,258	
Total General Fund Balance			<u>\$ 330,104</u>	

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements. See page 41 General Fund combining accounts for actual comparison.

2. The legal level of appropriation control is the department level within a fund. All appropriations require City Council's approval.

The City exceeded the legal level of budgetary control as follows:

<u>Fund/Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Animal control	\$ 22,500	\$ 25,478	\$ (2,978)

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – City of Elgin – June 30, 2016

	CAPITAL PROJECT FUNDS			
	Street and Alley Fund	Cemetery CIP Fund	Parks and Recreation CIP Fund	Total - Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 96,084	\$ 31,238	\$ 215,421	\$ 342,743
Investments	5,000	5,000	-	10,000
Total assets	<u>101,084</u>	<u>36,238</u>	<u>215,421</u>	<u>352,743</u>
FUND BALANCES				
Fund balances:				
Restricted for:				
Streets	100,842	-	-	100,842
Cemetery	-	36,238	-	36,238
Parks	-	-	215,421	215,421
Assigned to:				
Streets	242	-	-	242
Total fund balances	<u>101,084</u>	<u>36,238</u>	<u>215,421</u>	<u>352,743</u>
Total fund balances	<u>\$ 101,084</u>	<u>\$ 36,238</u>	<u>\$ 215,421</u>	<u>\$ 352,743</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) - City of Elgin - Year Ended June 30, 2016

	CAPITAL PROJECT FUNDS			
	Street and Alley Fund	Cemetery CIP Fund	Parks and Recreation CIP Fund	Total-Other Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ 72,610	\$ 72,610
Intergovernmental	26,546	-	-	26,546
Charges for services	-	743	-	743
Investment earnings	70	40	130	240
Miscellaneous	-	1,295	-	1,295
Total revenues	<u>26,616</u>	<u>2,078</u>	<u>72,740</u>	<u>101,434</u>
EXPENDITURES				
Current:				
Highways and streets	5,274	-	-	5,274
Capital Outlay	77	-	5,333	5,410
Total expenditures	<u>5,351</u>	<u>-</u>	<u>5,333</u>	<u>10,684</u>
Excess (deficiency) of revenues over expenditures	<u>21,265</u>	<u>2,078</u>	<u>67,407</u>	<u>90,750</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	10,626	10,626
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>10,626</u>	<u>10,626</u>
Net change in fund balances	21,265	2,078	78,033	101,376
Fund balances - beginning	79,819	34,160	137,388	251,367
Fund balances - ending	<u>\$ 101,084</u>	<u>\$ 36,238</u>	<u>\$ 215,421</u>	<u>\$ 352,743</u>

CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) - June 30, 2016

	GENERAL FUND			
	General Fund	Cemetery Account	Community Library Account	Total General Fund
ASSETS				
Cash and cash equivalents	\$ 201,570	\$ 7,874	\$ 7,258	\$ 216,702
Investments	66,000	47,402	-	113,402
Total assets	267,570	55,276	7,258	330,104
Fund balances:				
Restricted for:				
DARE	164	-	-	164
Animal Control	2,270	-	-	2,270
Library	-	-	3,994	3,994
Assigned to:				
Cemetery	-	55,276	-	55,276
Library	-	-	3,264	3,264
Unassigned	265,136	-	-	265,136
Total fund balances	267,570	55,276	7,258	330,104
Total liabilities and fund balances	\$ 267,570	\$ 55,276	\$ 7,258	\$ 330,104

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2016

	General Fund	Cemetery Account	Community Library Account	Total General Fund
REVENUES				
Taxes	\$ 1,000,396	\$ -	\$ -	\$ 1,000,396
Intergovernmental	10,530	-	3,206	13,736
Charges for services	27,552	815	-	28,367
Fines and forfeitures	24,568	-	-	24,568
Licenses and permits	12,651	-	-	12,651
Investment earnings	689	119	10	818
Miscellaneous	19,552	-	4,177	23,729
Total revenues	1,095,938	934	7,393	1,104,265
EXPENDITURES				
Current:				
General government	100,528	-	-	100,528
Public Safety	324,794	-	-	324,794
Cemetery	-	175	-	175
Culture and recreation	39,724	-	35,003	74,727
Capital Outlay	4,625	-	-	4,625
Total expenditures	469,671	175	35,003	504,849
Excess (deficiency) of revenues over expenditures	626,267	759	(27,610)	599,416
OTHER FINANCING SOURCES (USES)				
Transfers in	114,637	-	23,000	137,637
Transfers out	(680,533)	-	-	(680,533)
Total other financing sources and uses	(565,896)	-	23,000	(542,896)
Net change in fund balances	60,371	759	(4,610)	56,520
Fund balances - beginning	207,199	54,517	11,868	273,584
Fund balances - ending	\$ 267,570	\$ 55,276	\$ 7,258	\$ 330,104

CITY OF ELGIN, OKLAHOMA
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EPWA Fund Combining Schedule of Net Position (Modified Cash Basis) – EPWA Accounts – June 30, 2016

	Elgin Public Works Authority Accounts					Total
	EPWA Operating	PWA Bond Account	PWA Money Market Account	Meter Deposit Account	OWRB	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,070,537	\$ 4,391	\$ -	\$ -	\$ -	\$ 1,074,928
Investments	50,000	200,000	-	-	-	250,000
Restricted:						
Restricted cash and cash equivalents	75,484	-	-	24,362	-	99,846
Restricted investments	-	-	-	8,000	-	8,000
Total current assets	<u>1,196,021</u>	<u>204,391</u>	<u>-</u>	<u>32,362</u>	<u>-</u>	<u>1,432,774</u>
Total assets	<u>1,196,021</u>	<u>204,391</u>	<u>-</u>	<u>32,362</u>	<u>-</u>	<u>1,432,774</u>
LIABILITIES						
Current liabilities:						
Deposits subject to refund	-	-	-	32,289	-	32,289
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,289</u>	<u>-</u>	<u>32,289</u>
NET POSITION						
Restricted for debt service	75,484	-	-	-	-	75,484
Unrestricted	1,120,537	204,391	-	73	-	1,325,001
Total net position	<u>\$ 1,196,021</u>	<u>\$ 204,391</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 1,400,485</u>

EPWA Fund Combining Schedule of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) - EPWA Accounts - Year Ended June 30, 2016

	Elgin Public Works Authority Accounts					Total
	EPWA Operating	PWA Bond Account	PWA Money Market Account	Meter Deposit Account	OWRB	
Operating Revenues:						
Water charges	\$ 494,464	\$ -	\$ -	\$ 66	\$ -	\$ 494,530
Sewer charges	121,367	22,060	-	-	-	143,427
Sanitation charges	281,621	-	-	-	-	281,621
Penalty charges	14,085	-	-	-	-	14,085
Reconnect fee	11,429	-	-	-	-	11,429
Total operating revenues	<u>922,966</u>	<u>22,060</u>	<u>-</u>	<u>66</u>	<u>-</u>	<u>945,092</u>
OPERATING EXPENSES						
Administration	369,755	-	-	-	-	369,755
Sewer	66,269	-	-	-	-	66,269
Water	60,705	-	-	-	-	60,705
Sanitation	271,514	-	-	-	-	271,514
Total Operating Expenses	<u>768,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,243</u>
Net operating income	<u>154,723</u>	<u>22,060</u>	<u>-</u>	<u>66</u>	<u>-</u>	<u>176,849</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest and investment revenue	1,111	523	158	-	254	2,046
Capital grants and contributions	-	-	-	-	70,000	70,000
Miscellaneous revenue	4,726	-	-	-	-	4,726
Debt Service:						
Principal Retirement	(146,089)	-	-	-	-	(146,089)
Interest expense and fees	(80,280)	-	-	-	-	(80,280)
Capital Outlay	-	(613,979)	-	-	-	(613,979)
Total non-operating revenue (expenses)	<u>(220,532)</u>	<u>(613,456)</u>	<u>158</u>	<u>-</u>	<u>70,254</u>	<u>(763,576)</u>
Income (loss) before transfers	<u>(65,809)</u>	<u>(591,396)</u>	<u>158</u>	<u>66</u>	<u>70,254</u>	<u>(586,727)</u>
Transfers in	307,512	585,326	-	-	-	892,838
Transfers out	<u>(334,168)</u>	<u>-</u>	<u>(97,333)</u>	<u>-</u>	<u>(268,461)</u>	<u>(699,962)</u>
Change in net position	<u>(92,465)</u>	<u>(6,070)</u>	<u>(97,175)</u>	<u>66</u>	<u>(198,207)</u>	<u>(393,851)</u>
Total net position - beginning	1,288,486	210,461	97,175	7	198,207	1,794,336
Total net position - ending	<u>\$ 1,196,021</u>	<u>\$ 204,391</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 1,400,485</u>

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

Schedule of Expenditures of Federal and State Awards

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Acting through the Indian Health Service	66.419	N/A	\$ 70,000	\$ 70,000
TOTAL FEDERAL ASSISTANCE			<u>\$ 70,000</u>	<u>\$ 70,000</u>
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u>				
Edge Grant	N/A	N/A	\$ 360	\$ 360
State Aid	N/A	N/A	2,846	2,846
Total Oklahoma Department of Libraries			<u>3,206</u>	<u>3,206</u>
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
State aid	N/A	N/A	4,290	4,290
TOTAL STATE ASSISTANCE			<u>\$ 7,496</u>	<u>\$ 7,496</u>

CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Schedule of Debt Service Coverage

	OWRB 2011 CWSRF NOTE	OWRB 2013 DWSRF NOTE
	<u> </u>	<u> </u>
Gross Revenue Available for Debt Service:		
Operating revenues (sewer)	\$143,427	-
Operating revenues (water and sewer)	-	\$ 637,957
Transfer in - sales tax	<u>290,438</u>	<u>290,438</u>
Total Gross Revenues Available	433,865	928,395
Public Works Authority operating expenses (sewer)	66,269	-
Public Works Authority operating expenses (water and sewer)	<u>-</u>	<u>126,974</u>
Net Revenues Available for Debt Service	<u><u>\$367,596</u></u>	<u><u>\$801,421</u></u>
Debt Service Requirements:		
Maximum annual debt service - OWRB	<u>\$214,860</u>	<u>\$79,575</u>
Total Debt Service Requirements	<u><u>\$214,860</u></u>	<u><u>\$79,575</u></u>
Coverage	<u><u>1.71</u></u>	<u><u>10.07</u></u>
Coverage Requirement	<u><u>1.25</u></u>	<u><u>1.25</u></u>

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

**CITY OF ELGIN, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016**

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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 Honorable Mayor and City Council
City of Elgin, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elgin, Oklahoma (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 12, 2016. Our report included an emphasis-of-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as Finding 2016-01.

City of Elgin, Oklahoma's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



September 12, 2016

CITY OF ELGIN, OKLAHOMA

SUMMARY SCHEDULE OF FINDINGS
Year Ended June 30, 2016

Finding 2016-01 – Budgeted Appropriations

Criteria: Oklahoma State law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

Condition: Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General Fund	Animal Control	\$ 2,978

Cause: Corrective action was not taken in a timely manner.

Effect or Potential Effect: Expenditures may exceed appropriations at the legal level of control.

Recommendation: We recommend that the City review budget-actual comparisons and adopt formal budget amendments at or near year-end by department.

City's Response: Management will review all funds and departments prior to year end to ensure that any budget amendments needed are completed and approved prior to June 30.