

**THE CITY OF ELGIN,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**CITY OF ELGIN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elgin, Oklahoma (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, 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.



August 18, 2017

**CITY OF ELGIN, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

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The management of the City of Elgin is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2017. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position decreased by \$656,611 and the assets of the City exceed its liabilities at June 30, 2017, by \$3,766,526 (net position). Of this amount, \$2,888,792 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,913,827.
- At the end of fiscal year 2017, unassigned fund balance on a modified cash basis for the General Fund was \$326,963 or 28% of General Fund revenues.

### **ABOUT THE CITY**

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

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

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

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

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

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

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

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

**Related Organization:**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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



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

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

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

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

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

### ***Fund Financial Statements***

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

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

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

**CITY OF ELGIN, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

**Notes to the Financial Statements**

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

**Supplementary and Other Information**

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

**THE CITY AS A WHOLE**

For the year ended June 30, 2017, net position on a modified cash basis for the governmental and business-type activities decreased \$656,611.

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

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Total assets	\$ 1,914	\$ 2,763	-31%	\$ 1,885	\$ 1,692	11%	\$ 3,799	\$ 4,455	-15%
Total liabilities	-	-	-	32	32	0%	32	32	0%
Net position									
Restricted	802	1,744	-54%	76	76	0%	878	1,820	-52%
Unrestricted	1,112	1,019	9%	1,777	1,584	12%	2,889	2,603	11%
<b>Total net position</b>	<u>\$ 1,914</u>	<u>\$ 2,763</u>	-31%	<u>\$ 1,853</u>	<u>\$ 1,660</u>	12%	<u>\$ 3,767</u>	<u>\$ 4,423</u>	-15%

*Governmental Activities:*

Cash and Equivalents (\$849,000 decrease — -31%) – related to the increase in expense for the 2013 Sales Tax Revenue Note for the Keeney Road Project costs paid in the current year. This is also the reason for the decrease in restricted and total net position.

**CITY OF ELGIN, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
<b>Revenues</b>									
Charges for service	\$ 90	\$ 66	36%	\$ 1,075	\$ 1,041	3%	\$ 1,165	\$ 1,107	5%
Operating grants and contributions	-	34	-100%	-	-	-	-	34	-100%
Capital grants, contributions and debt proceeds	36	-	100%	33	70	-53%	69	70	-1%
Taxes	1,312	1,277	3%	18	9	100%	1,330	1,286	3%
Intergovernmental revenue	21	20	5%	-	-	-	21	20	5%
Investment income	3	2	50%	2	2	0%	5	4	25%
Miscellaneous	20	25	-20%	8	5	60%	28	30	-7%
<b>Total revenues</b>	<b>1,482</b>	<b>1,424</b>	<b>4%</b>	<b>1,136</b>	<b>1,127</b>	<b>1%</b>	<b>2,618</b>	<b>2,551</b>	<b>3%</b>
<b>Expenses</b>									
General government	368	214	72%	-	-	-	368	214	72%
Public safety	390	329	19%	-	-	-	390	329	19%
Highways and streets	1,267	570	122%	-	-	-	1,267	570	122%
Cemetery	-	1	-100%	-	-	-	-	1	-100%
Culture and recreation	116	80	45%	-	-	-	116	80	45%
Interest on long-term debt	6	9	-33%	-	-	-	6	9	-33%
Water	-	-	-	426	427	0%	426	427	0%
Sewer	-	-	-	331	910	-64%	331	910	-64%
Sanitation	-	-	-	277	271	2%	277	271	2%
Economic development	-	-	-	93	91	2%	93	91	2%
<b>Total expenses</b>	<b>2,147</b>	<b>1,203</b>	<b>78%</b>	<b>1,127</b>	<b>1,699</b>	<b>-34%</b>	<b>3,274</b>	<b>2,902</b>	<b>13%</b>
Excess (deficiency) before transfers	(665)	221	-401%	9	(572)	-102%	(656)	(351)	87%
Transfers	(184)	(193)	-5%	184	193	-5%	-	-	
<b>Change in net position</b>	<b>(849)</b>	<b>28</b>	<b>-3132%</b>	<b>193</b>	<b>(379)</b>	<b>-151%</b>	<b>(656)</b>	<b>(351)</b>	<b>87%</b>
<b>Beginning net position</b>	<b>2,763</b>	<b>2,735</b>	<b>1%</b>	<b>1,660</b>	<b>2,039</b>	<b>-19%</b>	<b>4,423</b>	<b>4,774</b>	<b>-7%</b>
<b>Ending net position</b>	<b>\$ 1,914</b>	<b>\$ 2,763</b>	<b>-31%</b>	<b>\$ 1,853</b>	<b>\$ 1,660</b>	<b>12%</b>	<b>\$ 3,767</b>	<b>\$ 4,423</b>	<b>-15%</b>

The following are explanations for significant changes:

*Governmental Activities:*

Highways and street expense (\$697,057 increase—122%) – related to the expense for the 2013 Sales Tax Revenue Note for the Keeney Road Project paid in the current year.

*Business-Type Activities:*

Sewer expense (\$579,519 decrease – -64%) – related to a decrease in sewer expenses paid in the prior year related to the Interceptor project.

**CITY OF ELGIN, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

**Governmental Activities**

The City's governmental activities had a decrease in net position of \$849,405 or 31%.

**TABLE 3**  
**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>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
General government	\$ 368	\$ 214	72%	\$ (357)	\$ (202)	77%
Public safety	390	329	19%	(309)	(274)	13%
Highways and streets	1,267	570	122%	(1,240)	(544)	128%
Cemetery	-	1	-	2	2	0%
Culture and recreation	116	80	45%	(112)	(77)	45%
Interest on long-term debt	6	9	-33%	(6)	(9)	-33%
<b>Total</b>	<u>\$ 2,147</u>	<u>\$ 1,203</u>	78%	<u>\$ (2,022)</u>	<u>\$ (1,104)</u>	83%

**Business-Type Activities**

The business-type activities had an increase in net position of \$192,794 or 12%.

**TABLE 4**  
**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>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
Water	\$ 426	\$ 427	0%	\$ 137	\$ 87	57%
Sewer	331	910	-64%	(172)	(691)	-75%
Sanitation	277	271	2%	13	10	30%
Economic Development	93	91	2%	3	5	-40%
<b>Total</b>	<u>\$ 1,127</u>	<u>\$ 1,699</u>	-34%	<u>\$ (19)</u>	<u>\$ (589)</u>	-97%

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

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$1,913,827.

### **Other fund highlights include:**

- For the year ended June 30, 2017, the General Fund's total fund balance increased by \$58,589.
- The Street Capital Improvement Fund reported an ending fund balance of \$371,451 which is a decrease of \$1,013,277 from the prior year. This is due to the expenditures paid out of the construction account from the 2013 Sales Tax Revenue Note proceeds for street improvements.

### **Budgetary Highlights**

For the year ended June 30, 2017, the General Fund reported actual budgetary basis revenues under final estimates by \$274,015 or an 18% negative variance. General Fund actual expenditures were under final appropriations by \$327,108 or a 21% positive variance.

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

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

- In FY 2018, the City will be making some improvements at the ballfields.

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

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

**CITY OF ELGIN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2017**

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

**CITY OF ELGIN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Statement of Net Position (Modified Cash Basis) – June 30, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,410,030	\$ 1,527,070	\$ 2,937,100
Restricted cash and equivalents	280,260	100,128	380,388
Investments	223,537	250,000	473,537
Restricted investments	-	8,000	8,000
Total assets	<u>1,913,827</u>	<u>1,885,198</u>	<u>3,799,025</u>
<b>LIABILITIES</b>			
Due to depositors	-	32,499	32,499
Total liabilities	<u>-</u>	<u>32,499</u>	<u>32,499</u>
<b>NET POSITION</b>			
Restricted for:			
Debt Service	-	75,555	75,555
Cemetery	38,511	-	38,511
Streets	492,004	-	492,004
Parks	265,933	-	265,933
Library	5,731	-	5,731
Unrestricted	1,111,648	1,777,144	2,888,792
Total net position	<u>\$ 1,913,827</u>	<u>\$ 1,852,699</u>	<u>\$ 3,766,526</u>

See accompanying notes to the basic financial statements.

**CITY OF ELGIN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2017

**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 367,804	\$ 10,754	\$ -	\$ -	\$ (357,050)	\$ -	\$ (357,050)
Public Safety	390,410	77,400	3,817	-	(309,193)	-	(309,193)
Highways and Streets	1,267,483	-	27,316	-	(1,240,167)	-	(1,240,167)
Cemetery	-	2,345	-	-	2,345	-	2,345
Culture and Recreation	116,370	-	4,851	-	(111,519)	-	(111,519)
Interest on Long-Term Debt	6,276	-	-	-	(6,276)	-	(6,276)
Total governmental activities	<u>2,148,343</u>	<u>90,499</u>	<u>35,984</u>	<u>-</u>	<u>(2,021,860)</u>	<u>-</u>	<u>(2,021,860)</u>
Business-Type Activities:							
Water	426,521	530,422	-	33,000	-	136,901	136,901
Sewer	330,652	158,391	-	-	-	(172,261)	(172,261)
Sanitation	277,476	290,183	-	-	-	12,707	12,707
Economic Development	92,767	96,096	-	-	-	3,329	3,329
Total business-type activities	<u>1,127,416</u>	<u>1,075,092</u>	<u>-</u>	<u>33,000</u>	<u>-</u>	<u>(19,324)</u>	<u>(19,324)</u>
Total primary government	<u>\$ 3,275,759</u>	<u>\$ 1,165,591</u>	<u>\$ 35,984</u>	<u>\$ 33,000</u>	<u>(2,021,860)</u>	<u>(19,324)</u>	<u>(2,041,184)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					1,261,633	17,986	1,279,619
Franchise taxes and public service taxes					50,034	-	50,034
Intergovernmental revenue not restricted to specific programs					21,319	-	21,319
Unrestricted investment earnings					2,829	1,877	4,706
Miscellaneous					20,463	8,432	28,895
Transfers					(183,823)	183,823	-
Total general revenues and transfers					<u>1,172,455</u>	<u>212,118</u>	<u>1,384,573</u>
Change in net position					<u>(849,405)</u>	<u>192,794</u>	<u>(656,611)</u>
Net position - beginning					2,763,232	1,659,905	4,423,137
Net position - ending					<u>\$ 1,913,827</u>	<u>\$ 1,852,699</u>	<u>\$ 3,766,526</u>

See accompanying notes to the basic financial statements.



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

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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2017**

	<u>General Fund</u>	<u>Parks and Recreation CIP Fund</u>	<u>Street and Alley CIP Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 275,156	\$ 265,933	\$ 371,451	\$ 628,686	\$ 149,064	\$ 1,690,290
Investments	113,537	-	-	100,000	10,000	223,537
Total assets	<u>\$ 388,693</u>	<u>265,933</u>	<u>371,451</u>	<u>\$ 728,686</u>	<u>\$ 159,064</u>	<u>\$ 1,913,827</u>
Fund balances:						
Restricted for:						
Streets	\$ -	\$ -	\$ 371,451	\$ -	\$ 120,553	\$ 492,004
Cemetery	-	-	-	-	38,511	38,511
Parks	-	265,933	-	-	-	265,933
Library	5,731	-	-	-	-	5,731
Assigned to:						
Cemetery	55,999	-	-	-	-	55,999
Capital Improvements	-	-	-	728,686	-	728,686
Unassigned	326,963	-	-	-	-	326,963
Total fund balances	<u>388,693</u>	<u>265,933</u>	<u>371,451</u>	<u>728,686</u>	<u>159,064</u>	<u>1,913,827</u>
Total liabilities and fund balances	<u>\$ 388,693</u>	<u>\$ 265,933</u>	<u>\$ 371,451</u>	<u>\$ 728,686</u>	<u>\$ 159,064</u>	<u>\$ 1,913,827</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Parks and Recreation CIP Fund</b>	<b>Street and Alley CIP Fund</b>	<b>Capital Improvements Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ 1,030,680	\$ 73,784	\$ 221,351	\$ -	\$ -	\$ 1,325,815
Intergovernmental	15,839	-	-	-	27,316	43,155
Charges for services	35,683	-	-	-	892	36,575
Fines and forfeitures	43,170	-	-	-	-	43,170
Licenses and permits	10,754	-	-	-	-	10,754
Investment income	1,029	208	616	844	132	2,829
Miscellaneous	10,329	-	-	-	10,134	20,463
Total revenues	<u>1,147,484</u>	<u>73,992</u>	<u>221,967</u>	<u>844</u>	<u>38,474</u>	<u>1,482,761</u>
<b>EXPENDITURES</b>						
Current:						
General government	90,857	-	-	-	-	90,857
Public safety	383,188	-	-	-	-	383,188
Highway and streets	-	-	-	-	16,720	16,720
Culture and recreation	87,822	-	-	-	-	87,822
Capital Outlay	7,222	28,548	1,043,301	215,894	12	1,294,977
Debt Service:						
Principal	-	-	170,000	61,053	-	231,053
Interest and other charges	-	-	37,450	6,276	-	43,726
Total expenditures	<u>569,089</u>	<u>28,548</u>	<u>1,250,751</u>	<u>283,223</u>	<u>16,732</u>	<u>2,148,343</u>
Excess (deficiency) of revenues over expenditures	<u>578,395</u>	<u>45,444</u>	<u>(1,028,784)</u>	<u>(282,379)</u>	<u>21,742</u>	<u>(665,582)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	167,225	5,068	15,507	315,408	-	503,208
Transfers out	(687,031)	-	-	-	-	(687,031)
Total other financing sources and uses	<u>(519,806)</u>	<u>5,068</u>	<u>15,507</u>	<u>315,408</u>	<u>-</u>	<u>(183,823)</u>
Net change in fund balances	58,589	50,512	(1,013,277)	33,029	21,742	(849,405)
Fund balances - beginning	330,104	215,421	1,384,728	695,657	137,322	2,763,232
Fund balances - ending	<u>\$ 388,693</u>	<u>\$ 265,933</u>	<u>\$ 371,451</u>	<u>\$ 728,686</u>	<u>\$ 159,064</u>	<u>\$ 1,913,827</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

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**Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2017**

	<b>Elgin Public Works Authority</b>	<b>Elgin Economic Development Authority</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,246,303	\$ 280,767	\$ 1,527,070
Investments	250,000	-	250,000
Restricted cash and cash equivalents	100,128	-	100,128
Restricted investments	8,000	-	8,000
Total current assets	1,604,431	280,767	1,885,198
Total assets	1,604,431	280,767	1,885,198
<b>LIABILITIES</b>			
Current liabilities:			
Deposits subject to refund	32,499	-	32,499
Total current liabilities	32,499	-	32,499
Total liabilities	32,499	-	32,499
<b>NET POSITION</b>			
Restricted for debt service	75,555	-	75,555
Unrestricted	1,496,377	280,767	1,777,144
Total net position	\$ 1,571,932	\$ 280,767	\$ 1,852,699

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2017**

	<b>Elgin Public Works Authority</b>	<b>Elgin Economic Development Authority</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues:</b>			
Water charges	\$ 511,604	\$ -	\$ 511,604
Sewer charges	152,772	-	152,772
Taxes	-	17,986	17,986
Sanitation charges	290,183	-	290,183
Penalty charges	14,542	-	14,542
Reconnect fee	9,895	-	9,895
Rentals	-	96,096	96,096
Total operating revenues	<u>978,996</u>	<u>114,082</u>	<u>1,093,078</u>
<b>Operating Expenses:</b>			
Administration	348,085	-	348,085
Sewer	54,825	-	54,825
Water	78,902	-	78,902
Sanitation	277,476	-	277,476
Economic development	-	4,491	4,491
Total operating expenses	<u>759,288</u>	<u>4,491</u>	<u>763,779</u>
Net operating income	<u>219,708</u>	<u>109,591</u>	<u>329,299</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment income	1,845	32	1,877
Capital grants and contributions	33,000	-	33,000
Debt Service:			
Principal retirement	(150,048)	(68,795)	(218,843)
Interest expense and fees	(76,289)	(19,481)	(95,770)
Miscellaneous revenue	8,432	-	8,432
Capital Outlay	(49,024)	-	(49,024)
Total non-operating revenue (expenses)	<u>(232,084)</u>	<u>(88,244)</u>	<u>(320,328)</u>
Net income (loss) before transfers	<u>(12,376)</u>	<u>21,347</u>	<u>8,971</u>
Transfers in	364,432	-	364,432
Transfers out	(180,609)	-	(180,609)
Change in net position	<u>171,447</u>	<u>21,347</u>	<u>192,794</u>
Total net position - beginning	<u>1,400,485</u>	<u>259,420</u>	<u>1,659,905</u>
Total net position - ending	<u>\$ 1,571,932</u>	<u>\$ 280,767</u>	<u>\$ 1,852,699</u>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2017**

	<b>Elgin Public Works Authority</b>	<b>Elgin Economic Development Authority</b>	<b>Total Proprietary Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 978,996	\$ 114,082	\$ 1,093,078
Payments to suppliers	(502,948)	(4,491)	(507,439)
Payments to employees	(256,340)	-	(256,340)
Receipts of customer meter deposits	14,474	-	14,474
Refunds of customer meter deposits	(14,264)	-	(14,264)
Miscellaneous revenue	8,432	-	8,432
<b>Net cash provided by operating activities</b>	<b>228,350</b>	<b>109,591</b>	<b>337,941</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	364,432	-	364,432
Transfers to other funds	(180,609)	-	(180,609)
<b>Net cash provided by noncapital financing activities</b>	<b>183,823</b>	<b>-</b>	<b>183,823</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(49,024)	-	(49,024)
Principal paid on debt	(150,048)	(68,795)	(218,843)
Interest and fiscal agent fees paid on debt	(76,289)	(19,481)	(95,770)
Federal grants received	33,000	-	33,000
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(242,361)</b>	<b>(88,276)</b>	<b>(330,637)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	1,845	32	1,877
<b>Net cash provided by investing activities</b>	<b>1,845</b>	<b>32</b>	<b>1,877</b>
<b>Net increase in cash and cash equivalents</b>	<b>171,657</b>	<b>21,347</b>	<b>193,004</b>
<b>Balances - beginning of year</b>	<b>1,174,774</b>	<b>259,420</b>	<b>1,434,194</b>
<b>Balances - end of year</b>	<b>\$ 1,346,431</b>	<b>\$ 280,767</b>	<b>\$ 1,627,198</b>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 1,246,303	\$ 280,767	\$ 1,527,070
Restricted cash and cash equivalents - current	100,128	-	100,128
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 1,346,431</b>	<b>\$ 280,767</b>	<b>\$ 1,627,198</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 219,708	\$ 109,591	\$ 329,299
Adjustments to reconcile operating income to net cash provided by operating activities:			
Miscellaneous revenue	8,432	-	8,432
Change in assets and liabilities:			
Deposits subject to refund	210	-	210
<b>Net cash provided by operating activities</b>	<b>\$ 228,350</b>	<b>\$ 109,591</b>	<b>\$ 337,941</b>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**



**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

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

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

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

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

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

## **B. Basis of Presentation and Accounting**

### *Government-Wide Financial Statements:*

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

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

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

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

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

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

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

*Governmental Funds:*

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

**Major Funds:**

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

Combined as accounts of the General Fund:

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

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

- Street and Alley Fund – a capital project fund that accounts for state-shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes
- Cemetery CIP Fund – a capital project fund that accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

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

*Proprietary Funds:*

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

- Elgin Public Works Authority (EPWA) – accounts for the operation of the water, wastewater, and sanitation activities

- Elgin Economic Development Authority (EEDA) – accounts for promoting the general economic development of the City

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

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

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

**D. Compensated Absences**

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

**E. Fund Balances and Net Position**

*Fund Balances:*

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

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

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

*Net Position:*

Net Position is displayed in two components:

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

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

**F. Internal and Interfund Balances and Transfers**

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

**2. Deposits and Investments**

For the year ended June 30, 2017, the City recognized \$4,706 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, 2017, the primary government held the following deposits and investments:

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<b>Type of Deposits and Investments-Primary Government</b>	<b>Carrying Value</b>
<b>Deposits:</b>	
Demand deposits	\$ 2,961,673
Time deposit	481,537
<b>Investments:</b>	
	<b>Credit Rating</b>
Money market fund	AAA <sup>m</sup>
<b>Total deposits</b>	<u>\$ 3,799,025</u>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 2,937,100
Restricted cash and cash equivalents	380,388
Investments	473,537
Restricted investments	8,000
	<u>\$ 3,799,025</u>

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

As of June 30, 2017, the City was not exposed to custodial credit risk as defined above.

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

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

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

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*Restricted Cash and Investments* – The amounts reported as restricted assets on the proprietary funds statement of net position are comprised of amounts restricted for utility deposits and debt service. Restricted assets for Governmental Activities are comprised of amounts held by a trustee bank for debt retirement and bond proceeds. The restricted assets as of June 30, 2017 are as follows:

	Cash and cash equivalents		Cash and cash equivalents	Investments
Governmental Activities:		Business-Type Activities and Proprietary Funds:		
2013 STRN Construction Acct BOK	\$ 195,282	Utility deposits	\$ 24,573	\$ 8,000
2013 STRN Princ Acct BOK	70,857	OWRB Trustee Debt Service Account	75,555	-
2013 STRN Int Acct BOK	14,121			
Total	<u>\$ 280,260</u>	Total	<u>\$ 100,128</u>	<u>\$ 8,000</u>

### 3. Sales Tax Revenue

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

### 4. Schedule of Interfund Balances and Transfers

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

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Capital Improvement Fund	\$ 295,135	Sales tax
General Fund	Capital Improvement Fund	20,273	Use tax
General Fund	EPWA Operating	295,135	Sales tax
EPWA Operating	General Fund	131,585	Return of sales tax
General Fund	SAF CIF	15,507	Use tax
General Fund	Park CIF	5,068	Use tax
General Fund	Community Library Fund	35,640	Operating Subsidy
General Fund	EPWA Operating	20,273	Use tax
EPWA Operating	EPWA Bond Fund	49,024	Operating Subsidy
Total		<u>\$ 867,640</u>	
<b>Reconciliation to Fund Financial Statements:</b>			
	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 503,208	\$ (687,031)	\$ (183,823)
Proprietary Funds	364,432	(180,609)	183,823
	<u>\$ 867,640</u>	<u>\$ (867,640)</u>	<u>-</u>

### 5. Risk Management

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

## **6. Employee Retirement Plan Participation**

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

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

### *OFPRS*

The City of Elgin, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2017, the City's annual required contribution was \$6,528 for the OFPRS plan and was equal to the City's actual contribution.

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

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

### *OMRF Defined Contribution Plan*

The City provides a defined contribution plan and trust known as the City of Elgin Plan and Trust (the Plan”) in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by Bank One Trust Company of Oklahoma City. The defined contribution plan is available to all full-time employees on a voluntary basis who are not already participating in another plan. The employee must contribute 2% of gross wages. The City, as employer, contributes an amount equal to 3% of the employee’s gross wages. If an employee terminates before becoming fully vested, the employer’s contributions that are forfeited may be used to reduce the City’s current-period contribution requirements. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2017, the City contributed \$11,395 to the plan, while the employee contributions totaled \$12,018.



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*Schedule of Retirement Plan Contributions – OFPRS and OMRF*

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Municipal Retirement Fund		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2015	6,171	100%	2015	10,662	100%
2016	6,282	100%	2016	9,680	100%
2017	6,528	100%	2017	11,395	100%

**7. Commitments and Contingencies**

*Long-term Debt Commitments:*

*Governmental Activities*

At June 30, 2017, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Leases:

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

	\$ 124,038
Total Capital Leases Payable	\$ 124,038
Current portion	63,534
Noncurrent portion	60,504
Total Capital Leases Payable	\$ 124,038

Notes Payable:

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

	\$ 1,210,000
Total Notes Payable	\$ 1,210,000
Current portion	170,000
Noncurrent portion	1,040,000
Total Notes Payable	\$ 1,210,000

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*Business-Type Activities*

Notes Payable:

2012 OWRB DWSRF Promissory Note, issued in March 2013, original amount \$1,250,000, with an annual interest rate of 1.80% and an administration fee of 0.5%, due in semi-annual installments of \$9,109, final installment due September 2032. \$ 1,029,964

Industrial Park Building Note Payable to Arvest Bank dated April 29, 2008, original amount of \$746,250 with an annual interest rate of 6.104% due in monthly installments of \$7,356 beginning Januray 29, 2009, final installment due December 29, 2018. 277,129

2011 OWRB Promissory Note dated December 1, 2011, original amount \$3,060,000 due in semi-annual principal installments each March 15 and September 15 beginning September 15, 2013, final installment due September 15, 2032 with an administration fee of 0.5% and interest at 2.13% payable annually based on principal outstanding. Remaining funds to be drawn at June 30, 2014 are \$436,442. 1,853,415

	Total Notes Payable	\$ 3,160,508
	Current portion	227,064
	Noncurrent portion	2,933,444
	Total Notes Payable	\$ 3,160,508

*Change in Long-term Debt Commitments*

<u>Type of Debt</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ 185,091	\$ -	\$ 61,053	\$ 124,038	\$ 63,534
Note Payable	1,380,000	-	170,000	1,210,000	170,000
Total Governmental Activities	\$ 1,565,091	\$ -	\$ 231,053	\$ 1,334,038	\$ 233,534
<b>Business-Type Activities:</b>					
Notes Payable	\$ 3,379,351	\$ -	\$ 218,843	\$ 3,160,508	\$ 227,064
Total Business-Type Activities	3,379,351	-	218,843	3,160,508	227,064
Total Long-Term Debt	\$ 4,944,442	\$ -	\$ 449,896	\$ 4,494,546	\$ 460,598

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*Payment Requirements to Maturity*

<u>Year Ending June 30,</u>	Governmental Activities				Business-Type Activities	
	Capital Leases		Notes Payable		Notes Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	63,534	3,796	170,000	33,274	227,064	87,578
2019	60,504	1,214	180,000	28,358	361,794	74,374
2020	-	-	180,000	23,228	161,701	64,668
2021	-	-	190,000	18,026	166,017	60,352
2022	-	-	190,000	12,611	170,270	56,098
2023-2027	-	-	300,000	8,550	918,947	212,896
2028-2032	-	-	-	-	1,042,975	88,869
2033-2034	-	-	-	-	111,740	1,251
Totals	<u>\$ 124,038</u>	<u>\$ 5,010</u>	<u>\$ 1,210,000</u>	<u>\$ 124,047</u>	<u>\$ 3,160,508</u>	<u>\$ 646,086</u>

*Pledge of Future Revenues:*

Sales Tax and Net Revenues Pledge - The City has pledged one cent of future sales tax revenues and also net sewer utility revenues to repay \$3,060,000 of the OWRB Promissory Note Payable. Proceeds from the note provided financing for improvements to the wastewater system in the City of Elgin. The note is payable from pledged sales tax and net utility revenues and is payable through September 2032. The pledged sales tax revenues were \$295,135 and the net sewer utility revenues were \$97,947. Debt service payments of \$146,762 for the current fiscal year were 37% of the pledged sales tax and net utility revenues of \$393,082.

Sales Tax and Net Revenues Pledge - The City has pledged one cent of future sales tax revenues and also net water and sewer utility revenues to repay \$1,250,000 of the OWRB DWSRF Promissory Note Payable. Proceeds from the note provided refinancing of the 2011 USDA Promissory Note for improvements to the water system in the City of Elgin. The note is payable from pledged sales tax and net utility revenues and is payable through September 2032. The pledged sales tax revenues were \$295,135 and the net sewer and water utility revenues were \$530,649. Debt service payments of \$79,575 for the current fiscal year were 9.6% of the pledged sales tax and net utility revenues of \$825,784.

Sales Tax and Net Revenues Pledge - The City has pledged three-quarters of one cent of future sales tax revenues and also all sales tax revenues from the three-quarters of one cent Road and Street Improvement Ordinance to repay the \$1,780,000 of the 2013 Sales Tax Revenue Note Payable. Proceeds from the note provided financing for street improvements for the City of Elgin. The note is payable from pledged sales tax revenues and is payable through August 2023. The pledged sales tax revenues were \$442,702. Debt service payments of \$207,450 for the current fiscal year were 47% of the pledged sales tax revenues.

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*Conduit Debt Obligations of EEDA:*

*Conduit Debt:*

Original Debt	Project	Remaining Principal
Elgin Economic Development Authority		
\$3,350,000	(1) BAE Systems Land & Armaments L.P. Tax Increment Revenue Note Series 2008	\$ 2,360,800
	Total EEDA Conduit Debt	\$ 2,360,800

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

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

*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensatory time leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2017 is \$24,335.

*Litigation:*

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

*Federal and State Award Programs:*

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

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**8. Capital Assets Pledged for Debt**

At June 30, 2017 the roll forward schedule to report infrastructure assets pledged to Oklahoma Water Resource Board Series 2011 and 2012 and related accumulated depreciation is as follows:

EPWA ENTERPRISE FUND

<u>DEPARTMENT</u>	<u>BALANCE JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>DETAIL BALANCE JUNE 30, 2017</u>
EPWA:				
Utility Property Improvements				
Water	\$ 3,718,275	\$ 4,333	\$ -	\$ 3,722,608
Sewer	5,340,921	49,024	-	5,389,945
Subtotal	<u>9,059,196</u>	<u>53,357</u>	<u>-</u>	<u>9,112,553</u>
Total Property, Plant, Equip.	9,059,196	53,357	-	9,112,553
Accumulated Depreciation				
Utility Property Improvements				
Water	939,924	84,904	-	1,024,828
Sewer	690,522	160,525	-	851,047
	<u>1,630,446</u>	<u>245,429</u>	<u>-</u>	<u>1,875,875</u>
Net Property, Plant, Equip.	<u>\$ 7,428,750</u>	<u>\$ (192,072)</u>	<u>\$ -</u>	<u>\$ 7,236,678</u>

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**SUPPLEMENTARY AND OTHER INFORMATION**

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**Budgetary Comparison Schedule (Modified Cash Basis) – General Fund – Year Ended June 30, 2017**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 267,570	\$ 267,570	\$ 267,570	\$ -
<b>Resources (Inflows):</b>				
Taxes	1,225,600	1,326,800	1,030,680	(296,120)
Intergovernmental	12,000	12,000	10,988	(1,012)
Charges for services	34,230	34,230	35,102	872
Fines and forfeitures	22,100	22,100	43,170	21,070
Licenses and permits	10,000	10,000	10,754	754
Investment income	500	500	881	381
Miscellaneous	7,700	7,700	7,740	40
Transfers in	131,585	131,585	131,585	-
<b>Total Resources (Inflows)</b>	<u>1,443,715</u>	<u>1,544,915</u>	<u>1,270,900</u>	<u>(274,015)</u>
<b>Amounts available for appropriation</b>	<u>1,711,285</u>	<u>1,812,485</u>	<u>1,538,470</u>	<u>(274,015)</u>
<b>Charges to Appropriations (Outflows):</b>				
Police	232,310	244,310	242,871	1,439
Fire	124,560	129,560	127,255	2,305
Animal control	20,750	20,750	17,284	3,466
Parks	43,330	45,330	43,209	2,121
General government	109,925	109,925	90,857	19,068
Library	35,640	35,640	-	35,640
Municipal court	3,000	3,000	3,000	-
Transfers out	874,200	950,100	687,031	263,069
<b>Total Charges to Appropriations</b>	<u>1,443,715</u>	<u>1,538,615</u>	<u>1,211,507</u>	<u>327,108</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 267,570</u>	<u>\$ 273,870</u>	<u>\$ 326,963</u>	<u>\$ 53,093</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:				
Cemetery Account			55,999	
Community Library Account			5,731	
<b>Total General Fund Balance</b>			<u>\$ 388,693</u>	

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements. See page 41 General Fund combining accounts for actual comparison.
2. The legal level of appropriation control is the department level within a fund. All appropriations require City Council's approval.

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – City of Elgin  
– June 30, 2017**

	<b>CAPITAL PROJECT FUNDS</b>		
	<b>Street and Alley Fund</b>	<b>Cemetery CIP Fund</b>	<b>Total - Other Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 115,553	\$ 33,511	\$ 149,064
Investments	5,000	5,000	10,000
Total assets	\$ 120,553	\$ 38,511	\$ 159,064
 <b>FUND BALANCES</b>			
Fund balances:			
Restricted for:			
Streets	\$ 120,553	\$ -	\$ 120,553
Cemetery	-	38,511	38,511
Total fund balances	120,553	38,511	159,064
Total fund balances	\$ 120,553	\$ 38,511	\$ 159,064

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor  
Governmental Funds (Modified Cash Basis) - City of Elgin - Year Ended June 30, 2017**

	<b>CAPITAL PROJECT FUNDS</b>		
	<b>Street and Alley Fund</b>	<b>Cemetery CIP Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$ 27,316	\$ -	\$ 27,316
Charges for services	-	892	892
Investment earnings	86	46	132
Miscellaneous	8,799	1,335	10,134
Total revenues	36,201	2,273	38,474
 <b>EXPENDITURES</b>			
Current:			
Highways and streets	16,720	-	16,720
Capital Outlay	12	-	12
Total expenditures	16,732	-	16,732
Excess (deficiency) of revenues over expenditures	19,469	2,273	21,742
Net change in fund balances	19,469	2,273	21,742
Fund balances - beginning	101,084	36,238	137,322
Fund balances - ending	\$ 120,553	\$ 38,511	\$ 159,064



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**Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) - June 30, 2017**

	GENERAL FUND			
	General Fund	Cemetery Account	Community Library Account	Total General Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 260,963	\$ 8,462	\$ 5,731	\$ 275,156
Investments	66,000	47,537	-	113,537
Total assets	326,963	55,999	5,731	388,693
Fund balances:				
Restricted for:				
Library	-	-	5,731	5,731
Assigned to:				
Cemetery	-	55,999	-	55,999
Unassigned	326,963	-	-	326,963
Total fund balances	326,963	55,999	5,731	388,693
Total liabilities and fund balances	\$ 326,963	\$ 55,999	\$ 5,731	\$ 388,693

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2017**

	General Fund	Cemetery Account	Community Library Account	Total General Fund
	<b>REVENUES</b>			
Taxes	\$ 1,030,680	\$ -	\$ -	\$ 1,030,680
Intergovernmental	10,988	-	4,851	15,839
Charges for services	35,102	581	-	35,683
Fines and forfeitures	43,170	-	-	43,170
Licenses and permits	10,754	-	-	10,754
Investment earnings	881	142	6	1,029
Miscellaneous	7,740	-	2,589	10,329
Total revenues	1,139,315	723	7,446	1,147,484
<b>EXPENDITURES</b>				
Current:				
General government	90,857	-	-	90,857
Public Safety	383,188	-	-	383,188
Culture and recreation	43,209	-	44,613	87,822
Capital Outlay	7,222	-	-	7,222
Total expenditures	524,476	-	44,613	569,089
Excess (deficiency) of revenues over expenditures	614,839	723	(37,167)	578,395
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	131,585	-	35,640	167,225
Transfers out	(687,031)	-	-	(687,031)
Total other financing sources and uses	(555,446)	-	35,640	(519,806)
Net change in fund balances	59,393	723	(1,527)	58,589
Fund balances - beginning	267,570	55,276	7,258	330,104
Fund balances - ending	\$ 326,963	\$ 55,999	\$ 5,731	\$ 388,693

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**EPWA Fund Combining Schedule of Net Position (Modified Cash Basis) – EPWA Accounts – June 30, 2017**

	<b>Elgin Public Works Authority Accounts</b>			<b>Total</b>
	<b>EPWA Operating</b>	<b>PWA Bond Account</b>	<b>Meter Deposit Account</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,181,294	\$ 65,009	\$ -	\$ 1,246,303
Investments	50,000	200,000	-	250,000
Restricted:				
Restricted cash and cash equivalents	75,555	-	24,573	100,128
Restricted investments	-	-	8,000	8,000
Total current assets	<u>1,306,849</u>	<u>265,009</u>	<u>32,573</u>	<u>1,604,431</u>
Total assets	<u>1,306,849</u>	<u>265,009</u>	<u>32,573</u>	<u>1,604,431</u>
<b>LIABILITIES</b>				
Current liabilities:				
Deposits subject to refund	-	-	32,499	32,499
Total liabilities	<u>-</u>	<u>-</u>	<u>32,499</u>	<u>32,499</u>
<b>NET POSITION</b>				
Restricted for debt service	75,555	-	-	75,555
Unrestricted	<u>1,231,294</u>	<u>265,009</u>	<u>74</u>	<u>1,496,377</u>
Total net position	<u>\$ 1,306,849</u>	<u>\$ 265,009</u>	<u>\$ 74</u>	<u>\$ 1,571,932</u>

**EPWA Fund Combining Schedule of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) - EPWA Accounts - Year Ended June 30, 2017**

	<b>Elgin Public Works Authority Accounts</b>			<b>Total</b>
	<b>EPWA Operating</b>	<b>PWA Bond Account</b>	<b>Meter Deposit Account</b>	
<b>Operating Revenues:</b>				
Water charges	\$ 511,604	\$ -	\$ -	\$ 511,604
Sewer charges	125,795	26,977	-	152,772
Sanitation charges	290,183	-	-	290,183
Penalty charges	14,542	-	-	14,542
Reconnect fee	9,895	-	-	9,895
Total operating revenues	<u>952,019</u>	<u>26,977</u>	<u>-</u>	<u>978,996</u>
<b>OPERATING EXPENSES</b>				
Administration	348,085	-	-	348,085
Sewer	54,825	-	-	54,825
Water	78,902	-	-	78,902
Sanitation	277,476	-	-	277,476
Total Operating Expenses	<u>759,288</u>	<u>-</u>	<u>-</u>	<u>759,288</u>
Net operating income	<u>192,731</u>	<u>26,977</u>	<u>-</u>	<u>219,708</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	1,204	641	-	1,845
Capital grants and contributions	-	33,000	-	33,000
Miscellaneous revenue	8,432	-	-	8,432
Debt Service:				
Principal Retirement	(150,048)	-	-	(150,048)
Interest expense and fees	(76,289)	-	-	(76,289)
Capital Outlay	-	(49,024)	-	(49,024)
Total non-operating revenue (expenses)	<u>(216,701)</u>	<u>(15,383)</u>	<u>-</u>	<u>(232,084)</u>
Income (loss) before transfers	<u>(23,970)</u>	<u>11,594</u>	<u>-</u>	<u>(12,376)</u>
Transfers in				
Transfers out	315,408	49,024	-	364,432
Change in net position	<u>(180,609)</u>	<u>-</u>	<u>-</u>	<u>(180,609)</u>
Total net position - beginning	<u>1,196,020</u>	<u>204,391</u>	<u>74</u>	<u>1,400,485</u>
Total net position - ending	<u>\$ 1,306,849</u>	<u>\$ 265,009</u>	<u>\$ 74</u>	<u>\$ 1,571,932</u>

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**Schedule of Expenditures of Federal and State Awards**

<u>Federal/State Grantor/Pass through agency Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Acting through the Indian Health Service	66.419	N/A	\$ 33,000	\$ 33,000
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 33,000</u>	<u>\$ 33,000</u>
<b>STATE AWARDS:</b>				
<u>OKLAHOMA DEPARTMENT OF LIBRARIES</u>				
Continuing Education Conference Grant	N/A	N/A	\$ 578	\$ 360
2016 Small Libraries Technology Grant	N/A	N/A	1,500	1,500
State Aid	N/A	N/A	2,773	2,846
Total Oklahoma Department of Libraries			<u>4,851</u>	<u>4,706</u>
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
State aid	N/A	N/A	3,817	4,290
<b>TOTAL STATE ASSISTANCE</b>			<u>\$ 8,668</u>	<u>\$ 8,996</u>

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**Schedule of Debt Service Coverage**

	<b>OWRB 2011 CWSRF NOTE</b>	<b>OWRB 2013 DWSRF NOTE</b>
	<u>          </u>	<u>          </u>
Gross Revenue Available for Debt Service:		
Operating revenues (sewer)	\$ 152,772	\$ -
Operating revenues (water and sewer)	-	664,376
Transfer in - sales tax	295,135	295,135
	<u>          </u>	<u>          </u>
Total Gross Revenues Available	447,907	959,511
Public Works Authority operating expenses (sewer)	54,825	-
Public Works Authority operating expenses (water and sewer)	-	133,727
	<u>          </u>	<u>          </u>
Net Revenues Available for Debt Service	<u>\$ 393,082</u>	<u>\$ 825,784</u>
Debt Service Requirements:		
Maximum annual debt service - OWRB	<u>\$ 214,860</u>	<u>\$ 79,575</u>
	<u>          </u>	<u>          </u>
Total Debt Service Requirements	<u>\$ 214,860</u>	<u>\$ 79,575</u>
Coverage	<u>          1.83</u>	<u>          10.38</u>
Coverage Requirement	<u>          1.25</u>	<u>          1.25</u>

**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elgin, Oklahoma (the "City") as of and for the year ended June 30, 2017, 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 18, 2017. Our report included an emphasis-of-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described as Finding 2017-01 in the accompanying schedule of findings, that we consider to be a significant deficiency.

**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*.

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

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

### **Purpose of this Report**

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

*Arledge & Associates, P.C.*

August 18, 2017



CITY OF ELGIN, OKLAHOMA

SCHEDULE OF FINDINGS

Year Ended June 30, 2017

**Finding 2017-01 – Bank Reconciliations**

*Criteria:* One component of an effective internal control system is proper segregation of duties. Where a small office environment prevents full segregation of duties, increased monitoring is required to mitigate the risk.

*Condition:* In our documentation of the bank reconciliation process we noted that the City's Clerk has access to assets, general ledger control, and bank reconciliation responsibility.

*Cause and Effect:* Inadequate segregation of duties and insufficient monitoring of the bank balances exposes the City to increased risk of loss.

*Recommendation:* We recommend the City have an elected official receive and review the bank statement prior to receipt of that bank statement by the Clerk.

*City's response:* The City will have the Mayor (Larry Thoma) receive and review the bank statements prior to receipt of the bank statements by the City Clerk (Machelle Reynolds) or Accounts Payable Clerk (Mallory Geiger).