

**THE CITY OF HOLDENVILLE,  
OKLAHOMA**

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

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

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

---

**This page intentionally left blank**

**TABLE OF CONTENTS**

<b>Independent Auditor’s Report on Financial Statements.....</b>	<b>5-7</b>
<b>Other Information:</b>	
<b>Management’s Discussion and Analysis.....</b>	<b>9-15</b>
<b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position (Modified Cash Basis).....	17
Statement of Activities (Modified Cash Basis).....	18
<b>Governmental Funds Financial Statements:</b>	
Balance Sheet (Modified Cash Basis).....	20
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	21
<b>Proprietary Funds Financial Statements:</b>	
Statement of Net Position (Modified Cash Basis) .....	23
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	24
Statement of Cash Flows (Modified Cash Basis).....	25
<b>Footnotes to the Basic Financial Statements.....</b>	<b>27-39</b>
<b>Supplementary and Other Information:</b>	
<b>Budgetary Comparison Information</b>	
Budgetary Comparison Schedule (Modified Cash Basis) – General Fund.....	41
Budgetary Comparison Schedules (Modified Cash Basis) – Sales Tax Lake Project Fund.....	42
Footnotes to Budgetary Comparison Schedules.....	42
<b>Combining General Fund Accounts Schedules</b>	
Combining Balance Sheet (Modified Cash Basis) – General Fund Accounts.....	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – General Fund Accounts.....	44
<b>Combining Non-Major Governmental Fund Statements</b>	
Combining Balance Sheet (Modified Cash Basis).....	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	45

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

---

**TABLE OF CONTENTS**

**Combining Proprietary Fund Accounts Schedules**

Combining Schedule of Net Position (Modified Cash Basis) - HPWA.....	46
Combining Schedule of Revenues, Expenditures and Changes in Net Position (Modified Cash Basis) - Holdenville Public Works Authority.....	47
Combining Schedule of Net Position (Modified Cash Basis) Holdenville Industrial Authority	48
Combining Schedule of Revenues, Expenditures and Changes in Net Position (Modified Cash Basis) Holdenville Industrial Authority.....	49

**Schedules of Federal and State Awards Information**

Schedule of Expenditures of Federal Awards .....	50
Schedule of Expenditures of State Awards .....	50

**Debt Service Coverage Information**

Schedule of Debt Service Coverage Requirement .....	51
Schedule of Reserve Requirement .....	51

**Internal Control and Compliance over Financial Reporting:**

Independent Auditor's Report on Internal Control and Compliance.....	53-54
--	-------



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of the  
City of Holdenville, 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 aggregate remaining fund information of the City of Holdenville, 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 in accordance with auditing standards 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.

### ***Basis for Adverse Opinion on Discretely Presented Component Unit***

The financial statements referred to above do not include financial data for the Holdenville Hospital Authority, a legally separate component unit of the City. The modified cash basis of accounting requires financial data for the City's legally separate component units to be reported with the financial data of the City's primary government unless the City also issues financial statements of the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this omission would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not determinable.

### ***Adverse Opinion on Discretely Presented Component Unit***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City as of June 30, 2016, or the changes in financial position for the year then ended.

### ***Unmodified 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.

### ***Other Matters***

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

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

The combining and individual nonmajor fund 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 and individual nonmajor fund financial statements, 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 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 August 26, 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..

*Arlidge & Associates, P.C.*

August 26, 2016

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

---

**This page intentionally left blank**

The management of the City of Holdenville 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 increased by \$3,869,263, and the assets of the City exceed its liabilities at June 30, 2016, by \$9,366,285 (net position). Of this amount, \$2,406,558 (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 \$3,267,256.
- At the end of fiscal 2016, unassigned fund balance on a modified cash basis for the General Fund was \$77,340, equivalent to 2.9% of General Fund revenues.

### **ABOUT THE CITY**

The City of Holdenville is an aldermanic form of government with a population of approximately 5,771 located in Hughes County in southeastern Oklahoma. The City is governed by a nine-member Council and operates under state law and City ordinances through three branches of government:

- Legislative – the City Council is a nine-member governing body with eight council members elected by ward and the mayor elected by the citizens at large
- Executive – the City Mayor is the Chief Executive Officer and is elected by the citizenry
- Judicial – the Municipal Judge is a practicing attorney appointed by the Mayor and confirmed 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 Industrial Authority, certain utility services including water, wastewater, sanitation, and industrial development activities.

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

This annual report includes all activities for which the City of Holdenville City Council is financially accountable except for the Holdenville Hospital Authority, which management has elected to exclude from this report. The activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

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

- **The City of Holdenville** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City
- **The Holdenville Public Works Authority (HPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees
- **The Holdenville Industrial Authority (HIA)** - public trust created pursuant to 60 O.S. § 176 that promotes, develops and secures industrial development within the City, with the City Council members serving as the trustees

As mentioned above, **the Holdenville Hospital Authority** is also a component unit of the City that issues separately audited financial statements, but is not included in this audited set of financial statements due to its use of a different financial reporting framework than the City. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate audited financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

For each of the above public trusts, the City of Holdenville is the beneficiary of the trusts and the City Council either serves as the governing body of the trusts or appoints the trustees. In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City's financial reporting entity. With the exception of the Holdenville Hospital Authority, the public trusts do not issue separate annual audited financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Holdenville (the "City"), the Holdenville Public Works Authority (the "Public Works Authority"), and the Holdenville Industrial Authority (the "Industrial Authority"). 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. These statements include current assets of the City as well as current liabilities, resulting from modified cash basis transactions. They present governmental 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 also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

## **Reporting the City as a Whole**

### ***The Statement of Net Position and Statement of Activities***

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

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

*Proprietary funds* - The City operates two proprietary-type enterprise funds, the Holdenville Public Works Authority (major fund), and the Holdenville Industrial Authority (major fund). When the City, through the Public Works Authority, or Industrial 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.

**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 beginning on page 27 of this report.

**Supplementary and Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and the Sales Tax Lake Project Fund, combining and individual fund financial statements and schedules, schedules of expenditures of federal and state awards, and debt service coverage reserve requirement schedules.

**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 increased \$3,869,263.

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

**TABLE 1**  
**NET POSITION (In Thousands)**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Total assets	\$ 3,268	\$ 3,090	6%	\$ 6,236	\$ 2,540	145%	\$ 9,504	\$ 5,630	69%
Total liabilities	1	1	0%	137	132	4%	138	133	4%
Net position									
Restricted	3,155	2,830	11%	3,805	380	902%	6,960	3,210	117%
Unrestricted	112	259	-57%	2,294	2,028	13%	2,406	2,287	5%
<b>Total net position</b>	<u>\$ 3,267</u>	<u>\$ 3,089</u>	6%	<u>\$ 6,099</u>	<u>\$ 2,408</u>	153%	<u>\$ 9,366</u>	<u>\$ 5,497</u>	70%

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

**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	
<b>Revenues</b>									
Charges for service	\$ 89	\$ 497	-82%	\$ 2,543	\$ 2,844	-11%	\$ 2,632	\$ 3,341	-21%
Operating grants and contributions	87	81	7%	-	-	-	87	81	7%
Capital grants and contributions	204	30	580%	3,740	773	384%	3,944	803	391%
Taxes	2,746	2,898	-5%	-	-	-	2,746	2,898	-5%
Intergovernmental revenue	96	98	-2%	-	-	-	96	98	-2%
Investment income	5	5	-	3	3	-	8	8	-
Miscellaneous	91	62	47%	38	32	100%	129	94	37%
<b>Total revenues</b>	<b>3,318</b>	<b>3,671</b>	<b>-10%</b>	<b>6,324</b>	<b>3,652</b>	<b>73%</b>	<b>9,642</b>	<b>7,323</b>	<b>32%</b>
<b>Expenses</b>									
General government	453	455	-	-	-	-	453	455	-
Court and judicial	12	12	-	-	-	-	12	12	-
Public safety	1,132	1,052	8%	-	-	-	1,132	1,052	8%
Streets	291	320	-9%	-	-	-	291	320	-9%
Airport	4	61	-93%	-	-	-	4	61	-93%
Culture, parks and recreation	367	717	-49%	-	-	-	367	717	-49%
Hospital (payments to component unit)	514	541	-5%	-	-	-	514	541	-5%
Interest on long-term debt	54	30	80%	-	-	-	54	30	80%
Water	-	-	-	1,468	1,270	16%	1,468	1,270	16%
Wastewater	-	-	-	738	895	-18%	738	895	-18%
Sanitation	-	-	-	396	548	-28%	396	548	-28%
Lake	-	-	-	170	106	60%	170	106	60%
Industrial development	-	-	-	88	611	-86%	88	611	-86%
Work center	-	-	-	86	98	-12%	86	98	-12%
<b>Total expenses</b>	<b>2,827</b>	<b>3,188</b>	<b>-11%</b>	<b>2,946</b>	<b>3,528</b>	<b>-1%</b>	<b>5,773</b>	<b>6,716</b>	<b>-14%</b>
Excess (deficiency) before transfers	491	483	2%	3,378	124	-2624%	3,869	607	537%
Transfers	(313)	(370)	15%	313	370	-15%	-	-	-
<b>Change in net position</b>	<b>178</b>	<b>113</b>	<b>-58%</b>	<b>3,691</b>	<b>494</b>	<b>647%</b>	<b>3,869</b>	<b>607</b>	<b>537%</b>
<b>Beginning net position</b>	<b>3,089</b>	<b>2,976</b>	<b>4%</b>	<b>2,408</b>	<b>1,914</b>	<b>26%</b>	<b>5,497</b>	<b>4,890</b>	<b>12%</b>
<b>Ending net position</b>	<b>\$ 3,267</b>	<b>\$ 3,089</b>	<b>6%</b>	<b>\$ 6,099</b>	<b>\$ 2,408</b>	<b>153%</b>	<b>\$ 9,366</b>	<b>\$ 5,497</b>	<b>70%</b>

**Governmental Activities**

The City's governmental activities had an increase in net position of \$178,355. Charges for services decreased \$408,844 due to a decrease in other gas leases of \$374,696. Capital grants and contributions increased \$174,064 and interest on long-term debt increased approximately \$24,000 due primarily to the issuance of 3 new capital leases in the current year. Airport expenses decreased approximately \$57,000 related to the return of airport donation money in the prior year. Culture, parks and recreation expenses decreased approximately \$350,000 related to more expenditures in prior year on the lake project.

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

**Net Revenue (Expense) of Governmental Activities**  
**(In Thousands)**

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
General government	\$ 453	\$ 455	-	\$ (332)	\$ (23)	1343%
Court and judicial	12	12	-	(12)	(12)	-
Public safety	1,132	1,052	8%	(942)	(948)	-1%
Streets	291	320	-9%	(238)	(265)	-10%
Airport	4	61	-93%	4	(52)	-108%
Culture, parks and recreation	367	717	-49%	(358)	(708)	-49%
Hospital	514	541	-5%	(514)	(541)	-5%
Principal and interest on long-term debt	54	30	80%	(54)	(30)	80%
<b>Total</b>	<u>\$ 2,827</u>	<u>\$ 3,188</u>	-11%	<u>\$ (2,446)</u>	<u>\$ (2,579)</u>	-5%

**Business-type Activities**

The business-type activities had an increase in net position of \$3,690,908. Expense increased for lake by 60% related to the lease purchase of a Kubota tractor. Expenses decreased for sanitation and industrial development, which experienced a decrease of 28% and 86%, respectively. The Sanitation expense decrease was the result of a capital lease purchase of a sanitation truck in the prior year. Industrial development grant expense decreased approximately \$500,000 due to completion of the project in the current year. Capital grants and contributions increased approximately \$3 million, or 384%, due to the issuance of a Bond Anticipation note through Bancfirst in the amount of \$3,500,000 and a decrease of industrial development grants received in current year of \$545,365.

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

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Water	\$ 1,468	\$ 1,270	16%	\$ 1,671	\$ 98	1605%
Wastewater	738	895	-18%	1,750	55	3082%
Sanitation	396	548	-28%	20	(1)	-2100%
Lake	170	106	60%	(145)	(89)	63%
Industrial development	88	611	-86%	95	93	2%
Work center	86	98	-12%	(55)	(67)	-18%
<b>Total</b>	<u>\$ 2,946</u>	<u>\$ 3,528</u>	-16%	<u>\$ 3,336</u>	<u>\$ 89</u>	3648%

## **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 \$3,267,256. For the year ended June 30, 2016, the General Fund's total fund balance decreased by \$136,329. The proprietary funds reported combined net position of \$6,099,029. The HPWA's total net position increased by \$3,615,944, while the HIA's total net position increased by \$74,964.

### **Budgetary Highlights**

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues under final estimates by \$419,525 or an 8.5% negative variance. General Fund actual expenditures were under final appropriations by \$317,696 or a 6.4% positive variance.

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

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

- The FY 2017 budget is relatively consistent to prior years.

### **Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk/Treasurer's office at 101 North Creek Street, Holdenville, Oklahoma 74848 or telephone at 405-379-3397.

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

---

**BASIC FINANCIAL STATEMENTS – STATEMENT OF NET POSITION AND ACTIVITIES**

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

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,267,621	\$ 6,182,625	\$ 9,450,246
Investments	-	53,458	53,458
Total assets	<u>3,267,621</u>	<u>6,236,083</u>	<u>9,503,704</u>
<b>LIABILITIES</b>			
Due to other governments	365	-	365
Due to depositors	-	137,054	137,054
Total liabilities	<u>365</u>	<u>137,054</u>	<u>137,419</u>
<b>NET POSITION</b>			
Restricted for:			
Debt service	-	441,904	441,904
Culture and recreation	3,120,121	-	3,120,121
Fire	7,350	-	7,350
Other purposes	27,437	3,362,915	3,390,352
Unrestricted	112,348	2,294,210	2,406,558
Total net position	<u>\$ 3,267,256</u>	<u>\$ 6,099,029</u>	<u>\$ 9,366,285</u>

See accompanying notes to these financial statements.

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

**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
<b>Primary government</b>							
Governmental Activities:							
General Government	\$ 452,767	\$ 14,519	\$ 200	\$ 106,064	\$ (331,984)	\$ -	\$ (331,984)
Court and Judicial	12,121	-	-	-	(12,121)	-	(12,121)
Public Safety	1,131,964	66,326	25,712	97,812	(942,114)	-	(942,114)
Highways and Streets	291,238	-	53,082	-	(238,156)	-	(238,156)
Airport	4,379	7,760	-	-	3,381	-	3,381
Culture and Recreation	366,682	-	8,581	-	(358,101)	-	(358,101)
Hospital (payments to component unit)	513,464	-	-	-	(513,464)	-	(513,464)
Principal and Interest on Long-term Debt	53,581	-	-	-	(53,581)	-	(53,581)
Total governmental activities	<u>2,826,196</u>	<u>88,605</u>	<u>87,575</u>	<u>203,876</u>	<u>(2,446,140)</u>	<u>-</u>	<u>(2,446,140)</u>
Business-Type Activities:							
Water	1,468,343	1,209,154	-	1,930,495	-	1,671,306	1,671,306
Sewer	738,318	715,543	-	1,772,514	-	1,749,739	1,749,739
Sanitation	396,184	416,295	-	-	-	20,111	20,111
Lake	170,257	24,936	-	-	-	(145,321)	(145,321)
Industrial Development	87,882	146,007	-	37,318	-	95,443	95,443
Work Center	86,352	31,308	-	-	-	(55,044)	(55,044)
Total business-type activities	<u>2,947,336</u>	<u>2,543,243</u>	<u>-</u>	<u>3,740,327</u>	<u>-</u>	<u>3,336,234</u>	<u>3,336,234</u>
Total primary government	<u>\$ 5,773,532</u>	<u>\$ 2,631,848</u>	<u>\$ 87,575</u>	<u>\$ 3,944,203</u>	<u>(2,446,140)</u>	<u>3,336,234</u>	<u>890,094</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					2,567,320	-	2,567,320
Franchise taxes and public service taxes					165,656	-	165,656
E-911 taxes					12,744	-	12,744
Intergovernmental revenue not restricted to specific programs					96,147	-	96,147
Unrestricted investment earnings					4,941	3,115	8,056
Miscellaneous					91,151	38,095	129,246
Transfers					(313,464)	313,464	-
Total general revenues and transfers					<u>2,624,495</u>	<u>354,674</u>	<u>2,979,169</u>
Change in net position					178,355	3,690,908	3,869,263
Net position - beginning					3,088,901	2,408,121	5,497,022
Net position - ending					<u>\$ 3,267,256</u>	<u>\$ 6,099,029</u>	<u>\$ 9,366,285</u>

See accompanying notes to these financial statements.

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

---

**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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

**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2016**

	<u>General Fund</u>	<u>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 86,521	\$ 3,137,153	\$ 43,947	\$ 3,267,621
Due from other funds	521	-	1,987	2,508
Total assets	<u>\$ 87,042</u>	<u>\$ 3,137,153</u>	<u>\$ 45,934</u>	<u>\$ 3,270,129</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other governments	\$ 365	\$ -	\$ -	\$ 365
Due to other funds	1,987	-	521	2,508
Total liabilities	<u>2,352</u>	<u>-</u>	<u>521</u>	<u>2,873</u>
Fund balances:				
Restricted:				
Fire	7,350	-	-	7,350
Lake project	-	3,098,883	-	3,098,883
Library	-	-	13,888	13,888
Cemetery	-	-	27,437	27,437
Assigned to:				
Lake project	-	38,270	-	38,270
Library	-	-	4,088	4,088
Unassigned	77,340	-	-	77,340
Total fund balances	<u>84,690</u>	<u>3,137,153</u>	<u>45,413</u>	<u>3,267,256</u>
Total liabilities and fund balances	<u>\$ 87,042</u>	<u>\$ 3,137,153</u>	<u>\$ 45,934</u>	<u>\$ 3,270,129</u>

See accompanying notes to these financial statements.

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

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

	<u>General Fund</u>	<u>Sales Tax Lake Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 2,219,512	\$ 513,464	\$ -	\$ 2,732,976
Intergovernmental	169,504	-	7,278	176,782
Charges for services	14,301	-	3,250	17,551
Fines and forfeitures	66,326	-	-	66,326
Licenses and permits	4,728	-	-	4,728
Investment income	125	4,765	51	4,941
Miscellaneous	132,857	-	413	133,270
Total Revenues	<u>2,607,353</u>	<u>518,229</u>	<u>10,992</u>	<u>3,136,574</u>
<b>EXPENDITURES</b>				
Current:				
General government	350,876	-	399	351,275
Court and judicial	12,121	-	-	12,121
Public safety	999,354	-	-	999,354
Highway and streets	279,712	-	-	279,712
Airport	4,379	-	-	4,379
Culture and recreation	142,450	-	363	142,813
Capital Outlay	255,722	207,655	6,120	469,497
Debt Service:				
Principal	48,220	-	-	48,220
Interest and other charges	5,361	-	-	5,361
Total Expenditures	<u>2,098,195</u>	<u>207,655</u>	<u>6,882</u>	<u>2,312,732</u>
Excess (deficiency) of revenues over expenditures	<u>509,158</u>	<u>310,574</u>	<u>4,110</u>	<u>823,842</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt	181,441	-	-	181,441
Sales tax payment to hospital	(513,464)	-	-	(513,464)
Transfers in	1,226,928	-	-	1,226,928
Transfers out	(1,540,392)	-	-	(1,540,392)
Total other financing sources and uses	<u>(645,487)</u>	<u>-</u>	<u>-</u>	<u>(645,487)</u>
Net change in fund balances	(136,329)	310,574	4,110	178,355
Fund balances - beginning	221,019	2,826,579	41,303	3,088,901
Fund balances - ending	<u>\$ 84,690</u>	<u>\$ 3,137,153</u>	<u>\$ 45,413</u>	<u>\$ 3,267,256</u>

See accompanying notes to these financial statements.

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

---

**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

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

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

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,036,757	\$ 257,453	\$ 2,294,210
Restricted cash and cash equivalents	3,740,612	33,496	3,774,108
Restricted investments	53,458	-	53,458
Total current assets	<u>5,830,827</u>	<u>290,949</u>	<u>6,121,776</u>
Non-current assets:			
Restricted cash and cash equivalents	-	114,307	114,307
Total non-current assets	<u>-</u>	<u>114,307</u>	<u>114,307</u>
Total assets	<u>5,830,827</u>	<u>405,256</u>	<u>6,236,083</u>
<b>LIABILITIES</b>			
Current liabilities:			
Deposits subject to refund	<u>137,054</u>	-	<u>137,054</u>
Total liabilities	<u>137,054</u>	<u>-</u>	<u>137,054</u>
<b>NET POSITION</b>			
Restricted for inmate services	-	4,701	4,701
Restricted for debt service	323,806	118,098	441,904
Restricted for capital improvements	3,333,210	25,004	3,358,214
Unrestricted	<u>2,036,757</u>	<u>257,453</u>	<u>2,294,210</u>
Total net position	<u>\$ 5,693,773</u>	<u>\$ 405,256</u>	<u>\$ 6,099,029</u>

See accompanying notes to these financial statements.

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

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

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Enterprise Funds</u>
<b>OPERATING REVENUES</b>			
Water charges	\$ 1,174,749	\$ -	\$ 1,174,749
Sewer charges	697,182	-	697,182
Sanitation charges	395,742	-	395,742
Property cleanup revenue	42,394	-	42,394
Water and sewer taps	700	-	700
Landfill charges	10,144	-	10,144
Penalty charges	9,347	-	9,347
Boat and camping permits	24,936	-	24,936
Reconnect fee	7,740	-	7,740
Rentals	-	40,800	40,800
Telephone and vending commission	-	136,515	136,515
Total operating revenues	<u>2,362,934</u>	<u>177,315</u>	<u>2,540,249</u>
<b>OPERATING EXPENSES</b>			
Administration	321,661	-	321,661
Sewer	268,731	-	268,731
Water	698,043	-	698,043
Sanitation	239,849	-	239,849
Landfill	73,195	-	73,195
Lake	157,333	-	157,333
Industrial development	-	87,882	87,882
Work center	-	19,896	19,896
Total operating expenses	<u>1,758,812</u>	<u>107,778</u>	<u>1,866,590</u>
Operating income	<u>604,122</u>	<u>69,537</u>	<u>673,659</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	2,561	554	3,115
Principal payments	(752,013)	(40,000)	(792,013)
Interest expense	(143,873)	(26,456)	(170,329)
Capital grants and contributions	157,980	37,318	195,298
Proceeds from debt	3,545,029	-	3,545,029
Bond issuance costs paid	(118,404)	-	(118,404)
Interest received on sale of bonds	4,084	-	4,084
Miscellaneous revenue	2,994	34,011	37,005
Total non-operating revenue (expenses)	<u>2,698,358</u>	<u>5,427</u>	<u>2,703,785</u>
Income before transfers	<u>3,302,480</u>	<u>74,964</u>	<u>3,377,444</u>
Transfers in	1,540,392	-	1,540,392
Transfers out	(1,226,928)	-	(1,226,928)
Change in net position	<u>3,615,944</u>	<u>74,964</u>	<u>3,690,908</u>
Total net position - beginning	<u>2,077,829</u>	<u>330,292</u>	<u>2,408,121</u>
Total net position- ending	<u>\$ 5,693,773</u>	<u>\$ 405,256</u>	<u>\$ 6,099,029</u>

See accompanying notes to these financial statements.

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

**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2016**

	<u>Holdenville Public Works Authority</u>	<u>Holdenville Industrial Authority</u>	<u>Total Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,365,928	\$ 211,326	\$ 2,577,254
Payments to suppliers	(1,101,264)	(107,778)	(1,209,042)
Payments to employees	(657,548)	-	(657,548)
Receipts of customer meter deposits	29,780	-	29,780
Refunds of customer meter deposits	(25,090)	-	(25,090)
Paid to other funds	(8,130)	-	(8,130)
<b>Net cash provided by operating activities</b>	<u>603,676</u>	<u>103,548</u>	<u>707,224</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	1,540,392	-	1,540,392
Transfers to other funds	(1,226,928)	-	(1,226,928)
<b>Net cash provided by noncapital financing activities</b>	<u>313,464</u>	<u>-</u>	<u>313,464</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Receipt of capital grant	157,980	37,318	195,298
Proceeds from debt	3,545,029	-	3,545,029
Principal paid on debt	(752,013)	(40,000)	(792,013)
Interest received on sale of bonds	4,084	-	4,084
Bond issue costs paid	(118,404)	-	(118,404)
Interest and fiscal agent fees paid on debt	(143,873)	(26,456)	(170,329)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>2,692,803</u>	<u>(29,138)</u>	<u>2,663,665</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(195)	-	(195)
Interest and dividends	2,561	554	3,115
<b>Net cash provided by investing activities</b>	<u>2,366</u>	<u>554</u>	<u>2,920</u>
<b>Net increase in cash and cash equivalents</b>	3,612,309	74,964	3,687,273
<b>Balances - beginning of year</b>	<u>2,165,060</u>	<u>330,292</u>	<u>2,495,352</u>
<b>Balances - end of year</b>	<u>\$ 5,777,369</u>	<u>\$ 405,256</u>	<u>\$ 6,182,625</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 2,036,757	\$ 257,453	\$ 2,294,210
Restricted cash and cash equivalents - current	3,740,612	33,496	3,774,108
Restricted cash and cash equivalents - noncurrent	-	114,307	114,307
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 5,777,369</u>	<u>\$ 405,256</u>	<u>\$ 6,182,625</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 604,122	\$ 69,537	\$ 673,659
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous revenue	2,994	34,011	37,005
Miscellaneous expense	-	-	-
Change in assets and liabilities:			
Due to other funds	(8,130)	-	(8,130)
Deposits subject to refund	4,690	-	4,690
<b>Net cash provided by operating activities</b>	<u>\$ 603,676</u>	<u>\$ 103,548</u>	<u>\$ 707,224</u>

See accompanying notes to these financial statements.

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

---

**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Holdenville) and two component units.

- **The City of Holdenville**— that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Holdenville Public Works Authority** – that operates the water, wastewater and sanitation services of the City
- **The City of Holdenville Industrial Authority** – that promotes, develops and secures industrial development within the City

**The Holdenville Hospital Authority** is also a component unit of the City that issues a separately audited financial statements, but is not included in this audited set of financial statements, due to its use of a different financial reporting framework from the City's. The Hospital Authority provides physical facilities, improvements and services for the purpose of providing public health care. Separate audited financial statements can be obtained by contacting: Holdenville General Hospital, 100 Crestview Drive, Holdenville, Oklahoma 74848.

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 industrial development activities.

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

In determining the financial reporting entity, the City complies, with the exception of the omission of the Holdenville Hospital Authority, with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and Statement Number 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34.*" that requires all component units of which the City is financially accountable be included in the financial report.

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 for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for 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, mowing fees, operating and capital grants
- Public safety: Fine revenue, impound fees, fire runs and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Operating and capital grants

*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 an account of the General Fund:

- CDBG Grant Account – accounts for revenues and expenditures of certain CDBG grant projects

Special Revenue Fund:

- Sales Tax Lake Project Fund – accounts for sales tax restricted for the construction of a new lake

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

Special Revenue Fund:

- Library Fund – accounts for all library revenues retained for library use only

Capital Project Fund:

- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

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

*Proprietary Funds:*

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

**Major Funds:**

- Holdenville Public Works Authority (HPWA) Enterprise Fund – accounts for the operation of the water, wastewater, and sanitation activities
- Holdenville Industrial Authority (HIA) Enterprise Fund – accounts for industrial development activities

The proprietary funds are also reported on a modified cash basis, as defined above.

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 or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits 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, which is 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 other 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.

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

**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 \$8,056 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:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>		
Demand deposits		\$ 5,916,397
Time deposits-certificates of deposits		53,458
Cash on hand		270
		<u>5,970,125</u>
<b>Investments:</b>		
First United Money Market Funds	not rated	147,803
Federated Gov Oblig Tax-Managed Svc	AAA	3,385,711
Goldman Federated Money Market Funds	AAA	65
		<u>3,533,579</u>
<b>Total deposits and investments</b>		<u><u>\$ 9,503,704</u></u>
 <b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 9,450,246
Investments		53,458
		<u><u>\$ 9,503,704</u></u>

*Custodial 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.

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

*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 statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2016 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and cash equivalents</u>	<u>Non-current Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
HPWA - Utilities				
Utility Deposits	\$ 83,596	\$ -	\$ 53,458	\$ 137,054
Bond Indenture Accounts:				
Bond Account	211,731	-	-	211,731
2012 Revenue Account	65	-	-	65
2016 Sinking Account	52,501	-	-	52,501
2016 Construction Account	3,333,210	-	-	3,333,210
OWRB Construction	<u>59,509</u>	<u>-</u>	<u>-</u>	<u>59,509</u>
Total HPWA - Utilities	<u>3,740,612</u>	<u>-</u>	<u>53,458</u>	<u>3,794,070</u>
HIA Work Center:				
Bond Indenture Accounts:				
Bond Fund Interest Account	1,293	-	-	1,293
Bond Fund Reserve Account	-	84,302	-	84,302
Bond Fund Principal Account	2,498	-	-	2,498
Capital Expenditures Fund Account	25,004	-	-	25,004
Operating Reserve Account	-	30,005	-	30,005
Welfare Account	<u>4,701</u>	<u>-</u>	<u>-</u>	<u>4,701</u>
Total Work Center	<u>33,496</u>	<u>114,307</u>	<u>-</u>	<u>147,803</u>
Total Enterprise Funds	<u>\$ 3,774,108</u>	<u>\$ 114,307</u>	<u>\$ 53,458</u>	<u>\$ 3,941,873</u>

### 3. Sales Tax Revenue

Sales tax revenue represents a 5 cent tax on each dollar of taxable sales of which three cents are transferred to the Holdenville Public Works Authority and used to secure debt payments. Two cents are then transferred back to the General Fund. One cent is voter-restricted for the Hospital Authority and one cent is voter-restricted for lake improvements.

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

**4. Internal Balances and Transfers Between Funds and Legal Entities**

Internal balances between funds and legal entities are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Library Fund	General Fund	\$ 521	Expense reimbursement
General Fund	Cemetery Care Fund	1,987	12.5% required transfer
Total		<u>\$ 2,508</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	<u>\$ 2,508</u>	<u>\$ (2,508)</u>	<u>\$ -</u>

Internal transfers between funds and legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
HPWA	General Fund	\$ 1,026,928	Return of sales tax
HPWA	General Fund	200,000	Operating
General Fund	HPWA	1,540,392	Sales tax transfer
Total		<u>\$ 2,767,320</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,226,928	\$ (1,540,392)	\$ (313,464)
Proprietary Funds	1,540,392	(1,226,928)	313,464
	<u>\$ 2,767,320</u>	<u>\$ (2,767,320)</u>	<u>\$ -</u>

**5. Risk Management**

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

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Building and Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee's Group Health and Life – Covered through purchase of commercial insurance - HealthChoice.

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

## **6. Retirement Plan Participation**

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide multiple-employer cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – a statewide multiple-employer, cost sharing plan

### *OFPRS:*

The City of Holdenville, 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 full-time and 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. OFPRS plan members are now required to contribute 9% to the plan. The City is now required by state law to contribute 14% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2016, the City's annual required contribution was \$32,236 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.

### *OPERS:*

The City participates in a statewide cost-sharing multiple employer defined benefit pension benefit for all of its full-time employees with the exception of the fire department, through the Oklahoma Public Employees Retirement System (OPERS). The employee's contribution rate is 3.5%. City's contribution rate is 16.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

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

*Schedule of Retirement Plan Contributions – OFPRS and OPERS Cost-Sharing Plans:*

<u>Oklahoma Public Employees Retirement System</u>			<u>Oklahoma Firefighter's Pension and Retirement System</u>		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$164,544	100%	2014	\$30,804	100%
2015	\$168,839	100%	2015	\$32,337	100%
2016	\$165,011	100%	2016	\$32,236	100%

**7. Commitments and Contingencies**

*Long-Term and Short-Term Debt and Debt Service Requirements*

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ 49,154	\$ 181,442	\$ 48,220	\$ 182,376	\$ 54,250
Total Governmental Activities	\$ 49,154	\$ 181,442	\$ 48,220	\$ 182,376	\$ 54,250
<b>Business-Type Activities:</b>					
Notes payable	\$ 1,312,769	\$ 3,500,000	\$ 230,658	\$ 4,582,111	\$ 3,734,324
Capital lease payable	103,112	45,029	36,355	111,786	39,805
Revenue bonds payable	3,765,000	-	525,000	3,240,000	550,000
Total Business-Type Activities	5,180,881	3,545,029	792,013	7,933,897	4,324,129
Total Long-Term and Short-Term Debt	\$ 5,230,035	\$ 3,726,471	\$ 840,233	\$ 8,116,273	\$ 4,378,379

*Governmental Activities:*

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

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

Capital Lease Obligations Payable

\$29,812 lease obligation for the purchase of phone system, payable in monthly installments of \$591 with an annual interest rate of 6.45%, final payment due February 2020.	\$	21,942
\$5,896 lease obligation for the purchase of phone system add-on, payable in monthly installments of \$150 with an annual interest rate of 10.16%, final payment due February 2020.		5,283
\$85,083 lease obligation for the purchase of a John Deere backhoe, payable in 6 annual installments of \$15,364 with an annual interest rate of 2.34%, final payment due July 2018.		71,396
\$90,462 lease obligation for the purchase of a fire truck, payable in monthly installments of \$1,613 with an annual interest rate of 2.7%, final payment due January 2021.		81,988
\$30,178 lease obligation for the purchase of a Kubota/cutter, payable in monthly installments of \$876 with an annual interest rate of 2.87%, final payment due September 2016.		1,767
<b>Total Capital Leases Payable</b>	<b>\$</b>	<b><u>182,376</u></b>

*Business-Type Activities:*

Long-term and short-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2016, includes the following:

Notes Payable:

1997 Note Payable to Oklahoma Department of Commerce for sewer line improvements of \$175,000, payable in monthly installments of \$730, zero percent interest, final payment due August 2020.	\$	37,760
1998 Note Payable to Oklahoma Water Resources Board for water plant construction, payable in varying semi-annual installments, variable interest rates payable plus an administrative fee of 0.5% per annum, final payment due September 2020. Total note authorized at \$4,177,000.		1,044,351
Bond Anticipation Notes, Series 2016, for water and sewer improvements of \$3,500,000, payable in full on April 1, 2017, with interest at 1.50%. The principal of the Notes is expected to be paid from the proceeds of long term, fixed rate bonds anticipated to be issued by the Authority on or before April 1, 2017, and any other available funds of the Authority.		3,500,000
<b>Total Notes Payable</b>	<b>\$</b>	<b><u>4,582,111</u></b>

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

Capital Lease Payable:

\$124,600 lease obligation for the purchase of a freightliner, payable in 60 monthly installments of \$2,237 with an annual interest rate of 2.96%, final payment due August 2019	\$	78,957
\$45,029 lease obligation for the purchase of a Kubota tractor, payable in 36 monthly installments of \$1,292 with an annual interest rate of 2.05%, final payment due September 15, 2018		32,829
Total Capital Leases Payable	\$	<u>111,786</u>

Revenue Bonds Payable:

2012 Taxable Refunding Revenue Bonds, original issue amount of \$4,695,000 dated March 30, 2012, issued by Holdenville Public Works Authority, secured by certain utility revenue and pledged sales tax, and interest rate 3.750%, final payment due October 2021.	\$	2,855,000
2001 Series Work Center Revenue Bonds, original issue amount of \$805,000 dated May 15, 2001, issued by Holdenville Industrial Authority, secured by a second mortgage on and a security interest to the Facility, and gross revenues, interest rate at 6.375%, due in semi-annual principal & interest payments beginning October 1, 2001 with final maturity on April 1, 2023.		<u>385,000</u>
Total Revenue Bonds Payable	\$	<u>3,240,000</u>

Long-term debt service requirements to maturity are as follows:

<u>Year Ending June 30.</u>	Governmental Activities	
	Capital Lease Obligations	
	Principal	Interest
2017	\$ 54,250	\$ 5,360
2018	54,180	3,658
2019	41,220	1,798
2020	23,205	632
2021	9,521	75
Totals	<u>\$ 182,376</u>	<u>\$ 11,523</u>

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

<u>Year Ending June 30,</u>	Business Type Activities					
	Revenue		Notes Payable		Capital Lease Obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 550,000	\$ 126,281	\$ 3,734,324	\$ 68,538	\$ 39,805	\$ 2,553
2018	575,000	104,129	237,998	12,364	40,867	1,490
2019	595,000	81,066	241,732	8,631	28,933	501
2020	615,000	57,253	245,516	4,846	2,181	5
2021	645,000	32,531	122,541	980	-	-
2021-2023	260,000	12,057	-	-	-	-
Totals	<u>\$ 3,240,000</u>	<u>\$ 413,317</u>	<u>\$ 4,582,111</u>	<u>\$ 95,359</u>	<u>\$ 111,786</u>	<u>\$ 4,549</u>

*Pledge of Future Revenues*

Sales Tax and Utility Net Revenues Pledge - The City has pledged and transferred three cents (or 60.0%) of future sales tax revenues and net utility revenues to repay the \$4,695,000 Series 2012 Refunding Utilities Bonds and the \$4,177,000 Series 1998 OWRB Promissory Notes. Proceeds from the bonds provided refunding of bonds issued for capital assets while proceeds from the notes provided for the purchase or construction of capital assets. The bonds and notes are payable from pledged sales tax revenues and net utility revenues. The bonds are payable through 2021 while the notes are payable through 2020. The total principal and interest payable for the remainder of the life of these bonds and notes are \$4,256,554. Pledged sales taxes received in the current year were \$1,540,392 and net utility revenues were \$584,196. Debt service payments of \$847,353 for the current fiscal year were 39.9% of pledged sales taxes and net utility revenues.

Work Release Center Net Revenues Pledge - The City has also pledged future net rental and commission revenue and investment income of the HIA Work Release Center to repay the \$805,000 Series 2001 Work Center Refunding Bonds. Proceeds from the bonds provided refunding of bonds issued for the construction of capital assets. The bonds are payable from net work center revenues and pledged investment income and are payable through 2023. The total principal and interest payable for the remainder of the life of these contracts is \$483,973. Net work center revenues and pledged investment income were \$101,519. Debt service payments of \$66,456 for the current fiscal year were 65.5% of net revenues.

*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 comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2016, is summarized as follows:

- HPWA – accrued compensated absences \$44,122
- General Fund – accrued compensated absences \$92,562

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

---

*DEQ Consent Order and Notice of Violation:*

The City of Holdenville is currently under a consent order (14-087) related to the water treatment plant backwash lagoon and several notices of violation related to the water treatment plant clearwell hatch and filter media with the Oklahoma Department of Environmental Quality. Timely compliance with the notice is needed to avoid any fines. The City is in various stages of resolving these issues.

*Contingencies:*

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 Holdenville participates in various federal or state grant/loan programs from year to year. In 2016, the City's involvement in federal and state award programs was not material. 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 HOLDENVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

---

**SUPPLEMENTARY AND OTHER INFORMATION**

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance (Deficit)</b>	\$ 280,050	\$ 280,050	\$ 219,701	\$ (60,349)
<b>Resources (Inflows):</b>				
<b>TAXES:</b>				
Sales tax	2,700,000	2,700,000	2,567,320	(132,680)
Franchise tax	160,000	160,000	165,656	5,656
Total taxes	<u>2,860,000</u>	<u>2,860,000</u>	<u>2,732,976</u>	<u>(127,024)</u>
<b>INTERGOVERNMENTAL:</b>				
Alcoholic beverage tax	60,000	60,000	65,283	5,283
Gas excise tax	9,000	9,000	10,884	1,884
Vehicle tax	40,000	40,000	42,198	2,198
Tobacco tax	30,000	30,000	30,864	864
Grants	4,400	4,400	20,275	15,875
Total Intergovernmental	<u>143,400</u>	<u>143,400</u>	<u>169,504</u>	<u>26,104</u>
<b>CHARGES FOR SERVICES:</b>				
Cemetery openings/closing	9,000	9,000	6,541	(2,459)
Aiport hay rights	-	-	2,810	2,810
Aiport hangar rental	5,000	5,000	4,950	(50)
	<u>14,000</u>	<u>14,000</u>	<u>14,301</u>	<u>301</u>
<b>FINES AND FORFEITURES</b>	<u>85,000</u>	<u>85,000</u>	<u>66,326</u>	<u>(18,674)</u>
<b>LICENSES AND PERMITS:</b>				
Dog tags	500	500	1,120	620
Inspection and building permits	1,800	1,800	1,988	188
Other licenses and permits	1,200	1,200	1,620	420
Total licenses and permits	<u>3,500</u>	<u>3,500</u>	<u>4,728</u>	<u>1,228</u>
<b>INVESTMENT INCOME</b>	<u>75</u>	<u>75</u>	<u>125</u>	<u>50</u>
<b>MISCELLANEOUS:</b>				
Rentals/leases	750	750	1,100	350
911 revenue	12,000	12,000	12,744	744
Miscellaneous	12,000	12,000	63,204	51,204
Reimbursements	2,000	2,000	7,767	5,767
Cemetery - sale of lots	5,000	5,000	16,209	11,209
Donations	50,000	50,000	28,972	(21,028)
Oil and gas royalty	5,500	5,500	2,861	(2,639)
Total Miscellaneous	<u>87,250</u>	<u>87,250</u>	<u>132,857</u>	<u>45,607</u>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from debt issuance	89,500	174,968	181,441	6,473
Transfers from other funds	1,580,518	1,580,518	1,226,928	(353,590)
Total Other Financing Sources	<u>1,670,018</u>	<u>1,755,486</u>	<u>1,408,369</u>	<u>(347,117)</u>
<b>Total Resources (Inflows)</b>	<u>4,863,243</u>	<u>4,948,711</u>	<u>4,529,186</u>	<u>(419,525)</u>
<b>Amount available for appropriation</b>	<u>5,143,293</u>	<u>5,228,761</u>	<u>4,748,887</u>	<u>(479,874)</u>
<b>Charges to Appropriations (Outflows):</b>				
Departmental:				
<b>General Government:</b>				
General government	277,453	269,483	254,978	14,505
Governing Board	39,802	37,126	37,103	23
Cemetery	105,672	190,290	183,649	6,641
<b>Court and Judicial:</b>				
City Attorney	6,459	6,517	6,517	-
Municipal court	6,028	5,604	5,604	-
<b>Highways and Streets:</b>				
Street	224,810	225,810	191,459	34,351
Street and Alley	113,868	113,868	110,291	3,577
<b>Airport:</b>				
Airport	9,000	9,000	4,379	4,621
<b>Public Safety:</b>				
Police	621,734	631,746	584,108	47,638
Fire	537,477	532,852	480,878	51,974
Civil Defense	91,028	92,028	86,685	5,343
<b>Culture and Recreation:</b>				
Parks	71,240	70,240	59,705	10,535
Library	77,672	83,147	81,149	1,998
Civic Center	15,500	15,500	11,690	3,810
Payment to Hospital (component unit)	540,000	540,000	513,464	26,536
Transfers to Other Funds	2,160,000	2,160,000	2,053,856	106,144
Total other financing sources and uses	<u>4,897,743</u>	<u>4,983,211</u>	<u>4,665,515</u>	<u>317,696</u>
<b>Fund balances - ending</b>	<u>\$ 245,550</u>	<u>\$ 245,550</u>	<u>\$ 83,372</u>	<u>\$ (162,178)</u>

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

**Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2016, (Cont.)**

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance	
Fund Balance - ending - Budget to Actual Schedule	\$ 83,372
CDBG Grant Account	1,318
Fund Balance - ending - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 84,690</u>

**Budgetary Comparison Schedules (Modified Cash Basis) – Sales Tax Lake Project Fund - Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 2,809,304	\$ 2,826,196	\$ 2,826,579	\$ 383
<b>Resources (Inflows)</b>				
Investment Income	4,000	4,000	4,765	765
Transfers from Other Funds	540,000	540,000	513,464	(26,536)
Amounts Available for Appropriation	<u>3,353,304</u>	<u>3,370,196</u>	<u>3,344,808</u>	<u>(25,771)</u>
<b>Charges to Appropriations (Outflows)</b>				
Culture and Recreation	544,000	544,000	207,655	336,345
Total Charges to Appropriations	<u>544,000</u>	<u>544,000</u>	<u>207,655</u>	<u>336,345</u>
Fund balances - ending	<u>\$ 2,809,304</u>	<u>\$ 2,826,196</u>	<u>\$ 3,137,153</u>	<u>\$ 310,574</u>

**Footnotes to Budgetary Comparison Schedules:**

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

**CITY OF HOLDENVILLE, 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**

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Total General Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 85,204	\$ 1,317	\$ 86,521
Due to/from other funds	521	-	521
Total assets	<u>\$ 85,725</u>	<u>\$ 1,317</u>	<u>\$ 87,042</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds/accounts	\$ 1,988	\$ (1)	\$ 1,987
Due to other governments	365	-	365
Total liabilities	<u>2,353</u>	<u>(1)</u>	<u>2,352</u>
Fund balances:			
Restricted for:			
Fire	7,350	-	7,350
Unassigned	76,022	1,318	77,340
Total fund balances	<u>83,372</u>	<u>1,318</u>	<u>84,690</u>
Total liabilities and fund balances	<u>\$ 85,725</u>	<u>\$ 1,317</u>	<u>\$ 87,042</u>

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

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

	<u>General Fund</u>	<u>CDBG Grant Account</u>	<u>Total General Fund</u>
<b>REVENUES</b>			
Taxes	\$ 2,219,512	\$ -	\$ 2,219,512
Intergovernmental	169,504	-	169,504
Charges for services	14,301	-	14,301
Fines and forfeitures	66,326	-	66,326
Licenses and permits	4,728	-	4,728
Investment income	125	-	125
Miscellaneous	132,857	-	132,857
Total revenues	<u>2,607,353</u>	<u>-</u>	<u>2,607,353</u>
<b>EXPENDITURES</b>			
Current:			
General government	350,876	-	350,876
Court and judicial	12,121	-	12,121
Public Safety	999,354	-	999,354
Highways and streets	279,712	-	279,712
Airport	4,379	-	4,379
Culture and recreation	142,450	-	142,450
Debt Service:			
Principal	48,220	-	48,220
Interest and other charges	5,361	-	5,361
Capital Outlay	255,722	-	255,722
Total Expenditures	<u>2,098,195</u>	<u>-</u>	<u>2,098,195</u>
Excess (deficiency) of revenues over expenditures	<u>509,158</u>	<u>-</u>	<u>509,158</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sales tax payment to hospital	(513,464)	-	(513,464)
Proceeds from debt	181,441	-	181,441
Transfers in	1,226,928	-	1,226,928
Transfers out	<u>(1,540,392)</u>	<u>-</u>	<u>(1,540,392)</u>
Total other financing sources and uses	<u>(645,487)</u>	<u>-</u>	<u>(645,487)</u>
Net change in fund balances	(136,329)	-	(136,329)
Fund balances - beginning	219,701	1,318	221,019
Fund balances - ending	<u>\$ 83,372</u>	<u>\$ 1,318</u>	<u>\$ 84,690</u>

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

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

	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
	<b>Library</b>	<b>Cemetery Care Fund</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,497	\$ 25,450	\$ 43,947
Due from other funds	-	1,987	1,987
Total assets	\$ 18,497	\$ 27,437	\$ 45,934
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 521	-	\$ 521
Total liabilities	521	-	521
Fund balances:			
Restricted for:			
Library	13,888	-	13,888
Cemetery	-	27,437	27,437
Assigned to:			
Library	4,088	-	4,088
Total fund balances	17,976	27,437	45,413
Total liabilities and fund balances	\$ 18,497	\$ 27,437	\$ 45,934

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

	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total-Other Governmental Funds</b>
	<b>Library</b>	<b>Cemetery Care Fund</b>	
<b>REVENUES</b>			
Intergovernmental	\$ 7,278	-	\$ 7,278
Charges for services	-	3,250	3,250
Investment earnings	-	51	51
Miscellaneous	413	-	413
Total revenues	7,691	3,301	10,992
 <b>EXPENDITURES</b>			
Current:			
General government	-	399	399
Culture and recreation	363	-	363
Capital outlay	6,120	-	6,120
Total Expenditures	6,483	399	6,882
Net change in fund balances	1,208	2,902	4,110
Fund balances - beginning	16,768	24,535	41,303
Fund balances - ending	\$ 17,976	\$ 27,437	\$ 45,413

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

**Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) –  
Holdenville Public Works Authority Enterprise Fund – June 30, 2016**

	<u>HPWA Operating Account</u>	<u>Water Designation Account</u>	<u>OWRB Drinking Water SRF Account</u>	<u>HPWA Bond Account</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,428,735	\$ 608,022	\$ -	\$ -	\$ 2,036,757
Restricted cash and cash equivalents	3,469,307	-	59,509	211,796	3,740,612
Restricted investments	53,458	-	-	-	53,458
Total assets	<u>4,951,500</u>	<u>608,022</u>	<u>59,509</u>	<u>211,796</u>	<u>5,830,827</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Deposits subject to refund	137,054	-	-	-	137,054
Total liabilities	<u>137,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,054</u>
<b>NET POSITION</b>					
Restricted for debt service	52,501	-	59,509	211,796	323,806
Restricted for capital projects	3,333,210	-	-	-	3,333,210
Unrestricted	1,428,735	608,022	-	-	2,036,757
Total net position	<u>\$ 4,814,446</u>	<u>\$ 608,022</u>	<u>\$ 59,509</u>	<u>\$ 211,796</u>	<u>\$ 5,693,773</u>

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

**Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) – Holdenville Public Works Authority Enterprise Fund - Year Ended June 30, 2016**

	<u>HPWA Operating Account</u>	<u>Water Designation Account</u>	<u>OWRB Drinking Water SRF Account</u>	<u>HPWA Bond Account</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Water charges	\$ 1,174,749	\$ -	\$ -	\$ -	\$ 1,174,749
Sewer charges	697,182	-	-	-	697,182
Sanitation charges	395,742	-	-	-	395,742
Property cleanup charges	42,394	-	-	-	42,394
Water and sewer taps	700	-	-	-	700
Landfill charges	10,144	-	-	-	10,144
Penalty charges	9,347	-	-	-	9,347
Boat and camping permits	24,936	-	-	-	24,936
Reconnect fee	7,740	-	-	-	7,740
Total operating revenues	<u>2,362,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,362,934</u>
<b>OPERATING EXPENSES</b>					
Administration	321,661	-	-	-	321,661
Sewer	268,731	-	-	-	268,731
Water	698,043	-	-	-	698,043
Sanitation	239,849	-	-	-	239,849
Landfill	73,195	-	-	-	73,195
Lake	157,333	-	-	-	157,333
Total Operating Expenses	<u>1,758,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,758,812</u>
Operating income	<u>604,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,122</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	970	1,182	-	409	2,561
Principal expense	(45,115)	(221,898)	-	(485,000)	(752,013)
Interest expense	(3,418)	(19,705)	-	(120,750)	(143,873)
Capital grants and contributions	157,980	-	-	-	157,980
Proceeds from debt	3,545,029	-	-	-	3,545,029
Bond issuance costs	(118,404)	-	-	-	(118,404)
Interest received on sale of bonds	4,084	-	-	-	4,084
Miscellaneous revenue	2,994	-	-	-	2,994
Total non-operating revenue (expenses)	<u>3,544,120</u>	<u>(240,421)</u>	<u>-</u>	<u>(605,341)</u>	<u>2,698,358</u>
Income (loss) before transfers	<u>4,148,242</u>	<u>(240,421)</u>	<u>-</u>	<u>(605,341)</u>	<u>3,302,480</u>
Interaccount transfers in	-	253,942	-	606,000	859,942
Interaccount transfers out	(859,942)	-	-	-	(859,942)
Transfers in	1,540,392	-	-	-	1,540,392
Transfers out	(1,226,928)	-	-	-	(1,226,928)
Change in net position	<u>3,601,764</u>	<u>13,521</u>	<u>-</u>	<u>659</u>	<u>3,615,944</u>
Total net position - beginning	<u>1,212,682</u>	<u>594,501</u>	<u>59,509</u>	<u>211,137</u>	<u>2,077,829</u>
Total net position - ending	<u>\$ 4,814,446</u>	<u>\$ 608,022</u>	<u>\$ 59,509</u>	<u>\$ 211,796</u>	<u>\$ 5,693,773</u>

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

**Proprietary Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) –  
Holdenville Industrial Authority Enterprise Fund – June 30, 2016**

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 257,073	\$ 380	\$ 257,453
Restricted cash and cash equivalents	-	33,496	33,496
Total current assets	<u>257,073</u>	<u>33,876</u>	<u>290,949</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	-	114,307	114,307
Total non-current assets	-	114,307	114,307
Total assets	<u>\$ 257,073</u>	<u>\$ 148,183</u>	<u>\$ 405,256</u>
 <b>NET POSITION</b>			
Restricted for inmate services	-	4,701	4,701
Restricted for debt service	-	118,098	118,098
Restricted for capital improvements	-	25,004	25,004
Unrestricted	257,073	380	257,453
Total net position	<u>\$ 257,073</u>	<u>\$ 148,183</u>	<u>\$ 405,256</u>

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

**Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) – Holdenville Industrial Authority Enterprise Fund - Year Ended June 30, 2016**

	<u>HIA Operating Account</u>	<u>HIA Work Release Center Account</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Rentals	\$ 10,800	\$ 30,000	\$ 40,800
Telephone and vending commission	135,207	1,308	136,515
Total operating revenues	<u>146,007</u>	<u>31,308</u>	<u>177,315</u>
<b>OPERATING EXPENSES</b>			
Industrial development	87,882	-	87,882
Work center	-	19,896	19,896
Total operating expenses	<u>87,882</u>	<u>19,896</u>	<u>107,778</u>
Operating income	<u>58,125</u>	<u>11,412</u>	<u>69,537</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	266	288	554
Miscellaneous revenue	34,011	-	34,011
Interest expense	-	(26,456)	(26,456)
Principal expense	-	(40,000)	(40,000)
Capital grants and contributions	37,318	-	37,318
Total non-operating revenue (expenses)	<u>71,595</u>	<u>(66,168)</u>	<u>5,427</u>
Income (loss) before transfers	<u>129,720</u>	<u>(54,756)</u>	<u>74,964</u>
Interaccount transfers in	-	89,819	89,819
Interaccount transfers out	(89,819)	-	(89,819)
Change in net position	<u>39,901</u>	<u>35,063</u>	<u>74,964</u>
Total net position - beginning	<u>217,172</u>	<u>113,120</u>	<u>330,292</u>
Total net position - ending	<u>\$ 257,073</u>	<u>\$ 148,183</u>	<u>\$ 405,256</u>

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

**Schedule of Expenditures of Federal Awards (Modified Cash Basis) – For year ended June 30, 2016**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Award Expenditures
<b>FEDERAL ASSISTANCE:</b>				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through the Oklahoma Department of Civil Emergency Mgmt: Disaster Grants - Public Assistance	97.036	FEMA-4222-DR-OK	\$15,085	\$15,085
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce:				
CDBG-Nonentitlement Grant	14.228	16037 CDBG ED 14	620,000	37,318
CDBG-Nonentitlement Grant	14.228	16582 CDBG 15	350,000	157,980
			<u>970,000</u>	<u>195,298</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 985,085</u>	<u>\$ 210,383</u>

**Schedule of Expenditures of State Awards (Modified Cash Basis) – For year ended June 30, 2016**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/Pass through agency Grantor/Program Title	Grant Number	Program or Award Amount	Award Expenditures
<b>STATE ASSISTANCE:</b>			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Defense Operational Grant	N/A	\$ 4,290	\$ 4,290
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid Grant - 2015	N/A	7,278	6,483
<u>COEDD:</u>			
Community Expansion of Nutritional Assistance	N/A	900	900
<b>TOTAL STATE ASSISTANCE</b>		<u>\$ 12,468</u>	<u>\$ 11,673</u>

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

**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2016**

	<b>1998 OWRB NOTES AND HPWA 2012 REFUNDING BONDS</b>	<b>HIA SERIES 2001 WORK RELEASE BONDS</b>
Gross Revenue Available for Debt Service:		
Operating revenues (water and sanitary sewer systems)	\$1,872,631	-
Operating revenues (rentals and commissions)	-	\$31,308
Investment income	-	288
Transfer in - sales tax (A)	1,540,392	-
Transfer in	-	89,819
Total Gross Revenues Available	3,413,023	121,415
Public Works Authority operating expenses (administration, water, and sanitary sewer systems)	1,288,435	-
Davis Work Center operating expenses	-	19,896
Net Revenues Available for Debt Service	\$2,124,588	\$101,519
Debt Service Requirements:		
Aggregate bond service requirements - Refunding Revenue Bonds Series 2012	\$605,750	-
Average annual debt service - OWRB 1998 Small Community Drinking Water SRF	241,603	-
Aggregate bond service requirements - Series 2001 Work Release Center	-	\$66,456
Total Debt Service Requirements	\$847,353	\$66,456
Coverage	2.51	1.53
Coverage Requirement	1.25	1.10

(A) Although the bond indenture required that the total four (4) cent sales tax be appropriated and paid to the Authority, the City only appropriated and paid three (3) cents to the Authority. This was sufficient to achieve the coverage requirement.

**Schedule of Reserve Requirement**

	<b>SERIES 2001 WORK RELEASE BONDS</b>		
	<b>Bond Fund Reserve</b>	<b>Capital Expenditure Account</b>	<b>Operating Reserve Account</b>
Required Balance:			
Reserve Accounts	\$ 80,500	\$ 25,000	\$ 30,000
Investments in Trustee Accounts, June 30, 2016	84,302	25,004	30,005
Excess (Deficiency) of Account Balances over Required Balances	\$ 3,802	\$ 4	\$ 5

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

---

**INTERNAL CONTROL AND COMPLIANCE**



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

To the Honorable Mayor and City Council of the  
City of Holdenville, 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 Holdenville, 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 August 26, 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. We issued an adverse opinion on the discretely presented component unit.

**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 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.

*Arlidge & Associates, P.C.*

August 26, 2016