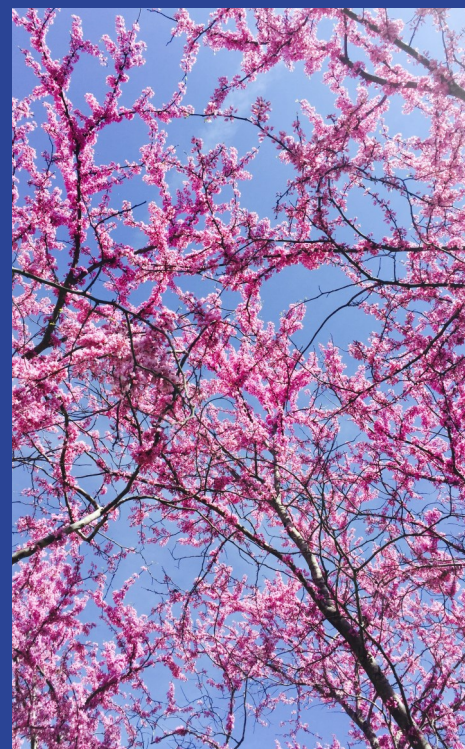




City of McAlester
COMPREHENSIVE ANNUAL FINANCIAL AND INDEPENDENT AUDITOR'S REPORTS
FOR YEAR ENDING JUNE 30, 2017



THE CITY OF MCALESTER, OKLAHOMA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

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

**Prepared By:
City of McAlester Department of Finance
Toni Ervin, Chief Financial Officer**

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

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

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City of McAlester

EAST WASHINGTON - MCALESTER, OKLAHOMA 74502-0578 (918)423-9300 FAX (918)421-4971

December 31, 2017

Honorable Mayor, Members of the City Council and the Citizens of the City of McAlester, Oklahoma:

The Comprehensive Annual Financial Report of the City of McAlester for the year ended June 30, 2017, is hereby submitted as mandated by the city charter and state statutes. The City is required to publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts.

Responsibility of both the accuracy, completeness, and fairness of the presentation, including all disclosures, rests with management. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the City's financial activities have been included. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the City are protected from loss, theft or misuse in order to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Finley and Cook, a firm of licensed certified public accountants. The independent audit was conducted to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent auditor has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2017. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City is governed by the Council-Manager form of government. This form of government most closely resembles the private sector with the Manager serving as the Chief Executive Officer, the Mayor as the Chairman of the Board, and the Council as the Board of Directors. The City Council is the legislative body for the City of McAlester. It is comprised of the Mayor, Vice-Mayor, and five council members who are elected to serve four-year terms. The seven members represent each of the City's six wards.

The City of McAlester provides a variety of municipal services to 18,000+ residents, including police and fire protection, planning and zoning services, parks and recreational activities, and the construction and maintenance of streets, and other infrastructure. The City also provides water, wastewater, storm water, and solid waste services to its residents under the legal entity of (MPWA) McAlester Public Works Authority.

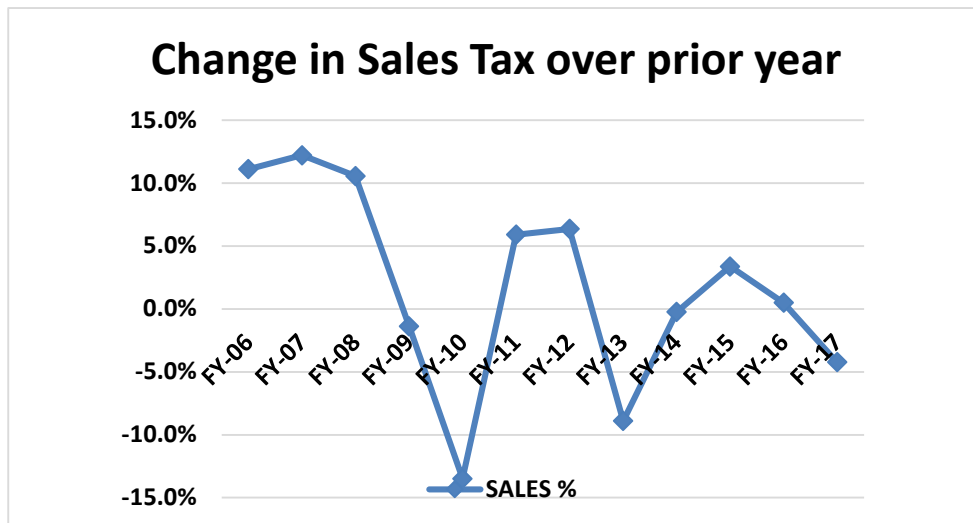
The City reports on a fiscal year basis, beginning July 1st and ending June 30th. All funds of the City with revenues and expenditures are required to have annual budgets. The City Manager's proposed operating budget for the fiscal year commencing the following July 1 is submitted to the City Council prior to June 1. A public hearing is held prior to June 15 to obtain citizen comments. Subsequent to the public hearing, but not later than seven days prior to July 1, the budget is adopted by Ordinance of the City Council. The adopted budget is filed with the Office of State Auditor and Inspector. The appropriated budget is prepared by fund, function, and department. All supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments without City Council approval up to \$25,000. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Local Economy

Centrally positioned in southeast Oklahoma between the Dallas, Oklahoma City, and Tulsa metro regions, McAlester is the largest community within the Choctaw Nation and contains a trade area population of more than 70,000 people. The City is a thriving regional hub for employment, tourism, retail, and medical care. As the local economy continues to grow and prosper, additional investment will be attracted to the City, creating an economic outlook that is vibrant and optimistic.

The City of McAlester, like most cities in the State of Oklahoma, relies on sales tax. Sales tax is a volatile revenue. Consequently, the City's finances are directly impacted by economic conditions. Our local economy shows signs of optimistic indicators. Use tax continues to rise above expectations and was over budget. Sales tax represents 56% of the City's total General Fund Revenue and was under budget. Our local economy continues demonstrating stability and strength.

Therefore, the economic outlook remains positive. Annual trends in City sales tax are illustrated below:



Major Initiatives

The City continued to work on several initiatives and capital projects during 2016-2017. City staff continues to work with developers to attract businesses to both the downtown/north town area and the Highway 69 developmental areas. We have bid out our Comprehensive Plan and accepted our consultants to move us forward into our future planning of this City. Our comprehensive storm water study is funded and will help prepare us for the repair or replacement of our storm water infrastructure and plan for the future. Several of our needed water treatment infrastructure repairs or replacements have been completed this fiscal year, but have many more projects have been identified. We have started planning for necessary systematic replacement of our aging Water and Waste Water infrastructure. It will mirror what we have accomplished in our streets department panel replacement and asphalt overlay programs. With the streets study that was accomplished a few years ago that identified the conditions and needs of our streets, we have been able to systematically repair and replace major thoroughfares. The AMI project has been bid and awarded. Through this process our water meters have been mapped by GPS. We have installed Phase 1 of our AMI meter reading system completing the south side of McAlester. Additionally, the first building everyone sees that comes to the City of McAlester by plane received a new facelift. The airport FBO (Fixed Base Operations) building was painted and new signage installed.

We have resurfaced half of the walking track at Mike Deak and installed exercise equipment around the track at intervals. A new playground that is geared to encourage children to exercise has been installed. This playground was made possible through a donation from the McGowan Family Foundation and matching funds from the City. Perhaps the most exciting addition to our community, an ADA playground, came from a generous donation from the Puterbaugh Foundation with some matching funds from the City. It was installed by community volunteers. This playground is a milestone not only

children to exercise has been installed. This playground was made possible through a donation from the McGowan Family Foundation and matching funds from the City. Perhaps the most exciting addition to our community, an ADA playground, came from a generous donation from the Puterbaugh Foundation with some matching funds from the City. It was installed by community volunteers. This playground is a milestone not only for the City of McAlester, but the entire southeast area of Oklahoma. Our current playgrounds often do not afford children in wheel chairs or using walking aids the ability to play freely. The new ADA playground has a play surface that is universally accessible where children can play alongside their friends and siblings in an all-inclusive atmosphere. This project will increase awareness of children with special needs, help unite the community, and provide a safe play area for all our children.

The preparation of this Comprehensive Annual Financial Report is a combined effort of the Finance Department and the professional assistance of Crawford & Associates, P.C. Our sincere appreciation is extended to all who contributed to its preparation.

Finally, we would like to thank the Mayor, the members of the City Council, and the members of the Audit and Finance Committee for their policy guidance which is contained in this document. As the governing body, we appreciate their leadership, encouragement, and support in strengthening and improving the fiscal policies of the City of McAlester.

Respectfully Submitted,



Peter Stasiak
City Manager



Toni Ervin
Chief Finance Officer

CITY OF MCALESTER, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2017

City Council

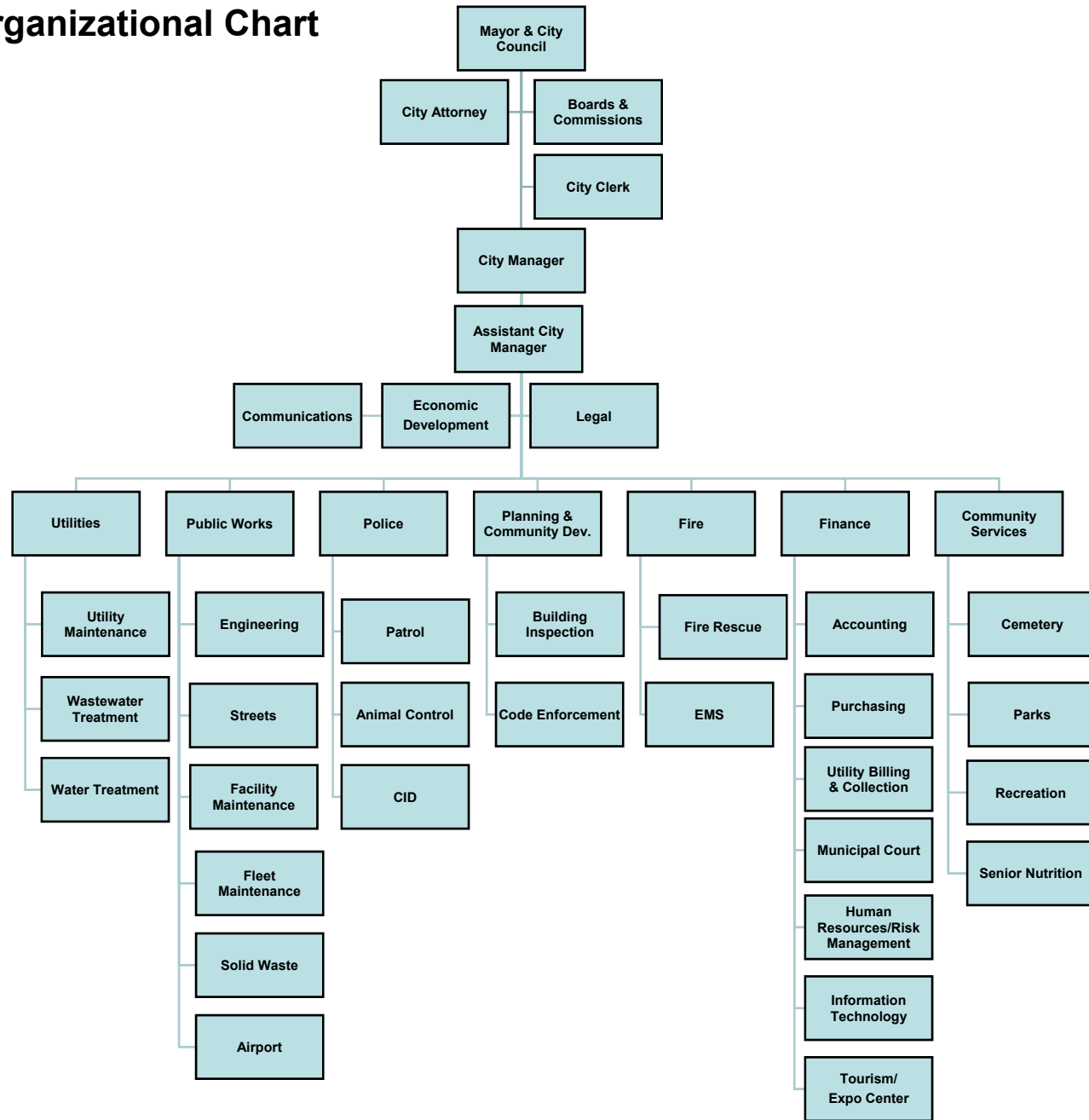
John Browne, Mayor
Weldon Smith, Member Ward 1
Cully Stevens, Member Ward 2
Travis Read, Member Ward 3
Robert Karr, Member Ward 4
Buddy Garvin, Member Ward 5
Jason Barnett, Member Ward 6

Administration

| | |
|------------------|-------------------------|
| Peter J. Stasiak | City Manager |
| Cora Middleton | City Clerk |
| Toni Ervin | Chief Financial Officer |

City of McAlester Organizational Chart

07-01-17





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of McAlester
Oklahoma**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of McAlester
McAlester, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McAlester, 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 accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McAlester Regional Health Center Authority (the "Authority"), which represents 99.9% of the total assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 auditors' 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 auditors consider 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions, the schedule of investment returns, the schedule of proportionate share of net pension liability—Oklahoma Firefighters Pension and Retirement System, the schedule of City contributions—Oklahoma Firefighters Pension and Retirement System, the schedule of proportionate share of net pension liability—Oklahoma Police Pension and Retirement System, and the schedule of City contributions—Oklahoma Police Pension and Retirement System, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, Continued

Other Supplementary 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 combining and individual nonmajor fund financial statements and other supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules have 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. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


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 introductory and statistical sections, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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 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.



Shawnee, Oklahoma
December 21, 2017

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As management of the City of McAlester, we offer readers this narrative overview and analysis of the financial activities of the City of McAlester for the fiscal year ended June 30, 2017. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's overall net position improved during the year ended June 30, 2017. Total net position increased by \$4,207,008 with the City's total government-wide assets and deferred outflows continuing to exceed its total liabilities and deferred inflows at June 30, 2017, by \$28,069,390 which represents its total government-wide net position.
- The City's governmental activities experienced a current year increase in net position of \$6,595,895, while business-type activities experienced a current year decrease in net position of \$2,388,887. However, while overall net position did improve from the prior year, there are still several areas of concern and conditions that are worth noting in terms of the City's financial condition. These concerns or conditions include the following:
 - While the City has total government-wide net position amounting to \$28,069,390, it is segregated by \$26,502,139 in a net investment in capital assets and \$10,845,699 of net position restricted for various purposes, thus leaving the City with (\$9,278,448) in a total unrestricted net position (deficit), with (\$8,993,447) of the unrestricted net position (deficit) located in the City's governmental activities and (\$285,001) of the unrestricted net position (deficit) located in the City's business-type activities. This total unrestricted net position (deficit) is indicative of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness (reported in the governmental activities in the government-wide financial statements) for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. The capital assets related to the debt for the school system improvements and economic development are not shown in these financial statements, but rather in each of those entities separate financial statements. Most of this debt is expected to be retired from future dedicated sales tax collections. The result of reporting the long-term debt without corresponding capital assets is to report an unrestricted net position (deficit). In addition, due to the implementation of new accounting standards in the prior year, the City's net pension liabilities are now being reported in the amounts of \$13,817,252 for governmental activities and \$1,209,199 for business-type activities.
 - At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$22,225,687. That net amount is the result of \$2,487 of non-spendable fund balance, \$18,110,700 of restricted fund balance, \$3,429,113 of assigned fund balance, and \$683,387 of unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the financial reporting entity of the City of McAlester (the "City"). The financial reporting entity consists of the following separate legal entities:

- The Primary Government
 - City of McAlester

- McAlester Public Works Authority
- McAlester Airport Authority
- McAlester Municipal Improvement Authority (currently inactive)

- Discretely Presented Component Units
 - McAlester Regional Health Center
 - McAlester Parking Authority

The entities included as part of the primary government are included in this report within the governmental-wide statements in either of two categories of activities – governmental and business-type. The discretely presented component units are combined and reported in a single column labeled Component Units. This management discussion and analysis focuses on the primary government as defined above.

The governmental-wide financial statements present the complete financial picture of the City's reporting entity from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined, with a separate column for the aggregate discretely-presented component units. 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. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of McAlester's basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 22 & 23, respectively) report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues, expenses and deferrals are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads and other infrastructure, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into three types of activities:

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities -- The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, and solid waste collections utilities, along with its airport activities, are reported here.
- Discretely-presented component units -- These account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Regional Health Center Authority and the Parking Authority.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of McAlester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many 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. All of the funds of the City of McAlester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine 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 each governmental fund financial statement.

Proprietary funds -- When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and solid waste collection, disposal services, and airport services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties, such as the City's single employer Defined Benefit Retirement Plan and Trust Fund, the City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2017, net position for the governmental activities and business-type activities totaled \$28,069,390, which was an increase of \$4,207,008. The results indicate the City, as a whole, improved its financial position from the prior year.

The City of McAlester's Change in Net Position

| | Governmental Activities | Business-type Activities | Total |
|--------------------------------------|----------------------------|-----------------------------|----------------------|
| Beginning net position (deficit) | \$ (4,178,851) | \$ 28,041,233 | \$ 23,862,382 |
| Increase (decrease) in net position | 6,595,895 | (2,388,887) | 4,207,008 |
| Ending net position (deficit) | \$ 2,417,044 | \$ 25,652,346 | \$ 28,069,390 |

Following is a summary comparison of change in net position from last year for the City of McAlester.

The City of McAlester's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets: | | | | | | |
| Current and other assets | \$ 24,287,218 | \$ 26,160,795 | \$ 6,042,164 | \$ 5,862,878 | \$ 30,329,382 | \$ 32,023,673 |
| Capital assets | 46,780,840 | 42,344,477 | 27,464,802 | 27,636,792 | 74,245,642 | 69,981,269 |
| Total assets | 71,068,058 | 68,505,272 | 33,506,966 | 33,499,670 | 104,575,024 | 102,004,942 |
| Deferred Outflows of Resources: | | | | | | |
| Deferred amounts related to pensions | 4,078,207 | 1,378,021 | 486,321 | 295,114 | 4,564,528 | 1,673,135 |
| Deferred outflow on refunding | 1,008,986 | 1,158,817 | - | - | 1,008,986 | 1,158,817 |
| Liabilities: | | | | | | |
| Long-term liabilities | 67,033,671 | 67,411,329 | 7,114,964 | 4,756,042 | 74,148,635 | 72,167,371 |
| Other liabilities | 6,289,416 | 6,412,408 | 1,183,977 | 928,167 | 7,473,393 | 7,340,575 |
| Total liabilities | 73,323,087 | 73,823,737 | 8,298,941 | 5,684,209 | 81,622,028 | 79,507,946 |
| Deferred Inflows of Resources: | | | | | | |
| Deferred amounts related to pensions | 415,120 | 1,397,224 | 42,000 | 69,342 | 457,120 | 1,466,566 |
| Net position: | | | | | | |
| Net investment in capital assets | 564,792 | (5,145,885) | 25,937,347 | 26,876,679 | 26,502,139 | 21,730,794 |
| Restricted | 10,845,699 | 10,794,136 | - | - | 10,845,699 | 10,794,136 |
| Unrestricted (deficit) | (8,993,447) | (9,827,102) | (285,001) | 1,164,554 | (9,278,448) | (8,662,548) |
| Total net position | \$ 2,417,044 | \$ (4,178,851) | \$ 25,652,346 | \$ 28,041,233 | \$ 28,069,390 | \$ 23,862,382 |

The significant decline in the amount of current and other assets is directly related to the increase in capital assets during the current year. Significant purchases were made in the current year out of the 2014 project trustee account. In addition, governmental activities were donated a \$4.6 million federal courthouse building.

The significant decline in the size of the governmental activity unrestricted net position (deficit) is primarily the result of a decrease in revenue bonds outstanding of \$1,365,000 related to non-capital school and economic development debt retirements.

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to approximately \$26.5 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, approximately \$10.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is generally considered to be available to be used to meet the government's ongoing obligations to citizens and creditors. For the current year, this unrestricted net position amounted to a \$9,278,448 deficit. The governmental activities deficit balance of \$8,993,447 is indicative of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. Most of this debt is expected to be retired from future dedicated sales tax collections. However, the result of reporting the long-term debt without corresponding capital assets is to report an unrestricted net position (deficit). In addition, net pension liability and related deferred outflows and inflows are reported as a component of unrestricted net position.

The City of McAlester's Statement of Activities

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for Services | \$ 2,658,144 | \$ 3,186,949 | \$ 9,312,328 | \$ 9,315,775 | \$ 11,970,472 | \$ 12,502,724 |
| Grants & Contributions | 1,646,486 | 1,899,430 | - | - | 1,646,486 | 1,899,430 |
| Capital Grants & Contributions | 5,015,746 | 3,047,836 | 1,209,346 | 365,848 | 6,225,092 | 3,413,684 |
| General Revenues: | | | | | | |
| Sales & Use Tax | 14,689,957 | 14,601,333 | - | - | 14,689,957 | 14,601,333 |
| Other Taxes | 1,776,918 | 1,896,444 | - | - | 1,776,918 | 1,896,444 |
| Other General Revenues | 636,346 | 821,288 | 77,391 | 130,534 | 713,737 | 951,822 |
| Total Revenues | 26,423,597 | 25,453,280 | 10,599,065 | 9,812,157 | 37,022,662 | 35,265,437 |
| Program Expenses: | | | | | | |
| Legislature | 109,580 | 128,178 | - | - | 109,580 | 128,178 |
| Administration | 3,713,371 | 3,075,900 | - | - | 3,713,371 | 3,075,900 |
| Public safety | 8,658,637 | 8,002,184 | - | - | 8,658,637 | 8,002,184 |
| Community services | 2,120,523 | 2,162,321 | - | - | 2,120,523 | 2,162,321 |
| Administration services | 1,198,426 | 1,164,926 | - | - | 1,198,426 | 1,164,926 |
| Health and welfare | 282,159 | 255,471 | - | - | 282,159 | 255,471 |
| Public works | 3,547,407 | 3,347,597 | - | - | 3,547,407 | 3,347,597 |
| Economic development | 372,295 | 557,723 | - | - | 372,295 | 557,723 |
| Stormwater | 900 | - | - | - | 900 | - |
| Interest on long-term debt | 2,413,692 | 2,504,399 | - | - | 2,413,692 | 2,504,399 |
| Water | - | - | 4,001,912 | 3,835,928 | 4,001,912 | 3,835,928 |
| Sewer | - | - | 2,077,471 | 2,016,793 | 2,077,471 | 2,016,793 |
| Sanitation | - | - | 3,617,289 | 911,299 | 3,617,289 | 911,299 |
| Airport | - | - | 701,992 | 670,726 | 701,992 | 670,726 |
| Total Expenses | 22,416,990 | 21,198,699 | 10,398,664 | 7,434,746 | 32,815,654 | 28,633,445 |
| Revenues in excess of expenses | 4,006,607 | 4,254,581 | 200,401 | 2,377,411 | 4,207,008 | 6,631,992 |
| Net Transfers | 2,589,288 | 795,616 | (2,589,288) | (795,616) | - | - |
| Increase (Decrease) in Net Position | \$ 6,595,895 | \$ 5,050,197 | \$ (2,388,887) | \$ 1,581,795 | \$ 4,207,008 | \$ 6,631,992 |

For the year ended June 30, 2017, on a government-wide basis, the City experienced an improvement in its financial condition resulting in an increase in total net position of \$4,207,008. The decrease in the size of the prior year change in net position can be attributable to a decrease in charges for services of \$532,252, a decrease in operating grants and contributions of \$252,944, an increase in capital grants and contributions of \$2,811,408, and an increase of expenses of \$4,182,209.

The City's current year governmental activities increase in net position of \$6,595,895 represents an increase from the increase in net position of \$5,050,197 experienced in the prior year. This year's increase in the change in net position from the prior year change can be attributable in large part to an increase in capital grants and contributions of \$1,967,910 from prior year, a decrease in charges for services of \$528,805 from prior year, an increase in expense of \$1,218,291 in the current year and an increase in net transfers of \$1,793,672.

The business-type activities experienced a current year decrease in net position of \$2,388,887, which represents a significant change from the increase in net position of \$1,581,795 experienced in the prior year. This year's decrease in the change in net position from the prior year change can be attributable in large part to an increase in capital grants and contributions of \$843,498, offset by an increase in current year sanitation expenses of \$2,705,990 related to the change in calculation of landfill closure and post-closure liability in the current year.

In reviewing the activity net (expense)/revenue, all business-type functions with the exception of water charges for services were not sufficient to cover all related expenses.

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 \$22,225,687. However, that net amount is the result of \$2,487 of non-spendable fund balance, \$18,110,700 of restricted fund balance, \$3,429,113 of assigned fund balance, and \$683,387 of unassigned fund balance.

For the reasons discussed previously in regards to business-type activities, the enterprise funds reported combined net position of approximately \$25.7 million.

The General Fund's total fund balance decreased by \$202,767, or 21.6%, which is an increase from the change in fund balance of prior year. This is in large part due to a decrease in net transfers out from the prior year.

The McAlester Public Works Authority enterprise fund reported a decrease in net position, after transfers and capital contributions of \$1,993,576 for the year. This is in large part due to an increase in expense and transfers out from the prior year.

General Fund Budgetary Highlights

For the year ended June 30, 2017, the General Fund reported actual budgetary basis amounts available for appropriations above final estimates by \$346,779 or a 2.3% positive variance. General Fund actual expenditures were under final appropriations by \$378,115 or a 2.5% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the City had approximately \$74.2 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of \$4,264,373 from last year.

Below are details regarding the City's capital assets for the years ended June 30, 2017 and 2016.¹

The City of McAlester's Capital Assets

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 1,803,086 | \$ 677,291 | \$ 212,571 | \$ 212,571 | \$ 2,015,657 | \$ 889,862 |
| Buildings and Improvements | 16,690,796 | 10,630,127 | 8,351,562 | 8,121,865 | 25,042,358 | 18,751,992 |
| Machinery and Equipment | 10,689,174 | 11,310,274 | 3,897,368 | 3,809,707 | 14,586,542 | 15,119,981 |
| Infrastructure | 76,269,555 | 76,269,555 | - | - | 76,269,555 | 76,269,555 |
| Utility Property | - | - | 47,798,619 | 47,418,474 | 47,798,619 | 47,418,474 |
| Water rights contracts | - | - | 719,075 | 719,075 | 719,075 | 719,075 |
| Construction-in-progress | 497,911 | 340,742 | 1,335,955 | 360,798 | 1,833,866 | 701,540 |
| Totals | 105,950,522 | 99,227,989 | 62,315,150 | 60,642,490 | 168,265,672 | 159,870,479 |
| Less Depreciation | (59,169,682) | (56,883,512) | (34,850,348) | (33,005,698) | (94,020,030) | (89,889,210) |
| Totals, Net | \$ 46,780,840 | \$ 42,344,477 | \$ 27,464,802 | \$ 27,636,792 | \$ 74,245,642 | \$ 69,981,269 |

This year's more significant capital asset additions include \$176,296 for Filter 5 WTP Replacement, \$148,096 for Adams & Miami Sewer Line Project, \$4,612,886 for Federal Courthouse Building, \$1,128,691 for Land at Steven Taylor Industrial Park, \$660,429 for Washington Street Resurfacing Project, \$273,249 for "A" Street Resurfacing Project, \$165,263 for Carl Albert Traffic Signal Update, and a \$238,734 for a 2017 Street Sweeper.

Debt Administration

At year-end, the City had \$64.4 million in long-term debt outstanding, which represents a \$1,088,602 decrease from the prior year.²

¹ For more detailed information on capital asset activity please refer to page 47-48, Note 5. Capital Assets and Depreciation
² For more detailed information on long-term debt activity please refer to page 49-55, Note 6. Long-Term Debt and Debt Service Requirements

The City of McAlester's Long-term Debt

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Capital leases payable | \$ 733,442 | \$ 632,393 | \$ - | \$ - | \$ 733,442 | \$ 632,393 |
| Claims liability | 231,302 | 250,356 | - | - | 231,302 | 250,356 |
| Accrued compensation | 2,387,932 | 2,411,244 | 194,274 | 178,798 | 2,582,206 | 2,590,042 |
| Notes Payable | - | - | 1,248,086 | 263,441 | 1,248,086 | 263,441 |
| Revenue Bonds Payable | 54,476,132 | 57,945,932 | - | - | 54,476,132 | 57,945,932 |
| Landfill Closure and Post-Closure | - | - | 4,348,864 | 2,831,021 | 4,348,864 | 2,831,021 |
| Contract obligation | - | - | 188,539 | 377,081 | 188,539 | 377,081 |
| Water contract obligations | - | - | 90,830 | 119,591 | 90,830 | 119,591 |
| Deposits subject to refund | - | - | 505,588 | 483,734 | 505,588 | 483,734 |
| Totals | \$ 57,828,808 | \$ 61,239,925 | \$ 6,576,181 | \$ 4,253,666 | \$ 64,404,989 | \$ 65,493,591 |

The 2002 Revenue Bonds contain \$746,818, \$704,610, \$664,799, and \$920,949 (par value) of capital appreciation bonds. The accreted value of the first three bonds is \$3,930,000 each, and will require three separate \$3,930,000 payments maturing February 1, 2031, February 1, 2032 and February 1, 2033. The fourth bond will mature on February 1, 2034 and require a payment of \$5,770,000. No payments are required to be made on these bonds until maturity.

ECONOMIC OUTLOOK

Sales tax revenue is the City's largest revenue and a key indicator of our economy. With sales tax remaining consistent and use tax continually increasing, our economic outlook remains positive. Our local economy has demonstrated stability and strength.

The City of McAlester is the largest economy within the Choctaw Nation and serves the entire region in industry, tourism, retail, and healthcare. With a trade area of 70,000 people, McAlester's economy is expanding and offering new business opportunities, as well as existing business expansion opportunities. McAlester's local economy has demonstrated positive stability. The City is a thriving regional hub for employment, tourism, retail, and medical care. The City of McAlester has a strong foundation of employers that contribute to our economic success, including the McAlester Army Ammunition Plant, Spirit Aerosystems, Berry Plastics, Choctaw Defense, McAlester Regional Health Center, Warren Clinic, National Oilwell Varco, the Oklahoma State Penitentiary, Wal-Mart, Lowes, and Big V Feeds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show 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 1st and Washington, McAlester, Oklahoma or phone at (918) 423-9300.

BASIC FINANCIAL STATEMENTS

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

Government-Wide Statement of Net Position– June 30, 2017

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 20,715,767 | \$ 2,977,652 | \$ 23,693,419 | \$ 28,006,635 |
| Investments | 250,657 | - | 250,657 | 12,406,307 |
| Accounts receivable, net of allowance | 52,413 | 1,152,464 | 1,204,877 | 12,945,733 |
| Franchise tax receivable | 30,221 | - | 30,221 | - |
| Ambulance receivable, net of allowance | 75,621 | - | 75,621 | - |
| Court fines receivable, net of allowance | 952,769 | - | 952,769 | - |
| Due from other governments | 2,087,887 | - | 2,087,887 | - |
| Prepaid items | 2,487 | - | 2,487 | 1,954,964 |
| Other receivables | 53,269 | - | 53,269 | - |
| Internal balances | 5,511 | (5,511) | - | - |
| Inventory | - | - | - | 2,462,086 |
| Investment in joint venture | - | 1,917,559 | 1,917,559 | 5,912,519 |
| Restitution receivable: | | | | |
| Due within one year | 5,541 | - | 5,541 | - |
| Due in more than one year | 55,075 | - | 55,075 | - |
| Capital assets: | | | | |
| Land, improvements, and construction in progress | 2,300,997 | 2,267,601 | 4,568,598 | 3,616,364 |
| Other capital assets, net of depreciation | 44,479,843 | 25,197,201 | 69,677,044 | 26,662,754 |
| Total assets | <u>71,068,058</u> | <u>33,506,966</u> | <u>104,575,024</u> | <u>93,967,362</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred amounts related to pensions | 4,078,207 | 486,321 | 4,564,528 | - |
| Deferred amount on refunding | 1,008,986 | - | 1,008,986 | - |
| Total deferred outflows of resources | <u>5,087,193</u> | <u>486,321</u> | <u>5,573,514</u> | <u>-</u> |
| LIABILITIES: | | | | |
| Accounts payable | 375,842 | 383,402 | 759,244 | 5,975,869 |
| Accrued payroll liabilities | 421,211 | 59,521 | 480,732 | 3,594,211 |
| Accrued interest payable | 884,893 | 2,147 | 887,040 | - |
| Estimated amounts due to third-party payers | - | - | - | 39,539 |
| Unearned revenue | 2,081 | 68,491 | 70,572 | 140 |
| Long-term liabilities: | | | | |
| Due within one year | 4,605,389 | 670,416 | 5,275,805 | 751,875 |
| Due in more than one year | 67,033,671 | 7,114,964 | 74,148,635 | 9,100,178 |
| Total liabilities | <u>73,323,087</u> | <u>8,298,941</u> | <u>81,622,028</u> | <u>19,461,812</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Deferred amounts related to pensions | 415,120 | 42,000 | 457,120 | - |
| NET POSITION: | | | | |
| Net investment in capital assets | 564,792 | 25,937,347 | 26,502,139 | 18,820,069 |
| Restricted for emergencies | 3,703,438 | - | 3,703,438 | - |
| Restricted for economic development-bonds | 800,000 | - | 800,000 | - |
| Restricted for economic development | 1,243,297 | - | 1,243,297 | - |
| Restricted for E911 | 871,964 | - | 871,964 | - |
| Restricted for debt service | 2,710,879 | - | 2,710,879 | - |
| Restricted for stormwater | 421,798 | - | 421,798 | - |
| Restricted for other | 1,094,323 | - | 1,094,323 | 8,777,156 |
| Unrestricted (deficit) | (8,993,447) | (285,001) | (9,278,448) | 46,908,325 |
| Total net position | <u>\$ 2,417,044</u> | <u>\$ 25,652,346</u> | <u>\$ 28,069,390</u> | <u>\$ 74,505,550</u> |

See accompanying notes to the basic financial statements.

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

Government-Wide Statement of Activities –Year Ended June 30, 2017

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Units |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| Legislature | \$ 109,580 | \$ - | \$ - | \$ - | \$ (109,580) | \$ - | \$ (109,580) | \$ - |
| Administration | 3,713,371 | 541,994 | 28,808 | 4,612,886 | 1,470,317 | - | 1,470,317 | - |
| Public safety | 8,658,637 | 1,255,086 | 1,184,879 | 174,288 | (6,044,384) | - | (6,044,384) | - |
| Community services | 2,120,523 | 111,913 | 219,220 | 61,906 | (1,727,484) | - | (1,727,484) | - |
| Administration services | 1,198,426 | 253,082 | - | - | (945,344) | - | (945,344) | - |
| Health and welfare | 282,159 | - | 55,533 | - | (226,626) | - | (226,626) | - |
| Public Works | 3,547,407 | 2,013 | 158,046 | - | (3,387,348) | - | (3,387,348) | - |
| Economic development | 372,295 | - | - | 166,666 | (205,629) | - | (205,629) | - |
| Stomwater | 900 | 494,056 | - | - | 493,156 | - | 493,156 | - |
| Interest on long-term debt | 2,413,692 | - | - | - | (2,413,692) | - | (2,413,692) | - |
| Total governmental activities | <u>22,416,990</u> | <u>2,658,144</u> | <u>1,646,486</u> | <u>5,015,746</u> | <u>(13,096,614)</u> | <u>-</u> | <u>(13,096,614)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Water | 4,001,912 | 4,398,912 | - | 1,129,006 | - | 1,526,006 | 1,526,006 | - |
| Sewer | 2,077,471 | 1,777,843 | - | - | - | (299,628) | (299,628) | - |
| Sanitation | 3,617,289 | 3,027,390 | - | - | - | (589,899) | (589,899) | - |
| Airport | 701,992 | 108,183 | - | 80,340 | - | (513,469) | (513,469) | - |
| Total business-type activities | <u>10,398,664</u> | <u>9,312,328</u> | <u>-</u> | <u>1,209,346</u> | <u>-</u> | <u>123,010</u> | <u>123,010</u> | <u>-</u> |
| Total primary government | <u>32,815,654</u> | <u>11,970,472</u> | <u>1,646,486</u> | <u>6,225,092</u> | <u>(13,096,614)</u> | <u>123,010</u> | <u>(12,973,604)</u> | <u>-</u> |
| Component Units: | | | | | | | | |
| Parking | \$ 1,494 | \$ 4,741 | - | - | - | - | - | 3,247 |
| Hospital | 89,969,066 | 90,812,723 | 360,765 | 250,000 | - | - | - | 1,454,422 |
| Total component units | <u>\$ 89,970,560</u> | <u>\$ 90,817,464</u> | <u>\$ 360,765</u> | <u>\$ 250,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$ 1,457,669</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales and use taxes | | | | | \$ 14,689,957 | \$ - | \$ 14,689,957 | \$ - |
| Franchise and public service taxes | | | | | 544,954 | - | 544,954 | - |
| Hotel/motel taxes | | | | | 655,558 | - | 655,558 | - |
| E-911 taxes | | | | | 576,406 | - | 576,406 | - |
| Invergovernmental revenue not restricted to specific programs | | | | | 305,518 | - | 305,518 | - |
| Investment income | | | | | 118,910 | 27,181 | 146,091 | 181,992 |
| Miscellaneous | | | | | 211,918 | 50,210 | 262,128 | - |
| Transfers - internal activity | | | | | 2,589,288 | (2,589,288) | - | - |
| Total general revenues and transfers | | | | | <u>19,692,509</u> | <u>(2,511,897)</u> | <u>17,180,612</u> | <u>181,992</u> |
| Change in net position | | | | | 6,595,895 | (2,388,887) | 4,207,008 | 1,639,661 |
| Net position - beginning | | | | | (4,178,851) | 28,041,233 | 23,862,382 | 72,865,889 |
| Net position - ending | | | | | <u>\$ 2,417,044</u> | <u>\$ 25,652,346</u> | <u>\$ 28,069,390</u> | <u>\$ 74,505,550</u> |

See accompanying notes to the basic financial statements.

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

Governmental Funds Balance Sheet - June 30, 2017

| | Special Revenue | | | Debt Service | | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|---------------------------------|----------------------------------|----------------------|--------------------------------|--------------------------------|
| | General Fund | Reserve Fund | Economic Development Fund | Dedicated Sales Tax - MPWA | Bond Trustee Fund | | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 1,030,071 | \$ 3,703,438 | \$ 2,875,710 | \$ 3,063 | \$ 7,265,001 | \$ 5,766,432 | \$ 20,643,715 |
| Investments | - | - | 250,657 | - | - | - | 250,657 |
| Receivables: | | | | | | | |
| Accounts receivable, net of allowance | - | - | - | - | - | 52,413 | 52,413 |
| Due from other funds | - | - | - | - | - | 800,000 | 800,000 |
| Due from other governments | 1,223,826 | - | 126,490 | 505,957 | - | 231,614 | 2,087,887 |
| Franchise tax receivable | 30,221 | - | - | - | - | - | 30,221 |
| Court fines receivable, net of allowance | 952,769 | - | - | - | - | - | 952,769 |
| Ambulance receivable, net of allowance | 75,621 | - | - | - | - | - | 75,621 |
| Other receivables | 1,366 | - | - | - | - | 51,903 | 53,269 |
| Prepaid items | 2,487 | - | - | - | - | - | 2,487 |
| Total assets | \$ 3,316,361 | \$ 3,703,438 | \$ 3,252,857 | \$ 509,020 | \$ 7,265,001 | \$ 6,902,362 | \$ 24,949,039 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 257,090 | \$ - | \$ 12,290 | \$ - | \$ - | \$ 95,275 | \$ 364,655 |
| Accrued payroll liabilities | 385,254 | - | 2,809 | - | - | 24,792 | 412,855 |
| Due to other funds | 1,007,622 | - | - | - | - | - | 1,007,622 |
| Unearned revenue | 2,081 | - | - | - | - | - | 2,081 |
| Total liabilities | 1,652,047 | - | 15,099 | - | - | 120,067 | 1,787,213 |
| Deferred Inflows of Resources: | | | | | | | |
| Deferred revenue | 929,486 | - | - | - | - | 6,653 | 936,139 |
| Fund balances: | | | | | | | |
| Nonspendable | 2,487 | - | - | - | - | - | 2,487 |
| Restricted | - | 3,703,438 | 1,243,297 | 509,020 | 7,265,001 | 5,389,944 | 18,110,700 |
| Assigned | 48,954 | - | 1,994,461 | - | - | 1,385,698 | 3,429,113 |
| Unassigned | 683,387 | - | - | - | - | - | 683,387 |
| Total fund balances | 734,828 | 3,703,438 | 3,237,758 | 509,020 | 7,265,001 | 6,775,642 | 22,225,687 |
| Total liabilities, deferred inflows and fund balances | \$ 3,316,361 | \$ 3,703,438 | \$ 3,252,857 | \$ 509,020 | \$ 7,265,001 | \$ 6,902,362 | \$ 24,949,039 |

See accompanying notes to the basic financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

| | | |
|---|----|--------------|
| Total fund balance, governmental funds | \$ | 22,225,687 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$59,169,682 | | |
| | | 46,780,840 |
| Certain other long-term assets and deferred outflow s are not available to pay current period expenditures and therefore are deferred in the funds: | | |
| Grants receivable | | 35,532 |
| Court fines receivable, net of allow ance for doubtful accounts \$469,276 | | 873,067 |
| Ambulance receivable, net of allow ance for doubtful accounts \$2,167,816 | | 27,540 |
| Pension related deferred outflow s | | 4,078,207 |
| Deferred outflow on refunding | | 1,008,986 |
| | | 6,023,332 |
| Certain long-term assets are not a current financial resource and, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position: | | |
| Restitution receivable | | 60,616 |
| | | 60,616 |
| Certain long-term liabilities and related accounts and deferred inflow s, are not due and payable from current financial resources and, therefore, are not reported in the funds: | | |
| Accrued interest payable | | (884,893) |
| Capital lease obligations payable | | (733,442) |
| Revenue bonds payable, net of discount of \$7,000 | | (54,469,132) |
| Accrued compensated absences | | (2,353,592) |
| Net pension liability | | (13,817,252) |
| Pension related deferred inflow s | | (415,120) |
| | | (72,673,431) |
| Net Position of Governmental Activities in the Statement of Net Position | \$ | 2,417,044 |

See accompanying notes to the basic financial statements.

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

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2017

| | Special Revenue | | | Debt Service | | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|---------------------|---------------------------|----------------------------|---------------------|--------------------------|--------------------------|
| | General Fund | Reserve Fund | Economic Development Fund | Dedicated Sales Tax - MPWA | Bond Trustee Fund | | |
| REVENUES | | | | | | | |
| Taxes | \$ 9,553,459 | \$ - | \$ 946,909 | \$ 3,787,634 | \$ - | \$ 2,178,873 | \$ 16,466,875 |
| Intergovernmental | 1,699,213 | - | 1,166,666 | - | - | 320,977 | 3,186,856 |
| Charges for services | 1,430,069 | - | - | - | - | 1,134,709 | 2,564,778 |
| Fines and forfeitures | 807,538 | - | - | - | - | - | 807,538 |
| Licenses and permits | 87,507 | - | - | - | - | - | 87,507 |
| Investment earnings | 27,813 | 26,398 | 24,850 | 952 | 9,092 | 29,805 | 118,910 |
| Miscellaneous | 95,951 | - | 30,330 | - | - | 363,698 | 489,979 |
| Total revenues | 13,701,550 | 26,398 | 2,168,755 | 3,788,586 | 9,092 | 4,028,062 | 23,722,443 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Legislature | 109,580 | - | - | - | - | - | 109,580 |
| Administration | 3,149,984 | - | - | 2,500 | - | 17,373 | 3,169,857 |
| Public safety | 7,811,167 | - | - | - | - | 684,440 | 8,495,607 |
| Community services | 1,695,062 | - | - | - | - | - | 1,695,062 |
| Administrative services | 488,331 | - | - | - | - | 689,863 | 1,178,194 |
| Health and welfare | 279,695 | - | - | - | - | - | 279,695 |
| Public works | 1,124,038 | - | - | - | - | - | 1,124,038 |
| Economic development | - | - | 375,014 | - | - | - | 375,014 |
| Capital Outlay | 318,521 | - | 1,128,691 | - | 553,378 | 3,240,543 | 5,241,133 |
| Debt Service: | | | | | | | |
| Principal | - | - | - | - | 3,870,000 | 137,685 | 4,007,685 |
| Interest and other charges | - | - | - | - | 1,882,903 | 18,371 | 1,901,274 |
| Total expenditures | 14,976,378 | - | 1,503,705 | 2,500 | 6,306,281 | 4,788,275 | 27,577,139 |
| Excess (deficiency) of revenues over (under) expenditures | (1,274,828) | 26,398 | 665,050 | 3,786,086 | (6,297,189) | (760,213) | (3,854,696) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 1,799,134 | - | - | 404,954 | 5,811,931 | 1,824,584 | 9,840,603 |
| Transfers out | (727,073) | - | (963,801) | (4,265,114) | - | (1,077,577) | (7,033,565) |
| Issuance of debt | - | - | - | - | - | 238,734 | 238,734 |
| Total other financing sources and uses | 1,072,061 | - | (963,801) | (3,860,160) | 5,811,931 | 985,741 | 3,045,772 |
| Net change in fund balances | (202,767) | 26,398 | (298,751) | (74,074) | (485,258) | 225,528 | (808,924) |
| Fund balances - beginning | 937,595 | 3,677,040 | 3,536,509 | 583,094 | 7,750,259 | 6,550,114 | 23,034,611 |
| Fund balances - ending | \$ 734,828 | \$ 3,703,438 | \$ 3,237,758 | \$ 509,020 | \$ 7,265,001 | \$ 6,775,642 | \$ 22,225,687 |

See accompanying notes to the basic financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ (808,924)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

| | |
|---|-------------|
| Capital asset purchases capitalized | 4,772,185 |
| Capital assets purchased for business-type activities | (1,573,137) |
| Capital assets contributed | 4,731,905 |
| Book value on capital assets disposed | (15,286) |
| Depreciation expense | (3,479,304) |
| | 4,436,363 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | |
|-------------------------------|-----------|
| Change in restitution revenue | (8,047) |
| Change in deferred revenue | (601,597) |
| | (609,644) |

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.

296,796

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

| | |
|---|-----------|
| Debt proceeds | (238,734) |
| Revenue bond principal payments | 3,870,000 |
| Accretion of capital appreciation revenue bonds | (400,200) |
| Capital lease obligation principal payments | 137,685 |
| | 3,368,751 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | |
|---|-----------|
| Change in accrued interest expense | 44,613 |
| Amortization of deferred outflow on refunding | (156,831) |
| Change in accrued compensated absences expenses | 24,771 |
| | (87,447) |

Change in net position of governmental activities \$ 6,595,895

See accompanying notes to the basic financial statements.

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

Proprietary Funds Statement of Net Position - June 30, 2017

| | <u>Enterprise Funds</u> | | | <u>Internal Service Funds</u> |
|--|---|------------------------------------|----------------------|-------------------------------|
| | <u>McAlester Public Works Authority</u> | <u>McAlester Airport Authority</u> | <u>Total</u> | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,359,141 | \$ 112,923 | \$ 2,472,064 | \$ 72,052 |
| Restricted cash and cash equivalents | 505,588 | - | 505,588 | - |
| Due from other funds | - | - | - | 213,133 |
| Accounts receivable, net | 1,143,894 | 8,570 | 1,152,464 | - |
| Total current assets | <u>4,008,623</u> | <u>121,493</u> | <u>4,130,116</u> | <u>285,185</u> |
| Noncurrent assets: | | | | |
| Investment in joint venture | 1,917,559 | - | 1,917,559 | - |
| Capital assets: | | | | |
| Land and other non-depreciable assets | 2,225,237 | 42,364 | 2,267,601 | - |
| Other capital assets, net of depreciation | 21,271,755 | 3,925,446 | 25,197,201 | - |
| Total noncurrent assets | <u>25,414,551</u> | <u>3,967,810</u> | <u>29,382,361</u> | <u>-</u> |
| Total assets | <u>29,423,174</u> | <u>4,089,303</u> | <u>33,512,477</u> | <u>285,185</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred amounts related to pensions | 454,756 | 31,565 | 486,321 | - |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 381,490 | 1,912 | 383,402 | 11,187 |
| Accrued payroll liabilities | 55,534 | 3,987 | 59,521 | 8,356 |
| Due to other funds | 5,511 | - | 5,511 | - |
| Interest payable | 1,987 | 160 | 2,147 | - |
| Unearned revenue | 68,491 | - | 68,491 | - |
| Claims liability | - | - | - | 23,130 |
| Due to depositors | 101,118 | - | 101,118 | - |
| Notes payable | 274,621 | 57,177 | 331,798 | - |
| Contract obligation | 188,539 | - | 188,539 | - |
| Water rights contract obligation | 29,534 | - | 29,534 | - |
| Accrued compensated absences | 16,854 | 2,573 | 19,427 | 3,434 |
| Total current liabilities | <u>1,123,679</u> | <u>65,809</u> | <u>1,189,488</u> | <u>46,107</u> |
| Noncurrent liabilities: | | | | |
| Claims liability | - | - | - | 208,172 |
| Landfill closure and postclosure liability | 4,348,864 | - | 4,348,864 | - |
| Due to depositors | 404,470 | - | 404,470 | - |
| Notes payable | 875,398 | 40,890 | 916,288 | - |
| Water rights contract obligation | 61,296 | - | 61,296 | - |
| Accrued compensated absences | 151,686 | 23,161 | 174,847 | 30,906 |
| Net pension liability | 1,125,138 | 84,061 | 1,209,199 | - |
| Total non-current liabilities | <u>6,966,852</u> | <u>148,112</u> | <u>7,114,964</u> | <u>239,078</u> |
| Total liabilities | <u>8,090,531</u> | <u>213,921</u> | <u>8,304,452</u> | <u>285,185</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred amounts related to pensions | 41,685 | 315 | 42,000 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 22,067,604 | 3,869,743 | 25,937,347 | - |
| Unrestricted (deficit) | (321,890) | 36,889 | (285,001) | - |
| Total net position | <u>\$ 21,745,714</u> | <u>\$ 3,906,632</u> | <u>\$ 25,652,346</u> | <u>\$ -</u> |

See accompanying notes to the basic financial statements.

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

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2017

| | Enterprise Funds | | | Internal Service Funds |
|---|--|-----------------------------------|----------------------|------------------------------|
| | McAlester Public Works Authority | McAlester Airport Authority | Total | |
| OPERATING REVENUES | | | | |
| Charges for services: | | | | |
| Water | \$ 2,956,823 | \$ - | \$ 2,956,823 | \$ - |
| Sewer | 1,658,193 | - | 1,658,193 | - |
| Sanitation | 2,635,377 | - | 2,635,377 | - |
| Water taps | 13,775 | - | 13,775 | - |
| Sewer taps | 6,600 | - | 6,600 | - |
| Water districts | 1,226,724 | - | 1,226,724 | - |
| Landfill | 3,075 | - | 3,075 | - |
| Penalties | 7,115 | - | 7,115 | - |
| Recycle fees | 37,168 | - | 37,168 | - |
| Subtitle "D" fees | 388,938 | - | 388,938 | - |
| Airport rents and fees | - | 108,183 | 108,183 | - |
| Self insurance charges | - | - | - | 774,248 |
| Miscellaneous | - | - | - | 27,938 |
| Total operating revenues | 8,933,788 | 108,183 | 9,041,971 | 802,186 |
| OPERATING EXPENSES | | | | |
| Utility office | 502,509 | - | 502,509 | - |
| Interdepartmental | 784,766 | - | 784,766 | - |
| Sanitation | 1,806,804 | - | 1,806,804 | - |
| Engineering | 378,361 | - | 378,361 | - |
| Sewer | 759,016 | - | 759,016 | - |
| Water | 1,301,154 | - | 1,301,154 | - |
| Utility maintenance | 911,502 | - | 911,502 | - |
| Landfill | 1,694,137 | - | 1,694,137 | - |
| Airport | - | 175,375 | 175,375 | - |
| Fleet maintenance | - | - | - | 556,083 |
| Claims expense | - | - | - | 246,103 |
| Depreciation expense | 1,454,142 | 521,222 | 1,975,364 | - |
| Total operating expenses | 9,592,391 | 696,597 | 10,288,988 | 802,186 |
| Operating income (loss) | (658,603) | (588,414) | (1,247,017) | - |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 27,181 | - | 27,181 | - |
| Interest expense and fiscal charges | (21,922) | (5,395) | (27,317) | - |
| Miscellaneous revenue | 50,210 | - | 50,210 | - |
| Gain (Loss) on joint venture | (38,383) | - | (38,383) | - |
| Total non-operating revenue (expenses) | 17,086 | (5,395) | 11,691 | - |
| Income (loss) before contributions and transfers | (641,517) | (593,809) | (1,235,326) | - |
| Capital contributions | 1,568,899 | 84,578 | 1,653,477 | - |
| Transfers in | 377,895 | 113,920 | 491,815 | - |
| Transfers out | (3,298,853) | - | (3,298,853) | - |
| Change in net position | (1,993,576) | (395,311) | (2,388,887) | - |
| Total net position - beginning | 23,739,290 | 4,301,943 | 28,041,233 | - |
| Total net position - ending | \$ 21,745,714 | \$ 3,906,632 | \$ 25,652,346 | \$ - |

See accompanying notes to the basic financial statements.

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

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2017

| | Enterprise Funds | | | Internal Service Funds |
|--|---|--|---------------------|---------------------------------------|
| | McAlester Public Works Authority | McAlester Airport Authority | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 8,933,892 | \$ 115,013 | \$ 9,048,905 | \$ - |
| Payments to suppliers | (4,756,929) | (47,533) | (4,804,462) | (536,323) |
| Payments to employees | (1,749,127) | (130,777) | (1,879,904) | (292,058) |
| Receipts of customer meter deposits | 124,310 | - | 124,310 | - |
| Refund of customer meter deposits | (102,456) | - | (102,456) | - |
| Other receipts | - | - | - | 821,240 |
| Other payments | (33,223) | - | (33,223) | - |
| Net Cash Provided by (Used in) Operating Activities | <u>2,416,467</u> | <u>(63,297)</u> | <u>2,353,170</u> | <u>(7,141)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | 377,895 | 113,920 | 491,815 | - |
| Transfers to other funds | (3,298,853) | - | (3,298,853) | - |
| Net Cash Provided by (Used in) Noncapital Financing Activities | <u>(2,920,958)</u> | <u>113,920</u> | <u>(2,807,038)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | (117,522) | (112,715) | (230,237) | - |
| Proceeds from capital grant | - | 147,882 | 147,882 | - |
| Proceeds from issuance of debt | 1,087,734 | - | 1,087,734 | - |
| Principal payment of capital debt | (265,657) | (54,735) | (320,392) | - |
| Interest and fiscal charges paid on capital debt | (21,638) | (5,505) | (27,143) | - |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>682,917</u> | <u>(25,073)</u> | <u>657,844</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and dividends | 27,181 | - | 27,181 | - |
| Net Cash Provided by Investing Activities | <u>27,181</u> | <u>-</u> | <u>27,181</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 205,607 | 25,550 | 231,157 | (7,141) |
| Balances - beginning of the year | <u>2,659,122</u> | <u>87,373</u> | <u>2,746,495</u> | <u>79,193</u> |
| Balances - end of the year | <u>\$ 2,864,729</u> | <u>\$ 112,923</u> | <u>\$ 2,977,652</u> | <u>\$ 72,052</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ (658,603) | \$ (588,414) | \$ (1,247,017) | \$ - |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 1,454,142 | 521,222 | 1,975,364 | - |
| Other non-operating revenues (expenses) | 11,827 | - | 11,827 | - |
| Change in assets and liabilities: | | | | |
| Receivables, net | (14,834) | 6,830 | (8,004) | - |
| Due from other funds | - | - | - | 19,054 |
| Investment in joint venture | 37,383 | - | 37,383 | - |
| Accounts payable | 74,225 | (240) | 73,985 | (7,591) |
| Accrued payroll liabilities | (1,368) | (444) | (1,812) | (1,009) |
| Due to other funds | (45,050) | - | (45,050) | - |
| Claims liability | - | - | - | (19,054) |
| Unearned revenue | 14,938 | - | 14,938 | - |
| Due to depositors | 21,854 | - | 21,854 | - |
| Landfill closure liability | 1,517,843 | - | 1,517,843 | - |
| Net pension liability | (11,777) | (1,840) | (13,617) | - |
| Accrued compensated absences | 15,887 | (411) | 15,476 | 1,459 |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 2,416,467</u> | <u>\$ (63,297)</u> | <u>\$ 2,353,170</u> | <u>\$ (7,141)</u> |
| Noncash capital and related financing activities: | | | | |
| Capital assets contributed from governmental funds | <u>\$ 1,568,899</u> | <u>\$ 4,238</u> | <u>\$ 1,573,137</u> | <u>\$ -</u> |

See accompanying notes to the basic financial statements.

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

Statement of Fiduciary Net Position – Pension Trust Fund - June 30, 2017

| | <u>Defined Benefit Retirement Plan and Trust Fund</u> |
|--------------------------------------|--|
| ASSETS | |
| Cash and cash equivalents | \$ 131,823 |
| Investments: | |
| Corporate bonds | 462,439 |
| Exchange-traded closed-end funds | 932,728 |
| Mortgage and asset backed securities | 337,693 |
| Government treasury securities | 1,316,857 |
| Mutual funds | 750,853 |
| Preferred stocks | 148,792 |
| Common stocks | 9,518,266 |
| Interest receivable | 13,133 |
| Total assets | <u>13,612,584</u> |
| NET POSITION | |
| Net position restricted for pensions | <u>\$ 13,612,584</u> |

Statement of Changes in Fiduciary Net Position – Pension Trust Fund - Year Ended June 30, 2017

| | <u>Defined Benefit Retirement Plan and Trust Fund</u> |
|--|--|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 600,552 |
| Total contributions | <u>600,552</u> |
| Investment income: | |
| Interest income | 286,986 |
| Add realized and unrealized net gain on investments | 1,404,627 |
| Net investment income | <u>1,691,613</u> |
| Total additions | <u>2,292,165</u> |
| DEDUCTIONS | |
| Benefits paid to participants or beneficiaries | 1,094,405 |
| Administrative expenses | 132,257 |
| Total deductions | <u>1,226,662</u> |
| Change in net position held in trust for employees' pension benefits | 1,065,503 |
| Net position - beginning | <u>12,547,081</u> |
| Net position - ending | <u>\$ 13,612,584</u> |

See accompanying notes to the basic financial statements.

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

Discretely Presented Component Units Combining Statement of Net Position - June 30, 2017

| | <u>Component Units</u> | | |
|--|---|--|--------------------------------------|
| | <u>McAlester Regional Health Center Authority</u> | <u>McAlester Parking Authority</u> | <u>Total Component Units</u> |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 27,941,480 | \$ 65,155 | \$ 28,006,635 |
| Investments | 12,406,307 | - | 12,406,307 |
| Accounts receivable, net | 12,945,733 | - | 12,945,733 |
| Inventories | 2,462,086 | - | 2,462,086 |
| Investment in joint ventures | 5,912,519 | - | 5,912,519 |
| Prepaid expenses | 1,954,964 | - | 1,954,964 |
| Capital assets: | | | |
| Land and construction in progress | 3,616,364 | - | 3,616,364 |
| Other capital assets, net of depreciation | 26,662,754 | - | 26,662,754 |
| Total assets | <u>93,902,207</u> | <u>65,155</u> | <u>93,967,362</u> |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Accounts payable | 5,975,678 | 191 | 5,975,869 |
| Accrued payroll payable | 3,594,211 | - | 3,594,211 |
| Estimated amounts due to third-party payers | 39,539 | - | 39,539 |
| Unearned revenue | - | 140 | 140 |
| Long-term liabilities: | | | |
| Due within one year | 751,875 | - | 751,875 |
| Due in more than one year | 9,100,178 | - | 9,100,178 |
| Total liabilities | <u>19,461,481</u> | <u>331</u> | <u>19,461,812</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 18,820,069 | - | 18,820,069 |
| Restricted for capital acquisitions and debt service | 8,500,895 | - | 8,500,895 |
| Restricted for workers' compensation claims | 255,958 | - | 255,958 |
| Restricted for specific operating activities | 20,303 | - | 20,303 |
| Unrestricted | 46,843,501 | 64,824 | 46,908,325 |
| Total net position | <u>\$ 74,440,726</u> | <u>\$ 64,824</u> | <u>\$ 74,505,550</u> |

See accompanying notes to the basic financial statements.

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

Discretely Presented Component Units Combining Statement of Activities - Year Ended June 30, 2017

| | Component Units | | |
|---|---|--|--------------------------------------|
| | McAlester Regional Health Center Authority | McAlester Parking Authority | Total Component Units |
| OPERATING REVENUES: | | | |
| Charges for services | \$ - | \$ 4,741 | \$ 4,741 |
| Net patient service revenue | 85,509,987 | - | 85,509,987 |
| Miscellaneous | 4,315,485 | - | 4,315,485 |
| Total operating revenues | <u>89,825,472</u> | <u>4,741</u> | <u>89,830,213</u> |
| OPERATING EXPENSES: | | | |
| Parking | - | 1,494 | 1,494 |
| Health and welfare | 89,884,624 | - | 89,884,624 |
| Total operating expenses | <u>89,884,624</u> | <u>1,494</u> | <u>89,886,118</u> |
| Net operating income (loss) | (59,152) | 3,247 | (55,905) |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Investment income | 181,992 | - | 181,992 |
| Income from joint ventures | 987,251 | - | 987,251 |
| Interest expense and fiscal agent fees | (84,442) | - | (84,442) |
| Noncapital grants and gifts | 360,765 | - | 360,765 |
| Total non-operating revenue (expenses) | <u>1,445,566</u> | <u>-</u> | <u>1,445,566</u> |
| Net income before capital contributions | 1,386,414 | 3,247 | 1,389,661 |
| Contributed capital revenue | <u>250,000</u> | <u>-</u> | <u>250,000</u> |
| Change in net position | 1,636,414 | 3,247 | 1,639,661 |
| Total net position - beginning | 72,804,312 | 61,577 | 72,865,889 |
| Total net position - ending | <u>\$ 74,440,726</u> | <u>\$ 64,824</u> | <u>\$ 74,505,550</u> |

See accompanying notes to the basic financial statements.

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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 McAlester), three blended component units, and two discretely presented component units as noted below.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statement No. 61, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

The City of McAlester – operates the public safety, health and welfare, streets and highways, parks and recreation, stormwater and administrative activities.

The City of McAlester is an incorporated municipality with a population of approximately 18,400 located in southeast Oklahoma. The City operates under the Council-Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a seven-member governing body. Mayor is elected by the citizens at large and other six members are elected by ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager, 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, economic development, certain utility services including water, wastewater, sanitation, and airport activities.

Component Units:

Because the component units are financially accountable to the City, the City's governing body serves as the trustees for these public trusts, and they are all managed by the same management team of the City, when active, the following component units are blended into the City's primary government presentation as funds of the primary government for reporting purposes:

The McAlester Public Works Authority – operates the water, wastewater, and sanitation/landfill activities of the City, with the McAlester City Council serving as trustees of the Authority.

The McAlester Airport Authority – develops and operates the airport with the McAlester City Council serving as trustees of the Authority.

The McAlester Municipal Improvement Authority – an inactive trust that promotes the development of industry and culture and industrial, manufacturing, cultural and education activities. There is no activity reported in the City's basic financial statements since the trust is inactive.

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Component units that are discretely presented in the City's report in a separate column are presented below:

The McAlester Regional Health Center Authority – operates to finance and develop the health center facilities of the City. Separate audited component unit financial statements are issued by the Regional Health Center Authority and may be obtained at their administrative offices.

The McAlester Parking Authority (MPA) – operates to furnish and supply public off-street parking services and facilities. The MPA does not issue separate audited component unit financial statements.

All 5 of the above component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City may have also 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.

Joint Venture:

Association for Landfill Financial Assurance (ALFA) – A non-profit Oklahoma corporation organized for the exclusive benefit of cities, towns, counties, solid waste districts and public trusts within the State of Oklahoma that own and/or operate municipal solid waste landfills within the jurisdiction of the State of Oklahoma, including the making and management of investments on behalf of such public entities in order to provide the financial assurances as required by Subtitle D of the Resource Conservation and Recovery Act of 1976.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used. In accordance with the economic resources measurement focus, all assets and liabilities, both current and noncurrent are reported, along with any related deferred outflows and deferred inflows.

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

- Administration – oil and gas leases, rent, hotel/motel charges for services, and capital and operating grants and contributions
- Public safety – Fire and Police – fines and forfeitures, fire run charges, ambulance revenue, and capital and operating grants and contributions
- Community services – cemetery openings and closings, swimming pool revenues, complex concessions and rentals, and capital and operating grants and contributions

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- Administration services – abatements and licenses and permits
- Health and welfare – nutrition operating grant
- Public works – gas excise and vehicle tax shared by the State and street cuts
- Economic development – operating and capital grants and contributions
- Stormwater – stormwater fees

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

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

Major Funds:

- General Fund – accounts for general operations of the City including: public safety, parks, public facilities, and street maintenance.
- Reserve Fund – special revenue fund that maintains 10% of the total operating budget including capital improvements to be used for emergencies as determined by council.
- Economic Development Fund – special revenue fund that accounts for revenue received from sales tax (1/4 of one-cent) approved by the voters to be used for financing debt related to economic development and for future economic development projects.
- Dedicated Sales Tax MPWA – debt service fund that accounts for revenue received from sales tax (one-cent) approved by the voters to be used for financing debt related to capital improvements.
- Bond Trustee Fund – debt service fund that accounts for transfers received from other funds to be used for financing non business-type activity revenue bond debt.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- Juvenile Fine Fund – accounts for revenues from fines restricted by state for juvenile programs.
- Tourism / SE Expo Fund – accounts for revenues of a hotel/motel tax levy and rentals/concessions to be expended for promotion of tourism.
- E-911 Fund – accounts for E-911 revenues legally restricted for E-911 services.
- Gifts & Contributions Fund – accounts for revenues and expenditures of donor restricted monies.
- Stormwater Fund – accounts for revenues of a stormwater fee to be expended solely for stormwater projects.

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Capital Project Funds:

- Police Equipment Fund – accounts for revenues and capital expenditures related to Local Law Enforcement Block Grants.
- State Forfeiture Fund – accounts for revenues received from state drug forfeitures restricted for equipment purchases.
- Cemetery Perpetual Care – accounts for 12.5% of all cemetery revenues which are legally restricted for cemetery capital outlay.
- CDBG Grants Fund – accounts for revenues and capital expenditures related to CDBG grants.
- Federal Forfeiture Fund – Accounts for revenues received from federal drug forfeitures restricted for equipment purchases.
- Fire Improvement Grant Fund – accounts for revenues and capital expenditures related to fire grants.
- Capital Improvement Plan Fund – capital project fund that accounts for monies initially set aside by City Council for repayment of previously determined unsupported bond activity.
- Technology Fund – accounts for revenues received from a technology fee restricted for technology capital purchases and upgrades.

Debt Service Fund:

- Sales Tax Schools Fund – accounts for revenue received from sales tax (1/4 of one-cent) approved by the voters to be used for acquisition and financing of educational facilities and equipment.

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-type activities provided within the government. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

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The City's enterprise funds include the following major funds:

- McAlester Public Works Authority Fund - that accounts for the activities of the McAlester Public Works Authority public trust in providing water, sewer, and sanitation services to the public.
- McAlester Airport Authority Fund - that currently accounts for airport fees and grants used in providing airport services.

The City's internal service funds include the following:

- Worker's Compensation Fund – that accounts for the activities of providing worker's compensation to the employees of the City.
- FLEET Maintenance Fund – that accounts for the activities of providing FLEET maintenance to 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.

Fiduciary Fund:

The City has one fiduciary fund - the City of McAlester Defined Benefit Retirement Plan and Trust Fund. The pension trust fund accounts for retirement contributions and investment income for the direct benefit of employees other than those employees covered by the statewide fire and police cost-sharing pension plans, or those covered by the City's defined contribution agent multi-employer OMRP pension plan. The pension trust fund is reported on the accrual basis of accounting and economic resources measurement focus.

C. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less, and money market investments. Investments consist of long-term time deposits, and U.S. agency bonds and notes. Certificates of deposit are reported at cost while investments in the U.S. agency bonds and notes and other marketable investments are reported at fair value.

D. Inventories

Inventories of goods and supplies on hand at year end are not material for the primary government. Therefore purchases of inventory type items are recorded as expenditures or expenses at the time purchased, and no balances for such inventories on hand are reported.

For the Regional Health Center Authority component unit reported inventories are reported on the lower of cost (first-in, first-out) or market.

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E. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,500 is used for additions, other than land, to report capital assets. Capital assets are reported at actual or estimated historical cost. Prior to July 1, 2001, governmental activities' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. Donated assets are recorded at their acquisition value at the date of donation.

Depreciable capital assets are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows:

- | | |
|-------------------------------------|----------------|
| • Buildings | 20 – 100 years |
| • Improvements other than buildings | 20 - 100 years |
| • Equipment and vehicles | 3 - 25 years |
| • Infrastructure | 15 - 50 years |

F. Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities, proprietary fund and component unit resources are reported as liabilities as incurred. The long-term debt consists primarily of accrued compensated absences, capital leases payable, and revenue bonds payable. This long-term debt is reported net of unamortized premiums and discounts.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

G. Compensated Absences

Under terms of union contracts and City personnel policies, City employees are granted comp time, vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and comp time. The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary and component unit financial statements. Governmental funds report only the matured compensated absences payable to currently terminating or retiring employees.

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H. Fund Balances and Net Position

Net Position:

Net position reported in the government-wide, proprietary fund and fiduciary fund financial statements are displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *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.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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.

Fund Statements:

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

- a. **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. **Restricted** – consists of fund balance with constraints place on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law 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. The City currently reports no committed fund balance.
- 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. Currently, the city council has delegated that authority to the city manager. 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.

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It is the City's policy to first use restricted fund balance prior to the use of 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. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues. Proprietary fund and fiduciary fund equity is classified the same as in the government-wide statements.

I. Interfund Activities and Balances

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

J. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

Primary Government Deposits and Investments:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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At June 30, 2017, the primary government held the following deposits and investments:

| Type of Deposits and Investments - Primary Government | Carrying Value | Maturities in Years | | | | |
|---|----------------------|------------------------------|----------------------|-------------------|-------------------|-------------------|
| | | On Demand | Less Than One | 1 - 5 | 6 - 10 | More Than 10 |
| Deposits: | | | | | | |
| Petty Cash | \$ 5,110 | \$ 5,110 | \$ - | \$ - | \$ - | \$ - |
| Demand deposits | 16,423,308 | 16,423,308 | - | - | - | - |
| Demand deposits - pension trust funds | 131,823 | 131,823 | - | - | - | - |
| Time deposits | 250,657 | - | - | 250,657 | - | - |
| | <u>16,810,898</u> | <u>16,560,241</u> | <u>-</u> | <u>250,657</u> | <u>-</u> | <u>-</u> |
| | Credit Rating | Fair Value Categories | | | | |
| Investments: | | | | | | |
| Bond Trustee Accounts: | | | | | | |
| Federated Treasury Obligations Inst Money Market Fund | N/A | N/A | 1,138,819 | 1,138,819 | - | - |
| Federated Treasury Obligations Svc Money Market Fund | N/A | N/A | 1,491,339 | 1,491,339 | - | - |
| Federated Government Obligations Tax Managed Svc | N/A | N/A | 1,041,148 | 1,041,148 | - | - |
| Goldman Sachs Financial Square Federal Fund Admin Shares #521 | AAA | Am | 3,593,695 | 3,593,695 | - | - |
| Pension Trust Fund: | | | | | | |
| Allianz Fix Inc Shrs: Series M (FXIMX) - Money Market | N/A | N/A | 256,147 | 256,147 | - | - |
| Allianz Fix Inc Shrs: Series C (FXICX) - Money Market | N/A | N/A | 252,481 | 252,481 | - | - |
| Invesco Premier Ptf Instl (IPXX) - Money Market | N/A | N/A | 233,205 | 233,205 | - | - |
| Legg Mason WA Inst Liquid Res A -Money Market | N/A | N/A | 9,020 | 9,020 | - | - |
| Corporate Bonds | AA- | Level II | 36,359 | - | - | 15,762 |
| Corporate Bonds | A | Level II | 37,152 | - | - | 14,196 |
| Corporate Bonds | A- | Level II | 48,333 | - | - | 9,075 |
| Corporate Bonds | BBB+ | Level II | 98,832 | - | - | 17,187 |
| Corporate Bonds | BBB | Level II | 108,137 | - | - | 33,677 |
| Corporate Bonds | BBB- | Level II | 133,626 | - | 15,822 | 20,958 |
| Vanguard Short Term Bond | N/A | Level I | 932,728 | 932,728 | - | - |
| United States Treasury Bonds/Notes | AAA | Level I | 1,316,857 | - | 596,796 | 523,091 |
| Mortgage and asset backed securities | N/A | Level II | 337,693 | - | - | 73,459 |
| Preferred Stocks | N/A | Level I | 77,992 | 77,992 | - | - |
| Preferred Stocks | BB | Level I | 70,800 | 70,800 | - | - |
| Common Stocks | N/A | Level I | 9,518,266 | 9,518,266 | - | - |
| | | | <u>20,732,629</u> | <u>18,615,640</u> | <u>-</u> | <u>612,618</u> |
| | | | | | | <u>707,405</u> |
| | | | | | | <u>796,966</u> |
| Total Deposits and Investments | \$ 37,543,527 | | \$ 35,175,881 | \$ - | \$ 863,275 | \$ 707,405 |
| | | | | | | \$ 796,966 |
| Reconciliation to Statement of Net Position: | | | | | | |
| Cash and cash equivalents | \$ 23,693,419 | | | | | |
| Investments | 250,657 | | | | | |
| Add: Fiduciary Fund cash and cash equivalents | 131,823 | | | | | |
| Add: Fiduciary Fund investments | 13,467,628 | | | | | |
| | <u>\$ 37,543,527</u> | | | | | |

Deposit and Investment Risks

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

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

Investment Credit Risk – State law limits the investments available to the City and is described below.

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- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end in the schedule above. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Retirement Plan Investments:

The Plan’s investment policies provide for investment in a diversified portfolio, consisting primarily of common stocks, mutual funds, bonds, cash equivalents, and other investments. General asset allocation guidelines for the Plan are as follows:

| Class | Maximum Percent | Minimum Percent | Target Percent |
|------------------------|------------------------|------------------------|-----------------------|
| Domestic Equities | 44.00 | 30.00 | 42.00 |
| International Equities | 16.00 | 0.00 | 8.00 |
| Fixed Income | 70.00 | 40.00 | N/A |
| Cash | 30.00 | 0.00 | N/A |

However, Morgan Stanley, the portfolio manager, has discretion in the actual allocation of assets within the retirement plan portfolio.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments in the schedule above.

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Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, there was no single issuer investment with more than 5% of total investments.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of the following:

| | Current Cash and cash Equivalents |
|-------------------------|---|
| Utility Deposits | \$ 505,588 |
| Total Restricted Assets | \$ 505,588 |

Component Units Deposits and Investments:

McAlester Regional Health Center Authority

Deposits

At June 30, 2017, approximately \$27,734,000 of the Authority's bank balances were uninsured with collateral held by the pledging financial institution and \$741,000 of the Authority's bank balances were uninsured and uncollateralized.

3. Investment in Joint Venture

As discussed in Note 1A, the City participates (with equity interest) in the Association for Landfill Financial Assurance (ALFA). ALFA has been approved by the ODEQ as an allowable financial assurance mechanism under existing federal and state laws and regulations. As a member of ALFA, the City is required to deposit certain amounts on an annual basis into an escrow fund to be pooled with other ALFA members. The annual amount due from each member is based on the members' total estimated current cost of closure and post-closure care of the landfill, including adjustments due to inflation or resulting from any changes in the closure or the required 30 year post-closure care plan, plus any additional amount for contingencies as determined by ALFA. For the year ended June 30, 2017, the "Investment in joint venture" balance changed as follows:

| | |
|---------------------------------------|--------------|
| Beginning Investment in Joint Venture | \$ 1,954,942 |
| Current Year Contributions | 1,000 |
| Gain (loss) from Joint Venture | (38,383) |
| Ending Investment in Joint Venture | \$ 1,917,559 |

Separate annual financial statements are issued by ALFA and may be obtained from their administrative offices at 3414 East 85th Place, Tulsa, Oklahoma, 74137.

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4. Receivables

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customers utilities, airport rental accounts receivable, and airport grant receivable. Accounts receivable of the governmental activities consists of franchise tax, police fines and ambulance receivables. Receivables detail at June 30, 2017, is as follows:

| | General Fund | | Stormwater | MPWA | Airport |
|---------------------------------|--------------------|-------------------|------------------|---------------------|-----------------|
| | <u>Ambulance</u> | <u>Court</u> | <u>Fund</u> | | |
| Accounts receivable | \$ 2,243,437 | \$ 1,422,045 | \$ 53,586 | \$ 3,324,249 | \$ 8,570 |
| Allowance for doubtful accounts | <u>(2,167,816)</u> | <u>(469,276)</u> | <u>(1,173)</u> | <u>(2,180,355)</u> | <u>-</u> |
| Accounts receivable, net | <u>\$ 75,621</u> | <u>\$ 952,769</u> | <u>\$ 52,413</u> | <u>\$ 1,143,894</u> | <u>\$ 8,570</u> |

Component Units:

McAlester Regional Health Center Authority

Patient receivable balances at June 30, 2017 were as follows:

| | <u>MRHCA</u> |
|---------------------------------|----------------------|
| Medicare | \$ 4,083,101 |
| Medicaid | 2,375,645 |
| Other third-party payers | 6,720,958 |
| Patients | 13,807,978 |
| Allowance for doubtful accounts | <u>(14,041,949)</u> |
| Accounts receivable, net | <u>\$ 12,945,733</u> |

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5. Capital Assets and Depreciation

For the year ended June 30, 2017, capital assets balances changed as follows:

| | Balance at June 30, 2016 | Additions | Disposals | Balance at June 30, 2017 |
|---|-----------------------------|---------------------|-----------------------|-----------------------------|
| Governmental activities: | | | | |
| Non-depreciable: | | | | |
| Land | \$ 677,291 | \$ 1,128,692 | \$ (2,897) | \$ 1,803,086 |
| Construction-in-progress | 340,742 | 1,205,217 | (1,048,048) | 497,911 |
| Total non-depreciable assets at historical cost | <u>1,018,033</u> | <u>2,333,909</u> | <u>(1,050,945)</u> | <u>2,300,997</u> |
| Depreciable: | | | | |
| Buildings | 7,864,288 | 4,612,886 | - | 12,477,174 |
| Other improvements | 2,765,839 | 1,447,783 | - | 4,213,622 |
| Machinery and equipment | 11,310,274 | 584,423 | (1,205,523) | 10,689,174 |
| Infrastructure | 76,269,555 | - | - | 76,269,555 |
| Total depreciable assets at historical cost | <u>98,209,956</u> | <u>6,645,092</u> | <u>(1,205,523)</u> | <u>103,649,525</u> |
| Less accumulated depreciation | | | | |
| Buildings | (3,530,693) | (286,104) | - | (3,816,797) |
| Other improvements | (1,624,804) | (195,821) | - | (1,820,625) |
| Machinery and equipment | (8,116,896) | (757,324) | 1,193,134 | (7,681,086) |
| Infrastructure | (43,611,119) | (2,240,055) | - | (45,851,174) |
| Total accumulated depreciation | <u>(56,883,512)</u> | <u>(3,479,304)</u> | <u>1,193,134</u> | <u>(59,169,682)</u> |
| Net depreciable assets | <u>41,326,444</u> | <u>3,165,788</u> | <u>(12,389)</u> | <u>44,479,843</u> |
| Governmental activities capital assets, net | <u>\$ 42,344,477</u> | <u>\$ 5,499,697</u> | <u>\$ (1,063,334)</u> | <u>\$ 46,780,840</u> |
| Business-type activities | | | | |
| Non-depreciable: | | | | |
| Land | \$ 212,571 | \$ - | \$ - | \$ 212,571 |
| Water rights contracts | 719,075 | - | - | 719,075 |
| Construction-in-progress | 360,798 | 1,370,277 | (395,120) | 1,335,955 |
| Total non-depreciable assets at historical cost | <u>1,292,444</u> | <u>1,370,277</u> | <u>(395,120)</u> | <u>2,267,601</u> |
| Depreciable: | | | | |
| Buildings | 2,773,061 | - | - | 2,773,061 |
| Other improvements | 5,348,804 | 229,697 | - | 5,578,501 |
| Machinery and equipment | 3,809,707 | 218,375 | (130,714) | 3,897,368 |
| Utility property | 47,418,474 | 380,145 | - | 47,798,619 |
| Total depreciable assets at historical cost | <u>59,350,046</u> | <u>828,217</u> | <u>(130,714)</u> | <u>60,047,549</u> |
| Less accumulated depreciation | | | | |
| Buildings | (1,656,067) | (68,646) | - | (1,724,713) |
| Other improvements | (2,367,973) | (434,157) | - | (2,802,130) |
| Machinery and equipment | (2,692,588) | (305,027) | 130,714 | (2,866,901) |
| Utility property | (26,289,070) | (1,167,534) | - | (27,456,604) |
| Total accumulated depreciation | <u>(33,005,698)</u> | <u>(1,975,364)</u> | <u>130,714</u> | <u>(34,850,348)</u> |
| Net depreciable assets | <u>26,344,348</u> | <u>(1,147,147)</u> | <u>-</u> | <u>25,197,201</u> |
| Business-type capital assets, net | <u>\$ 27,636,792</u> | <u>\$ 223,130</u> | <u>\$ (395,120)</u> | <u>\$ 27,464,802</u> |

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| | Balance at June 30, 2016 | Additions | Transfers | Disposals | Balance at June 30, 2017 |
|---|-----------------------------|---------------------|--------------------|------------------|-----------------------------|
| Component Unit (MRHCA): | | | | | |
| Non-depreciable: | | | | | |
| Land | \$ 1,059,793 | \$ - | \$ - | \$ - | \$ 1,059,793 |
| Construction-in-progress | 1,533,084 | 3,997,107 | (2,973,620) | - | 2,556,571 |
| Total non-depreciable assets at historical cost | <u>2,592,877</u> | <u>3,997,107</u> | <u>(2,973,620)</u> | <u>-</u> | <u>3,616,364</u> |
| Depreciable: | | | | | |
| Land improvements | 1,595,404 | 34,950 | - | - | 1,630,354 |
| Buildings and improvements | 46,871,049 | 662,389 | 3,091,482 | (4,385) | 50,620,535 |
| Machinery and equipment | 31,591,981 | 3,046,552 | (117,862) | (917,863) | 33,602,808 |
| Total depreciable assets at historical cost | <u>80,058,434</u> | <u>3,743,891</u> | <u>2,973,620</u> | <u>(922,248)</u> | <u>85,853,697</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | (1,263,153) | (32,954) | - | - | (1,296,107) |
| Buildings and improvements | (31,617,324) | (1,593,268) | - | - | (33,210,592) |
| Machinery and equipment | (23,602,772) | (2,003,720) | - | 922,248 | (24,684,244) |
| Total accumulated depreciation | <u>(56,483,249)</u> | <u>(3,629,942)</u> | <u>-</u> | <u>922,248</u> | <u>(59,190,943)</u> |
| Net depreciable assets | <u>23,575,185</u> | <u>113,949</u> | <u>2,973,620</u> | <u>-</u> | <u>26,662,754</u> |
| Component Unit (MRHCA) capital assets, net | <u>\$ 26,168,062</u> | <u>\$ 4,111,056</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,279,118</u> |

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Depreciation expense charged to governmental activities:

| | |
|--|---------------------|
| Administration | \$ 299,706 |
| Public safety | 396,875 |
| Community services | 445,376 |
| Public works | 2,337,347 |
| Total governmental activities depreciation expense | <u>\$ 3,479,304</u> |

Depreciation expense charged to business-type activities:

| | |
|---|---------------------|
| Water | \$ 984,455 |
| Sewer | 391,722 |
| Sanitation | 77,965 |
| Airport | 521,222 |
| Total business-type activities depreciation expense | <u>\$ 1,975,364</u> |

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6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2017, the reporting entity's long-term debt changed as follows:

| | Balance June 30, 2016 | Additions | Deductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---|--------------------------|---------------------|----------------------------|--------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Capital Lease Obligations | \$ 632,393 | \$ 238,734 | \$ 137,685 | \$ 733,442 | \$ 198,466 |
| Revenue Bonds Payable | 57,945,932 | 400,200 | 3,870,000 | 54,476,132 | 4,145,000 |
| Accrued Compensated Absences | 2,411,244 | 202,397 | 225,709 | 2,387,932 | 238,793 |
| Claims Liability | 250,356 | 243,278 | 262,332 | 231,302 | 23,130 |
| Total Governmental Long-Term Debt | \$ 61,239,925 | \$ 1,084,609 | \$ 4,495,726 | \$ 57,828,808 | \$ 4,605,389 |
| | | | Net pension liability | 13,817,252 | |
| | | | Less: Unamortized Discount | (7,000) | |
| | | | | <u>\$ 71,639,060</u> | |
| Business-type Activities: | | | | | |
| Landfill Closure and Post-closure Liability | \$ 2,831,021 | \$ 1,517,843 | \$ - | \$ 4,348,864 | \$ - |
| Due to Depositors | 483,734 | 124,310 | 102,456 | 505,588 | 101,118 |
| Notes Payable | 263,441 | 1,087,734 | 103,089 | 1,248,086 | 331,798 |
| Contract Obligations | 377,081 | - | 188,542 | 188,539 | 188,539 |
| Water Contract Obligations | 119,591 | - | 28,761 | 90,830 | 29,534 |
| Accrued Compensated Absences | 178,798 | 33,064 | 17,588 | 194,274 | 19,427 |
| Total Business-type Long-Term Debt | \$ 4,253,666 | \$ 2,762,951 | \$ 440,436 | \$ 6,576,181 | \$ 670,416 |
| | | | Net pension liability | 1,209,199 | |
| | | | | <u>\$ 7,785,380</u> | |

Governmental activities long-term debt:

Unless otherwise indicated, the governmental activities long-term debt obligations are generally paid from the General Fund.

Capital Lease Obligations:

\$137,951 capital lease with Arvest Bank for six vehicles, payable in monthly installments of \$2,486, final payment due July 31, 2020, with interest at 3.11%, paid from the Capital Improvement Plan Fund \$87,585

\$73,361 capital lease with John Deere Financial for mini excavator, payable in monthly installments of \$1,140, final payment of \$37,439 due November 10, 2017, with interest at 3.10%, paid from the Capital Improvement Plan Fund 41,491

\$181,068 capital lease with John Deere Financial for loader, payable in monthly installments of \$1,822, final payment of \$92,804 due January 10, 2020, with interest at 3.0%, paid from the Capital Improvement Plan Fund 138,477

\$84,299 capital lease with Welch State Bank for 2015 dump truck, payable in monthly

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| | |
|--|---------------------|
| installments of \$1,518, final payment due March 24, 2020, with interest at 3.08%, paid from the Capital Improvement Plan Fund | 47,922 |
| \$141,910 capital lease with Welch State Bank for 2015 dump truck, payable in monthly installments of \$2,556, final payment due April 6, 2020, with interest at 3.08%, paid from the Capital Improvement Plan Fund | 83,225 |
| \$178,167 capital lease with Arvest Bank for seven vehicles, payable in monthly installments of \$3,210, final payment due March 1, 2020, with interest at 3.11%, paid from the Capital Improvement Plan Fund | 98,458 |
| \$238,734 capital lease with Arvest Bank for 2017 street sweeper, payable in monthly installments of \$3,284, final payment due May 1, 2024, with interest at 4.19%, paid from the Stormwater Fund | <u>236,284</u> |
| | <u>\$ 733,442</u> |
| Capital Lease Obligations: | |
| Current portion | \$ 198,466 |
| Noncurrent portion | <u>534,976</u> |
| Total Capital Lease Obligations | <u>\$ 733,442</u> |
| Revenue Bonds Payable: | |
| 2002 Series Utility System Revenue Bonds: | |
| Capital appreciation bonds in the face amount of \$3,037,176 dated July 1, 2003, issued by McAlester Public Works Authority and used for streets, secured by utility revenue and pledged sales tax, principal maturing at the accreted value of \$17,560,000, interest rate at 4.30%, final maturity February 1, 2034. Interest is accreted (or added to the principal balance) until maturity, at which time, the entire principal balance of \$17,560,000 will be due and payable. | 17,560,000 |
| Less: Unaccreted portion | <u>(10,478,868)</u> |
| Principal outstanding at year end | <u>7,081,132</u> |
| 2003A Series Sales Tax Revenue Bonds: | |
| Term Bonds in the amount of \$7,000,000 dated July 1, 2003, issued by McAlester Public Works Authority and used for education, secured by pledged sales tax, total principal due at maturity, initial interest rate at 2.10% increasing to 5.50%, final maturity September 1, 2018, paid from Bond Trustee Fund. | 1,775,000 |
| 2011 Taxable Series Sales Tax Revenue Refunding Bonds: | |
| Serial Bonds in the amount of \$5,490,000 dated December 1, 2011, issued by McAlester Public Works Authority and used for economic development, secured by pledged sales tax, principal maturing annually ranging from \$180,000 to \$445,000, interest rate at 2.695%, final maturity September 1, 2018, paid from Bond Trustee Fund | 1,320,000 |
| 2012 Taxable Series Utility System & Sales Tax Revenue Refunding Notes: | |
| Serial Bonds in the amount of \$26,120,000 dated December 28, 2012, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$85,000 to \$1,275,000, interest rate at 3.8%, final maturity February 1, 2027, paid from Bond Trustee Fund | 20,390,000 |

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2013 Series Utility System & Sales Tax Revenue Notes:

Serial Bonds in the amount of \$8,890,000 dated June 1, 2013, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$125,000 to \$1,205,000, interest rate at 3.53%, final maturity February 1, 2028, paid from Bond Trustee Fund 7,615,000

2014 Series Utility System & Sales Tax Revenue Notes:

Serial Bonds in the amount of \$4,910,000 dated May 20, 2014, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$95,000 to \$435,000, interest rate at 3.40%, final maturity February 1, 2029, paid from Bond Trustee Fund 4,340,000

2015 Taxable Series Sales Tax Revenue Refunding Notes:

Serial Bonds in the amount of \$12,615,000 dated September 3, 2015, issued by McAlester Public Works Authority and used for streets, secured by pledged sales tax, principal maturing semi-annually ranging from \$200,000 to \$820,000, interest rate at 3.68%, final maturity February 1, 2028, paid from Bond Trustee Fund 11,955,000

Total Revenue Bonds Payable \$ 54,476,132

Current portion \$ 4,145,000

Noncurrent portion 50,331,132

Total Revenue Bonds Payable \$ 54,476,132

Unamortized bond discount (7,000)

Total Revenue Bonds Payable, net \$ 54,469,132

Accrued Compensated Absences:

Current portion \$ 238,793

Noncurrent portion 2,149,139

Total Accrued Compensated Absences \$ 2,387,932

Claims Liability:

Current portion \$ 23,130

Non-current portion 208,172

Total Claims Liability \$ 231,302

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Business-type activities long-term debt:

Notes Payable:

| | |
|--|---------------------|
| 1999 CDBG-EDIF Promissory Note with Oklahoma Department of Commerce dated September 19, 2000, original amount of \$275,000 with an annual interest rate of 0.00%, due in monthly installments of \$1,146, final installment November 1, 2021. | \$ 60,729 |
| 2006 CDBG-ED Promissory Note with Oklahoma Department of Commerce dated October 1, 2006, original amount of \$125,000, reduced to \$67,800, with an annual interest rate of 0.00%, due in monthly installments of \$282.50, final installment October 1, 2026. | 32,770 |
| MAA Note Payable with First National Bank and used for airport, renewed on August 15, 2013, original line of credit amount of \$405,325, with an annual interest rate of 4.25%, due in monthly installments of \$5,020, final balloon installment August 15, 2016. | 98,067 |
| MPWA Note Payable with First National Bank and used for AMI project, dated December 29, 2016, original line of credit amount of \$1,000,000, with an annual interest rate of 3.95%, due in monthly installments of \$18,395, final installment June 29, 2022. Drawdowns to date \$758,765. | 758,765 |
| MPWA Note Payable with First National Bank and used for MCC controls at WTP, dated January 31, 2017, original amount of \$256,000, with an annual interest rate of 3.95%, due in monthly installments of \$4,709, final installment February 2, 2022. | 236,087 |
| MPWA Note Payable with Arvest Bank and used for JD excavator, dated August 1, 2016, original amount of \$72,969, with an annual interest rate of 3.47%, due in monthly installments of \$1,326, final installment August 1, 2021 | <u>61,668</u> |
| Total Notes Payable | <u>\$ 1,248,086</u> |
| Current portion | \$ 331,798 |
| Non-current portion | <u>916,288</u> |
| Total Notes Payable | <u>\$ 1,248,086</u> |

Water Rights Contract:

| | |
|---|------------------|
| 1987 contract with U.S. Army Corps of Engineers for water rights dated December 11, 1987, original amount of \$719,075 with an annual interest rate of 2.59% due in annual installments of \$31,859, final installment December 12, 2019. | <u>\$ 90,830</u> |
| Current portion | \$ 29,534 |
| Non-current portion | <u>61,296</u> |
| Total Water Rights Contract | <u>\$ 90,830</u> |

Contract Obligation:

| | |
|--|-------------------|
| 2011 contract with Utility Service Co., Inc. for renovation of water storage tanks dated January 17, 2011, original amount of \$1,456,000 with an annual interest rate of 0%, due in annual installments of \$188,542, final installment January 17, 2018. | <u>\$ 188,539</u> |
| Current portion | \$ 188,539 |
| Non-current portion | - |
| Total Water Rights Contract | <u>\$ 188,539</u> |

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Landfill Closure and Post-Closure Liability:

A \$4,348,864 accrued liability has been recognized in the McAlester Public Works Authority to represent the total estimated amount owed by the Authority for closure and postclosure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 71.97% of the estimated capacity of the landfill. It is estimated that an additional \$1,693,742 will be recognized as closure and postclosure expense between the current statement of net position date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The restricted use of the landfill has extended its life. The estimated remaining landfill life is now 35 years.

| | |
|--|---------------------|
| Current portion | \$ - |
| Noncurrent portion | <u>4,348,864</u> |
| Total Landfill Closure and Postclosure Liability | <u>\$ 4,348,864</u> |

Accrued Compensated Absences:

| | |
|------------------------------------|-------------------|
| Current portion | \$ 19,427 |
| Noncurrent portion | <u>174,847</u> |
| Total Accrued Compensated Absences | <u>\$ 194,274</u> |

Deposits Subject to Refund:

| | |
|----------------------------------|-------------------|
| Current portion | \$ 101,118 |
| Noncurrent portion | <u>404,470</u> |
| Total Deposits Subject to Refund | <u>\$ 505,588</u> |

Debt Service Requirements to Maturity

Long-term debt service requirements to maturity of the primary government are as follows:

| Year Ended June 30, | <u>Governmental Activity Debt</u> | | | |
|---------------------------------|--|------------------|------------------------------|----------------------|
| | <u>Capital Lease Obligations Payable</u> | | <u>Revenue Bonds Payable</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 198,466 | \$ 22,037 | \$ 4,145,000 | \$ 1,724,357 |
| 2019 | 162,230 | 16,272 | 4,660,000 | 1,548,238 |
| 2020 | 228,141 | 9,808 | 3,145,000 | 1,395,633 |
| 2021 | 36,584 | 5,312 | 3,305,000 | 1,276,895 |
| 2022 | 35,561 | 3,848 | 3,480,000 | 1,151,876 |
| 2023-2027 | 72,460 | 3,075 | 22,870,000 | 3,627,731 |
| 2028-2032 | - | - | 13,650,000 | 184,364 |
| 2033-2034 | - | - | <u>9,700,000</u> | <u>-</u> |
| Total | <u>\$ 733,442</u> | <u>\$ 60,352</u> | 64,955,000 | 10,909,094 |
| Less: Unaccrued Portion of Debt | | | <u>(10,478,868)</u> | <u>10,478,868</u> |
| | | | <u>\$ 54,476,132</u> | <u>\$ 21,387,962</u> |

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| Year Ended June 30, | <u>Business-Type Activity Debt</u> | | | |
|---------------------|------------------------------------|------------------|------------------------------------|-----------------|
| | <u>Notes Payable</u> | | <u>Contract Obligation Payable</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 331,798 | \$ 38,755 | \$ 188,539 | \$ - |
| 2019 | 324,631 | 27,123 | - | - |
| 2020 | 294,391 | 15,921 | - | - |
| 2021 | 237,783 | 5,125 | - | - |
| 2022 | 43,663 | 426 | - | - |
| 2023-2027 | <u>15,820</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,248,086</u> | <u>\$ 87,350</u> | <u>\$ 188,539</u> | <u>\$ -</u> |

| Year Ended June 30, | <u>Water Rights Contract Obligation</u> | |
|---------------------|---|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 29,534 | \$ 2,385 |
| 2019 | 30,308 | 1,610 |
| 2021 | <u>30,988</u> | <u>934</u> |
| Total | <u>\$ 90,830</u> | <u>\$ 4,929</u> |

Component Units have the following long-term debt at June 30, 2017:

| | <u>Balance June 30, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2017</u> | <u>Amounts Due Within One Year</u> |
|---|----------------------------------|------------------|-------------------|----------------------------------|--|
| Component Unit Activities (MRHCA): | | | | | |
| Capital Lease Obligations | \$ 221,010 | \$ 87,617 | \$ 111,631 | \$ 196,996 | \$ 125,904 |
| Notes Payable to Banks | 10,294,909 | - | 639,852 | 9,655,057 | 625,971 |
| Total Component Unit Debt | <u>\$ 10,515,919</u> | <u>\$ 87,617</u> | <u>\$ 751,483</u> | <u>\$ 9,852,053</u> | <u>\$ 751,875</u> |

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Notes Payable to Banks (MRHCA):

The notes payable to banks are due between December 2017 and June 2036, payable monthly, including interest at rates of 2.55% to 5.15%. The notes are secured by real estate and certain capital assets. The debt service requirements as of June 30, 2017, are as follows:

| Year Ended June 30, | <u>Discretely Presented Component Unit</u> | |
|---------------------|--|---------------------|
| | <u>Notes Payable to Banks</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 625,971 | \$ 257,617 |
| 2019 | 519,310 | 240,092 |
| 2020 | 722,548 | 219,412 |
| 2021 | 505,520 | 199,720 |
| 2022 | 520,463 | 184,777 |
| 2023-2027 | 2,370,471 | 715,381 |
| 2028-2032 | 2,329,045 | 420,560 |
| 2033-2036 | <u>2,061,729</u> | <u>110,654</u> |
| Total | <u>\$ 9,655,057</u> | <u>\$ 2,348,213</u> |

Capital Lease Obligations (MRHCA):

The McAlester Regional Health Center Authority is obligated under leases for equipment that are accounted for as capital leases. The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 1.96% to 12.86% with the present value of the future minimum lease payments as of June 30, 2017:

| Year Ended June 30, | <u>Capital Lease Obligations Payable</u> |
|--|--|
| 2018 | \$ 135,468 |
| 2019 | 60,099 |
| 2020 | <u>16,056</u> |
| Total minimum lease payments | 211,623 |
| Less amount representing interest | <u>14,627</u> |
| Present value of future minimum lease payments | <u>\$ 196,996</u> |

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7. Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

| | General Fund | Reserve Fund | Economic Development Fund | Dedicated Sales Tax - MPWA | Bond Trustee Fund | Other Governmental Funds | Total |
|---|--------------|--------------|---------------------------|----------------------------|-------------------|--------------------------|---------------|
| Fund Balance: | | | | | | | |
| Nonspendable: | | | | | | | |
| Prepaid items | \$ 2,487 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,487 |
| Restricted For: | | | | | | | |
| Grant purposes | - | - | - | - | - | 140,514 | 140,514 |
| Juvenile programs | - | - | - | - | - | 2,553 | 2,553 |
| E911 | - | - | - | - | - | 871,964 | 871,964 |
| Economic development | - | - | 1,243,297 | - | - | - | 1,243,297 |
| Other | - | - | - | - | - | 246,240 | 246,240 |
| Stormwater | - | - | - | - | - | 421,798 | 421,798 |
| Police capital outlay | - | - | - | - | - | 32,126 | 32,126 |
| Cemetery | - | - | - | - | - | 381,872 | 381,872 |
| Technology improvements | - | - | - | - | - | 291,018 | 291,018 |
| Emergencies | - | 3,703,438 | - | - | - | - | 3,703,438 |
| Capital improvements: | | | | | | | |
| Economic development-bond repayment | - | - | - | - | - | 800,000 | 800,000 |
| Economic development - trustee accounts | - | - | - | - | 29,685 | - | 29,685 |
| Debt Service | - | - | - | 509,020 | 7,235,316 | 2,201,859 | 9,946,195 |
| Sub-total Restricted | - | 3,703,438 | 1,243,297 | 509,020 | 7,265,001 | 5,389,944 | 18,110,700 |
| Assigned to: | | | | | | | |
| Tourism | - | - | - | - | - | 765,851 | 765,851 |
| Economic development | - | - | 1,994,461 | - | - | - | 1,994,461 |
| Other | - | - | - | - | - | 32,744 | 32,744 |
| Capital improvements | - | - | - | - | - | 587,103 | 587,103 |
| Nutrition services | 48,954 | - | - | - | - | - | 48,954 |
| Sub-total Assigned | 48,954 | - | 1,994,461 | - | - | 1,385,698 | 3,429,113 |
| Unassigned | 683,387 | - | - | - | - | - | 683,387 |
| Total Fund Balance | \$ 734,828 | \$ 3,703,438 | \$ 3,237,758 | \$ 509,020 | \$ 7,265,001 | \$ 6,775,642 | \$ 22,225,687 |

Restricted Net Position – Governmental Activities

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

| Fund | Restricted By | Amount |
|-------------------------------|---------------------------------------|---------------------|
| Juvenile Fine Fund | State statutes and/or debt indentures | \$ 2,553 |
| State Forfeiture Fund | State statutes and/or debt indentures | 9,036 |
| Cemetery Perpetual Care Fund | State statutes and/or debt indentures | 381,872 |
| Federal Forfeiture Fund | State statutes and/or debt indentures | 15,671 |
| Capital Improvement Plan Fund | State statutes and/or debt indentures | 800,000 |
| | | <u>\$ 1,209,132</u> |
| Dedicated Sales Tax - MPWA | External parties (voters) | \$ 509,020 |
| E911 Fund | External parties (voters) | 871,964 |
| Reserve Fund | External parties (voters) | 3,703,438 |
| Economic Development Fund | External parties (voters) | 1,243,297 |
| Gifts & Contributions Fund | External parties (donors) | 246,240 |
| Stormwater Fund | External parties (voters) | 421,798 |
| Sales Tax - Schools Fund | External parties (voters) | 2,201,859 |
| Fire Improvement Grant Fund | External parties (grantors) | 260 |
| Police Equipment Fund | External parties (grantors) | 7,419 |
| CDBG Fund | External parties (grantors) | 140,254 |
| Technology Fund | External parties (voters) | 291,018 |
| | | <u>\$ 9,636,567</u> |

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8. Dedicated Tax Revenues and Pledges of Future Revenues

Sales and Use Tax

Sales and use tax revenue represents a 3.50 cents tax on each dollar of taxable sales which is recorded as revenue within the respective funds. Upon receipt, the sales tax is recorded as follows:

- 2 cents is recorded in the General Fund.
- 1 cent recorded in the Dedicated Sales Tax Fund MPWA and then transferred to the McAlester Public Works Authority Fund for the payment of debt service restricted by voter approval.
- ¼ cent recorded in the Sales Tax Schools Fund for the acquisition, construction, equipment and financing of education facilities and the payment of debt service for such purpose restricted by voter approval (effective April 1, 2003).
- ¼ cent recorded in the Economic Development Fund for economic development and the payment of debt service for such purpose restricted by voter approval (effective April 1, 2003).

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one and one-half cents (or 42.86%) of future sales tax revenues to repay \$54,476,132 of Series 2002, 2003, 2011, 2012, 2013, 2014 and 2015 Sales Tax and Utility System Bonds. Proceeds from the bonds provided financing for capital assets, economic development, and school related capital contributions. The 2003A, 2011 and 2015 bonds are payable solely from pledged sales tax revenues. The 2002, 2012, 2013 and 2014 bonds and the 1999 loan are payable from pledged sales tax revenues and further secured by net water, wastewater, and sanitation revenues. The bonds are payable anywhere from 2018 through 2034. The total principal and interest payable for the remainder of the life of these bonds is \$75,864,094, which includes \$17,560,000 of accreted bonds. Pledged sales taxes transferred in the current year were \$5,811,931 and the net utility revenues were \$2,313,382. Debt service payments of \$5,751,903, excluding accreted interest, for the current fiscal year were 98.98% of the pledged and transferred sales taxes and 70.8% of both pledged and transferred sales taxes and net utility revenues.

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9. Internal and Interfund Balances and Transfers

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2017, were as follows:

| Transfer From | Transfer To | Amount | Nature of Transfer |
|--|-------------------------------|------------------|-------------------------------------|
| General Fund | McAlester Airport Authority | \$ 113,920 | Operating transfer |
| General Fund | Capital Improvement Plan Fund | 613,153 | Transfer for capital improvements |
| Capital Improvement Plan Fund | MPWA | 49,754 | Debt service payments |
| Capital Improvement Plan Fund | MPWA | 324,751 | Transfer for capital improvements |
| Tourism/SE Expo Fund | Capital Improvement Plan Fund | 58,333 | Transfer for capital improvements |
| Dedicated Sales Tax Fund | Bond Trustee Fund | 4,265,114 | Debt payments to trustee bank |
| Sales Tax - Schools Fund | Bond Trustee Fund | 644,739 | Debt payments to trustee bank |
| Economic Development Fund | Bond Trustee Fund | 902,078 | Debt payments to trustee bank |
| Economic Development Fund | Capital Improvement Plan Fund | 58,333 | Transfer for capital improvements |
| Economic Development Fund | MPWA | 3,390 | Debt service payments |
| MPWA | General Fund | 1,799,134 | Operating transfer |
| MPWA | Capital Improvement Plan Fund | 1,094,765 | Transfer for capital improvements |
| MPWA | Dedicated Sales Tax Fund | 404,954 | Operating transfer |
| | | \$ 10,332,418 | |
| | Transfers In | Transfers Out | Net Transfers/ Internal Activity |
| Reconciliation to Fund Financial Statements: | | | |
| Governmental Funds | \$ 9,840,603 | \$ (7,033,565) | \$ 2,807,038 |
| Enterprise Funds | 491,815 | (3,298,853) | (2,807,038) |
| Total Transfers | \$ 10,332,418 | \$ (10,332,418) | \$ - |
| Reconciliation to statement of activities: | | Governmental | Business-Type |
| Net transfers | | \$ 2,807,038 | \$ (2,807,038) |
| Reclassification of revenues between activities | | 1,399,363 | (1,399,363) |
| Reclassification of capital asset purchases and expense between activities | | (1,617,113) | 1,617,113 |
| Total Transfers - Internal Activity | | \$ 2,589,288 | \$ (2,589,288) |

Balances:

Interfund receivables and payables at June 30, 2017, were as follows:

| Due From | Due To | Amount | Nature of Interfund Balance | |
|---|-------------------------------|-----------------------|--|------------------------------------|
| General Fund | Capital Improvement Plan Fund | \$ 800,000 | Bond related issues | |
| General Fund | Workers Compensation Fund | 207,622 | GF share of claims liability | |
| MPWA | Workers Compensation Fund | 5,511 | GF share of claims liability | |
| | | \$ 1,013,133 | | |
| | Due From Other Fund | Due To Other Funds | Internal Service Funds Reconciliation | Net Activity/ Internal Balances |
| Reconciliation to Fund Financial Statements: | | | | |
| Governmental Funds | \$ 800,000 | \$ (1,007,622) | \$ 213,133 | \$ 5,511 |
| Enterprise Funds | - | (5,511) | - | (5,511) |
| Internal Service Funds | 213,133 | - | (213,133) | - |
| Total Interfund Balances | \$ 1,013,133 | \$ (1,013,133) | \$ - | \$ - |

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The City continues to report an interfund receivable/payable in the original amount of \$3,291,826 between the General Fund and the Capital Improvement Plan Fund (MPWA). This interfund receivable/payable is the result of questions raised in a forensic audit dealing with questioned transfers made in prior years from the MPWA to the General Fund. At the current time, the City has not developed a schedule of annual reimbursements to be made by the General Fund to the Capital Improvement Plan Fund (MPWA) until the interfund payable is deemed to be satisfied. The current balance of this interfund receivable/payable is \$800,000.

10. 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 and Physical Property – Purchased commercial insurance with no risk of loss retained.
- Workers’ Compensation – Self- insured up to \$250,000 per occurrence. Additional coverage is maintained with a reinsurance policy up to a \$5,000,000 limit. The reinsurance policy also covers aggregate losses exceeding \$800,000 with a limit of \$1,000,000 during the two year policy period.
- Dental Insurance – Self- insured.
- Employee’s Group Medical – Covered through purchased commercial insurance with no risk of loss retained.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. There were no significant changes in coverage in the current year and settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For workers’ compensation, changes in the claims liability for the City from July 1, 2014 to June 30, 2017 are as follows:

| | Total Claims Liability |
|---------------------------------|---------------------------|
| Claims liability, June 30, 2014 | \$ 503,641 |
| Claims incurred | 621,507 |
| Claims paid | (745,998) |
| Claims liability, June 30, 2015 | 379,150 |
| Claims incurred | 381,065 |
| Claims paid | (509,859) |
| Claims liability, June 30, 2016 | 250,356 |
| Claims incurred | 243,278 |
| Claims paid | (262,332) |
| Claims liability, June 30, 2017 | \$ 231,302 |

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11. Contingencies

Litigation:

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

Federal and State Award Programs:

The City of McAlester participates in various federal or state grant/loan programs from year to year. In 2017, the City's involvement in federal and state award programs was significant. 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. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

ODEQ Consent Orders:

The City of McAlester is under the one Consent Order from the Oklahoma Department of Environmental Quality (ODEQ) related to the water treatment plant: Case No. 09-241. The City continues to work towards compliance on this Consent Order.

Case 09-241 relates to the discharge from the plant's backwash lagoons, specifically exceedance of Total Suspended Solids, Manganese and Aluminum. The problem is the backwash ponds are full of settled solids from the water treatment processes, specifically, sedimentation and removal of turbidity from the raw water that has been treated.

To comply with the consent order and make progress towards improvement of our residuals management, the city has emptied out the top sludge pond completely and it has been put back into service. Our sludge collection system is completely operational with essential personnel trained to maintain continuous removal and disposal of sludge. The cleaning out of the sludge drying beds has been completed. The lower sludge pit has been bypassed and prepared for cleaning. DEQ has approved of our progress and, within the next year, our sludge operation should be completely within compliance.

12. Pension Plan Participation

The City of McAlester participates in four pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. City of McAlester Employee's Retirement System – a single-employer defined benefit plan
4. City of McAlester Employee's Retirement System – a single-employer defined contribution plan

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City of McAlester Employee's Retirement System Defined Benefit Plan:

The City contributes to the City of McAlester Employees' Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of McAlester City Council. All non-union full-time City employees that were employed prior to July 1, 2013 participate in the System. The City's retirement ordinance requires that actuarial valuations be performed annually to determine if the City's fixed contribution rate is adequate to fund the actuarially determined contribution requirement. The System does not issue separate annual financial statements. On June 30, 2013 the Defined Benefit Pension Plan was frozen for all non-uniform active participants.

The following is a summary of funding policies, contribution methods, and benefit provisions:

| | |
|--|--|
| Year established and governing authority | 1995 by City Council Ordinance |
| Determination of Contribution requirements | Actuarially determined |
| Employer | 9.85% of Payroll (\$478,557 annual required contribution) |
| Plan members | None required |
| Funding of administrative costs | Investment earnings |
| Period required to vest | 10 years |
| Eligibility for distribution | Age 55 with ten years credited service. Annual rate of retirement starts at 5% at age 56. |
| Provisions for: | |
| Disability benefits | Yes |
| Death benefits | Yes |

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - Disclosures of the System's financial condition are prepared using the accrual basis of accounting. Employer contributions are recognized as System revenues in the period in which employee services are performed.

B. Employees Covered by Benefit Terms

| | |
|-----------------------------------|------------|
| Active Employees | 69 |
| Terminated Vested Employees | 32 |
| Retirees or Retiree Beneficiaries | <u>82</u> |
| Total | <u>183</u> |

C. Changes in Net Pension Liability

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2016 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2016 and the City's report ending date of June 30, 2017, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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| | Schedule of Changes in Net Pension Liability | | |
|---|--|-----------------------------|---------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at 6/30/2015 | \$ 16,785,991 | \$ 13,318,299 | \$ 3,467,692 |
| Changes for the Year: | | | |
| Interest | 1,170,468 | - | 1,170,468 |
| Difference between expected and actual experience | 25,240 | - | 25,240 |
| Benefit payments, including refunds | (1,024,826) | (1,024,826) | - |
| Net investment income | - | (240,387) | 240,387 |
| City contributions | - | 618,056 | (618,056) |
| Plan administrative expenses | | (124,062) | 124,062 |
| Other changes | | - | - |
| Net Changes | <u>170,882</u> | <u>(771,219)</u> | <u>942,101</u> |
| Balances at 6/30/16 | <u>\$ 16,956,873</u> | <u>\$ 12,547,080</u> | <u>\$ 4,409,793</u> |

The City reported \$530,914 in pension expense for the year ended June 30, 2017. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 171,720 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 841,182 | - |
| Changes in proportion and differences between City contributions and change in proportion share of contributions | 84,776 | 84,776 |
| City contributions subsequent to the measurement date | 600,552 | - |
| Total | <u>\$ 1,698,230</u> | <u>\$ 84,776</u> |

\$600,552 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------|---------------------|
| 2018 | \$ 175,308 |
| 2019 | 175,309 |
| 2020 | 425,220 |
| 2021 | <u>237,065</u> |
| | <u>\$ 1,012,902</u> |

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GASB 67 Pension Disclosures

Since the System does not issue separate financial statements, note disclosures required to be presented in accordance with GASB 67 are being reported in the City's notes to the financial statements. Additional disclosures required by GASB 67 follow.

Additional Accounting Policies, Actuarial Assumptions and Methods (GASB 67)

For GASB Statement 67 purposes, the method used to value investments is the market value (fair value).

GASB Statement 67 also requires the use of the Entry Age Normal actuarial cost method. Since this plan has been frozen, the method used for funding shown on page 57 (Projected Unit Credit) generates the same pension liability as the Entry Age Normal method.

The plan's policy in regard to the allocation of invested assets is established by the City Council. The current asset allocation policy is 70% equity investments, 25% fixed income investments, and 5% cash. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimate of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|----------------------|---|
| Domestic equity | 4.9% |
| International equity | 1.2% |
| Fixed income | 1.0% |
| Cash | 0.1% |
| Total | 7.2% |

The discount rate used to measure the total pension liability was 7.20%. The City has, on average, made contributions that exceed the ADEC over the past five years. If the City continues to contribute in this fashion, the plan will always be sufficiently funded to pay benefits due. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The annual money-weighted rate of return, net of expenses paid from the trust, was -2.57%.

The following presents the net pension liability calculated using the discount rate of 7.20 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.20 percent) or 1% point higher (8.20 percent) than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|-------------------------------------|---------------------------|-------------------------------------|---------------------------|
| City's Net Pension Liability | | | |
| City's Net Pension Liability - 2015 | \$ 5,363,470 | \$ 3,467,692 | \$ 1,869,784 |
| City's Net Pension Liability - 2016 | \$ 6,255,984 | \$ 4,409,793 | \$ 2,849,437 |
| City's Net Pension Liability - 2017 | \$ 5,397,957 | \$ 3,531,174 | \$ 1,948,235 |

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The components of the net pension liability of the City as of June 30, 2015, 2016 & 2017, were as follows:

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|
| Total Pension Liability | \$ 16,785,991 | \$ 16,956,873 | \$ 17,143,757 |
| Plan Fiduciary Net Position | <u>13,318,299</u> | <u>12,547,080</u> | <u>13,612,583</u> |
| Net Pension Liability | <u>\$ 3,467,692</u> | <u>\$ 4,409,793</u> | <u>\$ 3,531,174</u> |
| Plan Fiduciary Net Position as a percentage of the total pension liability | 79.3% | 74.0% | 79.4% |

Firefighter Pension System:

Plan Summary Information. The City of McAlester, 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). 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.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$298,853. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$736,462 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$703,378. These on-behalf payments did not meet the criteria of a special funding situation.

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, 6601 Broadway Ext. #100, Oklahoma City, OK 73116.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a net pension liability of \$9,307,102 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.7618 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$936,748. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 249,498 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 569,452 | - |
| Changes in proportion | 133,867 | 211,082 |
| City contributions during measurement date | - | 3,582 |
| City contributions subsequent to the measurement date | 298,853 | - |
| Total | \$ 1,251,670 | \$ 214,664 |

\$298,853 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|---------------------|
| 2018 | \$ (47,898) |
| 2019 | (47,898) |
| 2020 | (344,362) |
| 2021 | (250,802) |
| 2022 | (34,370) |
| Thereafter | <u>(12,823)</u> |
| Total | <u>\$ (738,153)</u> |

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|----------------------------|---|
| Inflation: | 3% |
| Salary increases: | 3.5% to 9.0% average, including inflation |
| Investment rate of return: | 7.5% net of pension plan investment expense |

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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

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These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

| Asset | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Fixed income | 20% | 5.18% |
| Domestic equity | 47% | 8.70% |
| International equity | 15% | 10.87% |
| Real estate | 10% | 7.23% |
| Other assets | 8% | 6.24% |

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

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

| | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|----------------------------------|-------------------------------|---|-------------------------------|
| Employers' net pension liability | \$ 11,782,016 | \$ 9,307,102 | \$ 7,232,098 |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS which can be located at www.ok.gov/FPRS.

Police Pension System:

Plan Summary Information. Pursuant to the requirements of Title 11, section 22-102, the City of McAlester participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$318,644. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$280,488 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-

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behalf contributions on an accrual basis of \$307,114. These on-behalf payments did not meet the criteria of a special funding situation.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a net pension liability of \$1,309,556 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.8551 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$475,009. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 4,201 | \$ 147,102 |
| Net difference between projected and actual earnings on pension plan investments | 1,258,261 | - |
| Changes in proportion | 29,546 | - |
| City contributions during measurement date | 3,976 | 10,578 |
| City contributions subsequent to the measurement date | 318,644 | - |
| Total | \$ 1,614,628 | \$ 157,680 |

\$318,644 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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| | |
|---------------------|-----------------------|
| Year ended June 30: | |
| 2018 | \$ (188,351) |
| 2019 | (188,351) |
| 2020 | (445,890) |
| 2021 | (314,938) |
| 2022 | <u>(774)</u> |
| Total | <u>\$ (1,138,304)</u> |

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | |
|----------------------------|---|
| Inflation: | 3% |
| Salary increases: | 4.5% to 17% average, including inflation |
| Investment rate of return: | 7.5% net of pension plan investment expense |
| Mortality rates: | Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. |
| | Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA. |
| | Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA. |

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|---|
| Fixed income | 3.27% |
| Domestic equity | 5.16% |
| International equity | 8.61% |
| Real estate | 4.97% |
| Private Equity | 8.32% |
| Commodities | 2.42% |

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

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

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

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|---------------------------------|-----------------------|
| Employers' net pension liability (asset) | \$ 3,435,848 | \$ 1,309,556 | \$(485,773) |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Summary of Contributions:

| Oklahoma Firefighter's Pension and Retirement System | | | Oklahoma Police Pension and Retirement System | | |
|---|--------------------------|---------------------------|--|--------------------------|---------------------------|
| Fiscal Year | Required Contribution | Percentage Contributed | Fiscal Year | Required Contribution | Percentage Contributed |
| 2015 | 285,987 | 100% | 2015 | 312,194 | 100% |
| 2016 | 297,937 | 100% | 2016 | 316,663 | 100% |
| 2017 | 298,853 | 100% | 2017 | 318,644 | 100% |

OMRF Defined Contribution Plan:

Effective July 1, 2013, the City has also provided a defined contribution plan and trust known as the City of McAlester Plan and Trust (the "Plan") in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JPMorgan Chase Bank. The defined contribution plan is available to all full-time employees except those participating in state fire or police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment. By City ordinance, the City, as employer, shall contribute to the Fund an amount equal to 50% of the Participant's contributions under the City's Deferred Compensation Plan 457. The Employer match shall be limited to 6.00% of these

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Participant's earnings effective July 1, 2013. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 100% after 7 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting shall reduce the Employer contribution. 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 \$180,659 to the plan.

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

14. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The System does not believe that GASB No. 81 will have significant impact on its financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations* - GASB No. 83 was issued December 2016, under this statement a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. The City has not yet determined the impact that implementation of GASB 83 will have on its net position.

GASB Statement 84, *Fiduciary Activities* - GASB No. 84 was issued January 2017, this Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the

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criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement 85, *Omnibus 2017* - GASB No. 85 issued March 2017, this Statement address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The City has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86, *Certain Debt Extinguishment Issues* - GASB No. 86 issued May 2017 the primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt substance. The City has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement 87, *Leases* - GASB No. 87 was issued June 2017, the primary objective of this Statement is to increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2017

| | GENERAL FUND (BUDGETARY BASIS) | | | |
|--|--------------------------------|-------------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance: | \$ - | \$ 197,690 | \$ 944,867 | \$ 747,177 |
| Resources (Inflows): | | | | |
| TAXES: | | | | |
| Sales tax | 8,041,680 | 8,041,680 | 7,524,277 | (517,403) |
| Use tax | 711,667 | 711,667 | 1,431,842 | 720,175 |
| Franchise tax | 580,500 | 580,500 | 541,172 | (39,328) |
| Total Taxes | <u>9,333,847</u> | <u>9,333,847</u> | <u>9,497,291</u> | <u>163,444</u> |
| INTERGOVERNMENTAL: | | | | |
| Alcoholic beverage tax | 142,542 | 142,542 | 144,972 | 2,430 |
| Tobacco/cigarette tax | 170,178 | 170,178 | 158,727 | (11,451) |
| Gas excise tax | 34,200 | 34,200 | 33,181 | (1,019) |
| Vehicle tax | 133,938 | 133,938 | 124,436 | (9,502) |
| Grant revenue | 175,220 | 215,220 | 188,763 | (26,457) |
| Total Intergovernmental | <u>656,078</u> | <u>696,078</u> | <u>650,079</u> | <u>(45,999)</u> |
| CHARGES FOR SERVICES: | | | | |
| Court costs | 365,096 | 365,096 | 354,507 | (10,589) |
| Cemetery opening/closing | 28,500 | 28,500 | 23,275 | (5,225) |
| Incarceration fee | 32,746 | 32,746 | 48,949 | 16,203 |
| Cemetery fees | 16,000 | 16,000 | 10,925 | (5,075) |
| Swimming pool revenue | 18,500 | 18,500 | 29,701 | 11,201 |
| Ambulance revenue | 480,604 | 480,604 | 534,744 | 54,140 |
| Street cuts | 5,000 | 5,000 | 2,013 | (2,987) |
| Recreation fees | 3,000 | 3,000 | 3,738 | 738 |
| Oil and gas leases | 492,685 | 492,685 | 329,038 | (163,647) |
| Abatements | 35,100 | 35,100 | 24,509 | (10,591) |
| Rental rooms | 4,500 | 4,500 | 4,719 | 219 |
| Burgular alarms | 6,400 | 6,400 | 12,545 | 6,145 |
| Complex concessions | 15,000 | 15,000 | 25,130 | 10,130 |
| Firing range fees | - | - | 510 | 510 |
| Complex rental | 1,000 | 1,000 | 13,619 | 12,619 |
| Total Charges for Services | <u>1,504,131</u> | <u>1,504,131</u> | <u>1,417,922</u> | <u>(86,209)</u> |
| FINES AND FORFEITURES | <u>900,970</u> | <u>900,970</u> | <u>811,779</u> | <u>(89,191)</u> |
| LICENSES AND PERMITS | <u>112,921</u> | <u>112,921</u> | <u>87,507</u> | <u>(25,414)</u> |
| INVESTMENT INCOME | <u>15,100</u> | <u>15,100</u> | <u>27,813</u> | <u>12,713</u> |
| MISCELLANEOUS: | | | | |
| Hay sales | - | - | 760 | 760 |
| Vendors | 200 | 200 | 208 | 8 |
| Cemetery lots | 13,150 | 13,150 | 15,400 | 2,250 |
| Demolitions | 5,000 | 5,000 | 760 | (4,240) |
| Court admin fee | 3,990 | 3,990 | 4,585 | 595 |
| Miscellaneous | 13,300 | 13,300 | 6,827 | (6,473) |
| Credit card payment fees | 8,930 | 8,930 | 14,879 | 5,949 |
| Education & training revenue | - | - | 9,025 | 9,025 |
| Restitution reimbursements | 5,541 | 5,541 | 8,047 | 2,506 |
| Reimbursements | 31,272 | 31,272 | 35,460 | 4,188 |
| Total Miscellaneous | <u>81,383</u> | <u>81,383</u> | <u>95,951</u> | <u>14,568</u> |
| OTHER FINANCING SOURCES: | | | | |
| Transfers from other funds | 1,907,147 | 2,143,444 | 1,799,134 | (344,310) |
| Total Other Financing Sources | <u>1,907,147</u> | <u>2,143,444</u> | <u>1,799,134</u> | <u>(344,310)</u> |
| Amounts available for appropriation | <u>14,511,577</u> | <u>14,985,564</u> | <u>15,332,343</u> | <u>346,779</u> |

(Continued)

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(Continued)

| | GENERAL FUND (BUDGETARY BASIS) | | | |
|--|--------------------------------|------------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Charges to Appropriations (Outflows): | | | | |
| LEGISLATURE: | | | | |
| Mayor and Council: | | | | |
| Personal services | 4,889 | 4,889 | 4,737 | 152 |
| Materials and supplies | 1,900 | 2,617 | 2,551 | 66 |
| Other services and charges | 107,500 | 106,962 | 102,206 | 4,756 |
| TOTAL LEGISLATURE | 114,289 | 114,468 | 109,494 | 4,974 |
| ADMINISTRATION: | | | | |
| City Manager: | | | | |
| Personal services | 276,122 | 282,696 | 279,369 | 3,327 |
| Materials and supplies | 2,750 | 2,750 | 1,824 | 926 |
| Other services and charges | 55,500 | 44,084 | 27,186 | 16,898 |
| Capital outlay | 25,000 | 25,000 | 17,752 | 7,248 |
| Total City Manager | 359,372 | 354,530 | 326,131 | 28,399 |
| Finance: | | | | |
| Personal services | 314,083 | 324,452 | 323,656 | 796 |
| Materials and supplies | 2,625 | 2,684 | 2,487 | 197 |
| Other services and charges | 7,400 | 7,400 | 6,810 | 590 |
| Total Finance | 324,108 | 334,536 | 332,953 | 1,583 |
| City Clerk: | | | | |
| Personal services | 105,613 | 105,739 | 105,093 | 646 |
| Materials and supplies | 1,100 | 928 | 583 | 345 |
| Other services and charges | 16,260 | 16,342 | 11,336 | 5,006 |
| Total City Clerk | 122,973 | 123,009 | 117,012 | 5,997 |
| City Attorney: | | | | |
| Personal services | 80,780 | 89,071 | 83,763 | 5,308 |
| Materials and supplies | 1,125 | 1,125 | 565 | 560 |
| Other services and charges | 71,100 | 86,921 | 85,871 | 1,050 |
| Total City Attorney | 153,005 | 177,117 | 170,199 | 6,918 |
| Court: | | | | |
| Personal services | 157,568 | 155,372 | 152,750 | 2,622 |
| Materials and supplies | 875 | 875 | 797 | 78 |
| Other services and charges | 54,300 | 165,267 | 162,739 | 2,528 |
| Total Court | 212,743 | 321,514 | 316,286 | 5,228 |
| Interdepartmental: | | | | |
| Personal services | 658,708 | 358,222 | 313,618 | 44,604 |
| Materials and supplies | 84,052 | 36,441 | 36,309 | 132 |
| Other services and charges | 762,211 | 687,167 | 675,497 | 11,670 |
| Total Interdepartmental | 1,504,971 | 1,081,830 | 1,025,424 | 56,406 |
| Information Services: | | | | |
| Personal services | 101,991 | 90,842 | 85,482 | 5,360 |
| Materials and supplies | 1,975 | 2,105 | 1,812 | 293 |
| Other services and charges | 81,000 | 88,910 | 83,633 | 5,277 |
| Total Information Services | 184,966 | 181,857 | 170,927 | 10,930 |

(Continued)

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(Continued)

| | GENERAL FUND (BUDGETARY BASIS) | | | Variance with Final Budget Positive (Negative) |
|------------------------------|--------------------------------|------------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| ADMINISTRATION, (Continued): | | | | |
| CID: | | | | |
| Personal services | 411,384 | 696,423 | 687,333 | 9,090 |
| Materials and supplies | 8,975 | 8,975 | 8,718 | 257 |
| Other services and charges | 6,000 | 6,000 | 2,648 | 3,352 |
| Total CID | <u>426,359</u> | <u>711,398</u> | <u>698,699</u> | <u>12,699</u> |
| TOTAL ADMINISTRATION | <u>3,288,497</u> | <u>3,285,791</u> | <u>3,157,631</u> | <u>128,160</u> |
| PUBLIC SAFETY: | | | | |
| Patrol: | | | | |
| Personal services | 2,782,446 | 2,849,990 | 2,842,716 | 7,274 |
| Materials and supplies | 127,290 | 126,261 | 122,854 | 3,407 |
| Other services and charges | 143,825 | 114,662 | 114,662 | - |
| Total Patrol | <u>3,053,561</u> | <u>3,090,913</u> | <u>3,080,232</u> | <u>10,681</u> |
| Animal Control: | | | | |
| Personal services | 39,784 | 40,151 | 40,066 | 85 |
| Materials and supplies | 6,045 | 5,898 | 5,126 | 772 |
| Other services and charges | 1,750 | 1,750 | 1,354 | 396 |
| Total Animal Control | <u>47,579</u> | <u>47,799</u> | <u>46,546</u> | <u>1,253</u> |
| Communications: | | | | |
| Personal services | 196,808 | 229,866 | 229,866 | - |
| Materials and supplies | 1,950 | 273 | 240 | 33 |
| Other services and charges | 2,500 | 2,500 | 2,374 | 126 |
| Total Communications | <u>201,258</u> | <u>232,639</u> | <u>232,480</u> | <u>159</u> |
| Fire: | | | | |
| Personal services | 2,980,956 | 3,103,709 | 3,097,402 | 6,307 |
| Materials and supplies | 63,811 | 66,997 | 66,975 | 22 |
| Other services and charges | 139,509 | 146,561 | 146,561 | - |
| Total Fire | <u>3,184,276</u> | <u>3,317,267</u> | <u>3,310,938</u> | <u>6,329</u> |
| EMS: | | | | |
| Materials and supplies | 38,850 | 44,145 | 40,969 | 3,176 |
| Other services and charges | 81,200 | 82,428 | 78,586 | 3,842 |
| Total EMS | <u>120,050</u> | <u>126,573</u> | <u>119,555</u> | <u>7,018</u> |
| TOTAL PUBLIC SAFETY | <u>6,606,724</u> | <u>6,815,191</u> | <u>6,789,751</u> | <u>25,440</u> |
| COMMUNITY SERVICES: | | | | |
| Parks: | | | | |
| Personal services | 607,141 | 621,269 | 621,269 | - |
| Materials and supplies | 81,900 | 83,111 | 78,091 | 5,020 |
| Other services and charges | 90,980 | 103,353 | 100,575 | 2,778 |
| Total Parks | <u>780,021</u> | <u>807,733</u> | <u>799,935</u> | <u>7,798</u> |
| Swimming Pools: | | | | |
| Personal services | 89,725 | 91,337 | 89,528 | 1,809 |
| Materials and supplies | 36,850 | 55,350 | 50,294 | 5,056 |
| Other services and charges | 9,500 | 9,500 | 8,522 | 978 |
| Total Swimming Pools | <u>136,075</u> | <u>156,187</u> | <u>148,344</u> | <u>7,843</u> |

(Continued)

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(Continued)

| | GENERAL FUND (BUDGETARY BASIS) | | | |
|--|--------------------------------|-------------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| COMMUNITY SERVICES, (Continued): | | | | |
| Recreation: | | | | |
| Personal services | 218,307 | 167,456 | 151,814 | 15,642 |
| Materials and supplies | 38,775 | 38,775 | 34,159 | 4,616 |
| Other services and charges | 24,835 | 24,835 | 19,449 | 5,386 |
| Total Recreation | <u>281,917</u> | <u>231,066</u> | <u>205,422</u> | <u>25,644</u> |
| Cemetery: | | | | |
| Personal services | 290,138 | 291,213 | 291,213 | - |
| Materials and supplies | 22,963 | 21,801 | 19,320 | 2,481 |
| Other services and charges | 11,690 | 16,913 | 16,913 | - |
| Total Cemetery | <u>324,791</u> | <u>329,927</u> | <u>327,446</u> | <u>2,481</u> |
| Facility Maintenance: | | | | |
| Personal services | 149,593 | 150,952 | 149,833 | 1,119 |
| Materials and supplies | 42,200 | 44,724 | 42,491 | 2,233 |
| Other services and charges | 69,412 | 73,107 | 70,737 | 2,370 |
| Total Facility Maintenance | <u>261,205</u> | <u>268,783</u> | <u>263,061</u> | <u>5,722</u> |
| TOTAL COMMUNITY SERVICES | <u>1,784,009</u> | <u>1,793,696</u> | <u>1,744,208</u> | <u>49,488</u> |
| ADMINISTRATIVE SERVICES: | | | | |
| Planning & Community Development: | | | | |
| Personal services | 234,523 | 230,617 | 224,301 | 6,316 |
| Materials and supplies | 6,825 | 6,851 | 3,611 | 3,240 |
| Other services and charges | 129,200 | 151,800 | 73,021 | 78,779 |
| Total Planning & Community Development | <u>370,548</u> | <u>389,268</u> | <u>300,933</u> | <u>88,335</u> |
| Human Resources/Risk Management: | | | | |
| Personal services | 140,224 | 142,213 | 130,744 | 11,469 |
| Materials and supplies | 37,313 | 37,313 | 33,484 | 3,829 |
| Other services and charges | 21,000 | 26,872 | 24,142 | 2,730 |
| Total Human Resources/Risk Management | <u>198,537</u> | <u>206,398</u> | <u>188,370</u> | <u>18,028</u> |
| TOTAL ADMINISTRATIVE SERVICES | <u>569,085</u> | <u>595,666</u> | <u>489,303</u> | <u>106,363</u> |
| PUBLIC WORKS: | | | | |
| Streets: | | | | |
| Personal services | 689,103 | 697,335 | 675,965 | 21,370 |
| Materials and supplies | 307,765 | 400,150 | 399,835 | 315 |
| Other services and charges | 71,410 | 106,482 | 106,321 | 161 |
| Capital outlay | 264,000 | 206,047 | 186,987 | 19,060 |
| Total Streets | <u>1,332,278</u> | <u>1,410,014</u> | <u>1,369,108</u> | <u>40,906</u> |
| TOTAL PUBLIC WORKS | <u>1,332,278</u> | <u>1,410,014</u> | <u>1,369,108</u> | <u>40,906</u> |
| OTHER FINANCING USES: | | | | |
| Transfers to other funds | 816,695 | 970,738 | 947,954 | 22,784 |
| Total Charges to Appropriations | <u>14,511,577</u> | <u>14,985,564</u> | <u>14,607,449</u> | <u>378,115</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 724,894</u> | <u>\$ 724,894</u> |

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Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2017, (Continued)

| | SPECIAL REVENUE - RESERVE FUND (Budgetary Basis) | | | |
|---------------------------------------|---|------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 3,677,040 | \$ 3,677,040 |
| Resources (Inflows): | | | | |
| Investment income | 35,000 | 35,000 | 26,398 | (8,602) |
| Amounts available for appropriation | <u>35,000</u> | <u>35,000</u> | <u>3,703,438</u> | <u>3,668,438</u> |
| Charges to appropriations (outflows): | | | | |
| Transfers out | - | - | - | - |
| Total Charges to Appropriations | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending Budgetary Fund Balance | <u>\$ 35,000</u> | <u>\$ 35,000</u> | <u>\$ 3,703,438</u> | <u>\$ 3,668,438</u> |

| | SPECIAL REVENUE - ECONOMIC DEVELOPMENT FUND (Budgetary Basis) | | | |
|---------------------------------------|--|------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ 357,547 | \$ 1,155,308 | \$ 3,418,363 | \$ 2,263,055 |
| Resources (Inflows): | | | | |
| Taxes | 1,005,210 | 1,005,210 | 940,535 | (64,675) |
| Intergovernmental | - | 1,000,000 | 1,166,666 | 166,666 |
| Investment income | 13,000 | 13,000 | 24,850 | 11,850 |
| Miscellaneous | - | 25,000 | 30,330 | 5,330 |
| Amounts available for appropriation | <u>1,375,757</u> | <u>3,198,518</u> | <u>5,580,744</u> | <u>2,382,226</u> |
| Charges to appropriations (outflows): | | | | |
| Finance | 72,390 | 97,390 | 94,839 | 2,551 |
| Planning and community development | 393,021 | 2,132,449 | 1,411,417 | 721,032 |
| Transfers out | 910,346 | 968,679 | 960,411 | 8,268 |
| Total Charges to Appropriations | <u>1,375,757</u> | <u>3,198,518</u> | <u>2,466,667</u> | <u>731,851</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,114,077</u> | <u>\$ 3,114,077</u> |

Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the cash basis of accounting for all revenues except for on-behalf payments made, and those that are billed by the City (i.e., misc receivables). The modified accrual basis of accounting is used for budgeting of expenditures with the exception of on-behalf payments made, the net effect of certain year-end payroll accruals, and outstanding encumbrances related to capital items. The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding and their related appropriations are lapsed at year end and are re-appropriated and re-encumbered in the subsequent fiscal year.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager, subject to a dollar limitation of \$25,000. All transfers of appropriation above this limitation and all supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

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3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

| | <u>General Fund</u> |
|--|----------------------------|
| Sources/Inflows of resources | |
| Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule | \$15,332,343 |
| Differences – budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | (944,867) |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (1,799,134) |
| The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted. | 1,016,950 |
| The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual. | 55,533 |
| The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis. | <u>40,725</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds | <u>\$13,701,550</u> |
| Uses/Outflows of resources | |
| Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule | \$14,607,449 |
| Differences – budget to GAAP: | |
| The City budgets for payroll and miscellaneous accrued liabilities on the modified cash basis, rather than on the modified accrual basis. | 20,238 |
| The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted. | 1,016,950 |
| The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual. | 279,695 |
| Transfers to other funds and component units are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>(947,954)</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds | <u>\$14,976,378</u> |
| Sources/Inflows of resources | |
| Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule | <u>\$3,703,438</u> |

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| | |
|---|---|
| Differences – budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | <u>(3,677,040)</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds | <u>\$26,398</u> |
| | <u>Economic Development Fund</u> |
| Sources/Inflows of resources | |
| Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule | \$5,580,744 |
| Differences – budget to GAAP: | |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | (3,418,363) |
| The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis. | <u>6,374</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds | <u>\$2,168,755</u> |
| Uses/Outflows of resources | |
| Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule | \$2,466,667 |
| Differences – budget to GAAP: | |
| The City budgets for payroll and miscellaneous accrued liabilities on the modified cash basis, rather than on the modified accrual basis. | 839 |
| The City reports transfers of debt payments in the fund financial statements, but are reported as expenditures in the budget to actual. | (3,390) |
| Transfers to other funds and component units are outflows of budgetary resources but are not expenditures for financial reporting purposes. | <u>(960,411)</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds | <u>\$1,503,705</u> |

5. For the year ended June 30, 2017, the City complied, in all material respects, with the applicable budget laws.

CITY OF MCALESTER, OKLAHOMA
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Required Supplementary Information
City of McAlester Employee's Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years*

| | 2014 | 2015 | 2016 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | |
| Service cost | \$ - | \$ - | \$ - | \$ - |
| Interest | 1,125,249 | 1,159,854 | 1,170,468 | 1,178,194 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | 354,880 | 4,086 | 25,240 | 103,095 |
| Changes of assumptions | - | - | - | - |
| Benefit payments, including refunds of member contributions | (992,995) | (992,553) | (1,024,826) | (1,094,405) |
| Net change in total pension liability | <u>487,134</u> | <u>171,387</u> | <u>170,882</u> | <u>186,884</u> |
| Total pension liability - beginning | <u>16,127,470</u> | <u>16,614,604</u> | <u>16,785,991</u> | <u>16,956,873</u> |
| Total pension liability - ending (a) | <u>\$ 16,614,604</u> | <u>\$ 16,785,991</u> | <u>\$ 16,956,873</u> | <u>\$ 17,143,757</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 580,226 | \$ 495,901 | \$ 618,056 | \$ 600,552 |
| Contributions - member | - | - | - | - |
| Net investment income | 2,444,464 | 132,780 | (240,387) | 1,691,613 |
| Benefit payments, including refunds of member contributions | (992,995) | (992,553) | (1,024,826) | (1,094,405) |
| Administrative expense | (148,960) | (127,870) | (124,062) | (132,257) |
| Other | 71,351 | 481 | - | - |
| Net change in plan fiduciary net position | <u>1,954,086</u> | <u>(491,261)</u> | <u>(771,219)</u> | <u>1,065,503</u> |
| Plan fiduciary net position - beginning | <u>11,855,474</u> | <u>13,809,560</u> | <u>13,318,299</u> | <u>12,547,080</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 13,809,560</u> | <u>\$ 13,318,299</u> | <u>\$ 12,547,080</u> | <u>\$ 13,612,583</u> |
| Net pension liability - ending (a) - (b) | <u>\$ 2,805,044</u> | <u>\$ 3,467,692</u> | <u>\$ 4,409,793</u> | <u>\$ 3,531,174</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 83.12% | 79.3% | 74.0% | 79.4% |
| Covered employee payroll | \$ 4,097,667 | \$ 3,714,076 | N/A | N/A |
| Net pension liability as a percentage of covered-employee payroll | 68.5% | 93.4% | N/A | N/A |

Notes to Schedule:

*Only four years are presented because 10-year data is not yet available. In addition the plan was frozen on July 1, 2013.

4. Since the plan's benefits were frozen as of July 1, 2013, payroll information is no longer being collected because it is no longer needed to perform the actuarial evaluation

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Required Supplementary Information
City of McAlester Employee's Retirement System

Schedule of Employer Contributions **Last 10 Fiscal Years***

| | 2015 | 2016 | 2017 |
|--|-------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 489,408 | \$ 458,246 | \$ 478,557 |
| Contributions in relation to the actuarially determined contribution | 495,901 | 593,512 | 600,552 |
| Contribution deficiency (excess) | <u>\$ (6,493)</u> | <u>\$ (135,266)</u> | <u>\$ (121,995)</u> |
| Covered employee payroll | N/A (Note 4) | N/A (Note 4) | N/A (Note 4) |
| Contributions as a percentage of covered-employee payroll | N/A (Note 4) | N/A (Note 4) | N/A (Note 4) |

Notes to Schedule:

1. *Only three years are presented because 10-year data is not yet available; plan frozen on July 1, 2013.
2. Latest Valuation Date: July 1, 2016
3. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Projected Unit Credit
 - Amortization method - Level dollar, post 2009 liabilities open, pre 2009 liabilities closed
 - Remaining amortization period - Closed part = 10 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 5 years
 - Salary increases - Frozen at this time
 - Investment rate of return - 7.20%, net of pension plan investment expense
4. Since the plan's benefits were frozen as of July 1, 2013, payroll information is no longer being collected because it is no longer needed to perform the actuarial valuation.

Required Supplementary Information

Schedule of Investment Returns **Last Ten Fiscal Years***

| | 2015 | 2016 | 2017 |
|---|------|-------|--------|
| Annual money-weighted rate of return, net of investment expense | 0.2% | 0.24% | -2.57% |

Note to Schedule:

*Only three fiscal years are presented because 10-year data is not yet available.

**CITY OF MCALESTER, OKLAHOMA
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Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY OF MCALESTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM**

Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.774228% | 0.747576% | 0.761806% |
| City's proportionate share of the net pension liability | \$ 7,961,756 | \$ 7,934,836 | \$ 9,307,102 |
| City's covered-employee payroll | \$ 2,067,321 | \$ 2,042,764 | 2,128,125 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 385% | 388% | 437% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.12% | 68.27% | 64.87% |

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

Notes to Schedule:

*Only three years are presented because 10-year data is not yet available. Current year measurement date is June 30, 2016.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|----------------|----------------|----------------|
| Statutorially required contribution | \$ 285,987 | \$ 297,937 | \$ 298,853 |
| Contributions in relation to the statutorially required contribution | <u>285,987</u> | <u>297,937</u> | <u>298,853</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 2,042,764 | 2,128,125 | 2,134,671 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% |

Notes to Schedule:

*Only three years are presented because 10-year data is not yet available.

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2017

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY OF MCALESTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|--------------|--------------|--------------|
| City's proportion of the net pension liability (asset) | 0.7942% | 0.8215% | 0.8551% |
| City's proportionate share of the net pension liability (asset) | \$ (267,389) | \$ 33,497 | \$ 1,309,556 |
| City's covered-employee payroll | \$ 2,217,808 | \$ 2,401,492 | \$ 2,435,869 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 12.06% | 1.39% | 53.76% |
| Plan fiduciary net position as a percentage of the total pension liability | 101.53% | 99.82% | 93.50% |

Notes to Schedule:

*Only three years are presented because 10-year data is not yet available. Current year measurement date is June 30, 2016.

SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|----------------|----------------|----------------|
| Statutorially required contribution | \$ 312,194 | \$ 316,663 | \$ 318,644 |
| Contributions in relation to the statutorially required contribution | <u>312,194</u> | <u>316,663</u> | <u>318,644</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 2,401,492 | \$ 2,435,869 | \$ 2,451,108 |
| Contributions as a percentage of covered-employee payroll | 13.00% | 13.00% | 13.00% |

Notes to Schedule:

*Only three years are presented because 10-year data is not yet available.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2017**

Combining Balance Sheet, General Fund Accounts – June 30, 2017

| | General Fund | Nutrition Account | Total General Fund |
|--|-------------------------|------------------------------|-------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 981,540 | \$ 48,531 | \$ 1,030,071 |
| Receivables: | | | |
| Due from other governments | 1,214,025 | 9,801 | 1,223,826 |
| Franchise tax receivable | 30,221 | - | 30,221 |
| Court fines receivable, net of allowance | 952,769 | - | 952,769 |
| Ambulance receivable, net of allowance | 75,621 | - | 75,621 |
| Other receivables, net of allowance | 1,366 | - | 1,366 |
| Prepaid items | 2,487 | - | 2,487 |
| | \$ 3,258,029 | \$ 58,332 | \$ 3,316,361 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 254,960 | \$ 2,130 | \$ 257,090 |
| Accrued payroll liabilities | 378,006 | 7,248 | 385,254 |
| Due to other funds | 1,007,622 | - | 1,007,622 |
| Unearned revenue | 2,081 | - | 2,081 |
| | 1,642,669 | 9,378 | 1,652,047 |
| Deferred inflows of resources: | | | |
| Deferred revenue | 929,486 | - | 929,486 |
| Fund balances: | | | |
| Nonspendable | 2,487 | - | 2,487 |
| Assigned | - | 48,954 | 48,954 |
| Unassigned | 683,387 | - | 683,387 |
| | 685,874 | 48,954 | 734,828 |
| Total liabilities, deferred inflows and fund balances | \$ 3,258,029 | \$ 58,332 | \$ 3,316,361 |

CITY OF MCALESTER, OKLAHOMA
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Combining Schedule of Revenues, Expenditures and Changes in Fund Balances, General Fund
Accounts – Year Ended June 30, 2017

| | <u>General Fund</u> | <u>Nutrition Account</u> | <u>Total General Fund</u> |
|--|-------------------------|------------------------------|-------------------------------|
| REVENUES | | | |
| Taxes | \$ 9,553,459 | \$ - | \$ 9,553,459 |
| Intergovernmental | 1,643,680 | 55,533 | 1,699,213 |
| Charges for services | 1,430,069 | - | 1,430,069 |
| Fines and forfeitures | 807,538 | - | 807,538 |
| Licenses and permits | 87,507 | - | 87,507 |
| Investment earnings | 27,813 | - | 27,813 |
| Miscellaneous | 95,951 | - | 95,951 |
| | | | |
| Total revenues | <u>13,646,017</u> | <u>55,533</u> | <u>13,701,550</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Legislative | 109,580 | - | 109,580 |
| Administration | 3,149,984 | - | 3,149,984 |
| Public safety | 7,811,167 | - | 7,811,167 |
| Community services | 1,695,062 | - | 1,695,062 |
| Administrative services | 488,331 | - | 488,331 |
| Health and welfare | - | 279,695 | 279,695 |
| Public works | 1,124,038 | - | 1,124,038 |
| Capital Outlay | 318,521 | - | 318,521 |
| | | | |
| Total expenditures | <u>14,696,683</u> | <u>279,695</u> | <u>14,976,378</u> |
| | | | |
| Excess (deficiency) of revenues over expenditures | <u>(1,050,666)</u> | <u>(224,162)</u> | <u>(1,274,828)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,799,134 | - | 1,799,134 |
| Transfers out | (727,073) | - | (727,073) |
| Interaccount transfers | (220,881) | 220,881 | - |
| | | | |
| Total other financing sources and uses | <u>851,180</u> | <u>220,881</u> | <u>1,072,061</u> |
| | | | |
| Net change in fund balances | (199,486) | (3,281) | (202,767) |
| | | | |
| Fund balances - beginning | 885,360 | 52,235 | 937,595 |
| Fund balances - ending | <u>\$ 685,874</u> | <u>\$ 48,954</u> | <u>\$ 734,828</u> |

**CITY OF MCALESTER, OKLAHOMA
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Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2017

| | SPECIAL REVENUE FUNDS | | | | |
|--|-----------------------|-------------------------|-------------------|----------------------------------|--------------------|
| | Juvenile Fine Fund | Tourism/SE Expo Fund | E-911 Fund | Gifts & Contributions Fund | Stormwater Fund |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,553 | \$ 736,712 | \$ 839,620 | \$ 282,539 | \$ 397,785 |
| Accounts receivable, net of allowance | - | - | - | - | 52,413 |
| Due from other funds | - | - | - | - | - |
| Due from other governments | - | 70,855 | - | - | - |
| Other receivables | - | - | 51,903 | - | - |
| Total assets | <u>\$ 2,553</u> | <u>\$ 807,567</u> | <u>\$ 891,523</u> | <u>\$ 282,539</u> | <u>\$ 450,198</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 33,715 | \$ 2,768 | \$ 3,555 | \$ 28,400 |
| Accrued payroll liabilities | - | 8,001 | 16,791 | - | - |
| Total liabilities | <u>-</u> | <u>41,716</u> | <u>19,559</u> | <u>3,555</u> | <u>28,400</u> |
| Deferred Inflows of Resources: | | | | | |
| Deferred revenue | - | - | - | - | - |
| Fund Balances: | | | | | |
| Restricted | 2,553 | - | 871,964 | 246,240 | 421,798 |
| Assigned | - | 765,851 | - | 32,744 | - |
| Total fund balances | <u>2,553</u> | <u>765,851</u> | <u>871,964</u> | <u>278,984</u> | <u>421,798</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 2,553</u> | <u>\$ 807,567</u> | <u>\$ 891,523</u> | <u>\$ 282,539</u> | <u>\$ 450,198</u> |

(Continued)

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Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2017, Continued

| | CAPITAL PROJECT FUNDS | | | | |
|--|-----------------------------|-----------------------------|------------------------------------|---------------------|----------------------------|
| | Police Equipment Fund | State Forfeiture Fund | Cemetery Perpetual Care Fund | CDBG Grants Fund | Federal Forfeiture Fund |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 279 | \$ 9,036 | \$ 381,872 | \$ 119,778 | \$ 15,671 |
| Accounts receivable, net of allowance | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Due from other governments | 13,793 | - | - | 20,476 | - |
| Other receivables | - | - | - | - | - |
| Total assets | <u>\$ 14,072</u> | <u>\$ 9,036</u> | <u>\$ 381,872</u> | <u>\$ 140,254</u> | <u>\$ 15,671</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | - | - | - |
| Accrued payroll liabilities | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources: | | | | | |
| Deferred revenue | 6,653 | - | - | - | - |
| Fund Balances: | | | | | |
| Restricted | 7,419 | 9,036 | 381,872 | 140,254 | 15,671 |
| Assigned | - | - | - | - | - |
| Total fund balances | <u>7,419</u> | <u>9,036</u> | <u>381,872</u> | <u>140,254</u> | <u>15,671</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 14,072</u> | <u>\$ 9,036</u> | <u>\$ 381,872</u> | <u>\$ 140,254</u> | <u>\$ 15,671</u> |

(Continued)

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2017

Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2017, Continued

| | CAPITAL PROJECT FUNDS | | | DEBT SERVICE FUND | Total Nonmajor Governmental Funds |
|--|-----------------------------|-------------------------------|-------------------|--------------------------|-----------------------------------|
| | Fire Improvement Grant Fund | Capital Improvement Plan Fund | Technology Fund | Sales Tax - Schools Fund | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 260 | \$ 590,756 | \$ 314,202 | \$ 2,075,369 | \$ 5,766,432 |
| Accounts receivable, net of allowance | - | - | - | - | 52,413 |
| Due from other funds | - | 800,000 | - | - | 800,000 |
| Due from other governments | - | - | - | 126,490 | 231,614 |
| Other receivables | - | - | - | - | 51,903 |
| Total assets | <u>\$ 260</u> | <u>\$ 1,390,756</u> | <u>\$ 314,202</u> | <u>\$ 2,201,859</u> | <u>\$ 6,902,362</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 3,653 | \$ 23,184 | \$ - | \$ 95,275 |
| Accrued payroll liabilities | - | - | - | - | 24,792 |
| Total liabilities | <u>-</u> | <u>3,653</u> | <u>23,184</u> | <u>-</u> | <u>120,067</u> |
| Deferred Inflows of Resources: | | | | | |
| Deferred revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,653</u> |
| Fund Balances: | | | | | |
| Restricted | 260 | 800,000 | 291,018 | 2,201,859 | 5,389,944 |
| Assigned | - | 587,103 | - | - | 1,385,698 |
| Total fund balances | <u>260</u> | <u>1,387,103</u> | <u>291,018</u> | <u>2,201,859</u> | <u>6,775,642</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 260</u> | <u>\$ 1,390,756</u> | <u>\$ 314,202</u> | <u>\$ 2,201,859</u> | <u>\$ 6,902,362</u> |

CITY OF MCALESTER, OKLAHOMA
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Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2017

| | SPECIAL REVENUE FUNDS | | | | |
|---|-----------------------|----------------------|-------------------|----------------------------|-------------------|
| | Juvenile Fine Fund | Tourism/SE Expo Fund | E-911 Fund | Gifts & Contributions Fund | Stormwater Fund |
| REVENUES | | | | | |
| Taxes | \$ - | \$ 655,558 | \$ 576,406 | \$ - | \$ - |
| Intergovernmental | - | - | - | 1,000 | - |
| Charges for services | 15,468 | 141,066 | - | - | 494,056 |
| Investment earnings | - | - | 7,796 | 6 | - |
| Miscellaneous | - | 149 | - | 221,728 | - |
| Total revenues | <u>15,468</u> | <u>796,773</u> | <u>584,202</u> | <u>222,734</u> | <u>494,056</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | - | - | - | 17,373 | - |
| Public safety | 17,345 | - | 667,095 | - | - |
| Administrative services | - | 689,863 | - | - | - |
| Capital Outlay | - | 34,414 | 28,840 | 66,011 | 573,440 |
| Debt Service: | | | | | |
| Principal | - | - | - | - | 2,451 |
| Interest and other charges | - | - | - | - | 833 |
| Total expenditures | <u>17,345</u> | <u>724,277</u> | <u>695,935</u> | <u>83,384</u> | <u>576,724</u> |
| Excess (deficiency) of revenues over expenditures | (1,877) | 72,496 | (111,733) | 139,350 | (82,668) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | (58,333) | - | - | - |
| Issuance of debt | - | - | - | - | 238,734 |
| Total other financing sources and uses | <u>-</u> | <u>(58,333)</u> | <u>-</u> | <u>-</u> | <u>238,734</u> |
| Net change in fund balances | (1,877) | 14,163 | (111,733) | 139,350 | 156,066 |
| Fund balances - beginning | 4,430 | 751,688 | 983,697 | 139,634 | 265,732 |
| Fund balances - ending | <u>\$ 2,553</u> | <u>\$ 765,851</u> | <u>\$ 871,964</u> | <u>\$ 278,984</u> | <u>\$ 421,798</u> |

(Continued)

CITY OF MCALESTER, OKLAHOMA
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Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2017 (Continued)

| | CAPITAL PROJECT FUNDS | | | | |
|---|--------------------------|--------------------------|------------------------------------|---------------------|----------------------------|
| | Police Equipment Fund | State Forfeiture Fund | Cemetery Perpetual Care Fund | CDBG Grants Fund | Federal Forfeiture Fund |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 7,141 | 26,817 | - | 129,006 | 14,658 |
| Charges for services | - | - | 5,525 | - | - |
| Investment earnings | - | 450 | 2,812 | - | 157 |
| Miscellaneous | - | - | 33,000 | - | - |
| Total revenues | <u>7,141</u> | <u>27,267</u> | <u>41,337</u> | <u>129,006</u> | <u>14,815</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Administrative services | - | - | - | - | - |
| Capital Outlay | 13,000 | 22,957 | - | 180,128 | 15,367 |
| Debt Service: | | | | | |
| Principal | - | - | - | - | - |
| Interest and other charges | - | - | - | - | - |
| Total expenditures | <u>13,000</u> | <u>22,957</u> | <u>-</u> | <u>180,128</u> | <u>15,367</u> |
| Excess (deficiency) of revenues over expenditures | (5,859) | 4,310 | 41,337 | (51,122) | (552) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Proceeds from long-term debt | - | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (5,859) | 4,310 | 41,337 | (51,122) | (552) |
| Fund balances - beginning | 13,278 | 4,726 | 340,535 | 191,376 | 16,223 |
| Fund balances - ending | <u>\$ 7,419</u> | <u>\$ 9,036</u> | <u>\$ 381,872</u> | <u>\$ 140,254</u> | <u>\$ 15,671</u> |

(Continued)

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2017

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2017 (Continued)

| | CAPITAL PROJECT FUNDS | | | DEBT SERVICE FUND | Total Nonmajor Governmental Funds |
|---|-----------------------------|-------------------------------|-----------------|--------------------------|-----------------------------------|
| | Fire Improvement Grant Fund | Capital Improvement Plan Fund | Technology Fund | Sales Tax - Schools Fund | |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 946,909 | \$ 2,178,873 |
| Intergovernmental | - | 142,355 | - | - | 320,977 |
| Charges for services | - | 270,357 | 208,237 | - | 1,134,709 |
| Investment earnings | - | 756 | - | 17,828 | 29,805 |
| Miscellaneous | - | 108,821 | - | - | 363,698 |
| Total revenues | - | 522,289 | 208,237 | 964,737 | 4,028,062 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | - | - | - | - | 17,373 |
| Public safety | - | - | - | - | 684,440 |
| Administrative services | - | - | - | - | 689,863 |
| Capital Outlay | - | 2,006,221 | 300,165 | - | 3,240,543 |
| Debt Service: | | | | | |
| Principal | - | 135,234 | - | - | 137,685 |
| Interest and other charges | - | 17,538 | - | - | 18,371 |
| Total expenditures | - | 2,158,993 | 300,165 | - | 4,788,275 |
| Excess (deficiency) of revenues over expenditures | - | (1,636,704) | (91,928) | 964,737 | (760,213) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 1,824,584 | - | - | 1,824,584 |
| Transfers out | - | (374,505) | - | (644,739) | (1,077,577) |
| Proceeds from long-term debt | - | - | - | - | 238,734 |
| Total other financing sources and uses | - | 1,450,079 | - | (644,739) | 985,741 |
| Net change in fund balances | - | (186,625) | (91,928) | 319,998 | 225,528 |
| Fund balances - beginning | 260 | 1,573,728 | 382,946 | 1,881,861 | 6,550,114 |
| Fund balances - ending | \$ 260 | \$ 1,387,103 | \$ 291,018 | \$ 2,201,859 | \$ 6,775,642 |

CITY OF MCALESTER, OKLAHOMA
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Combining Schedule of Net Position, MPWA Accounts – June 30, 2017

| | <u>Enterprise Fund - MPWA</u> | | |
|--|---|-------------------------------------|----------------------|
| | <u>McAlester Public Works Authority Operating Account</u> | <u>Landfill Reserve Account</u> | <u>Total</u> |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 234,645 | \$ 2,124,496 | \$ 2,359,141 |
| Restricted cash and cash equivalents | 505,588 | - | 505,588 |
| Accounts receivable, net of allowance | 1,112,734 | 31,160 | 1,143,894 |
| Total current assets | <u>1,852,967</u> | <u>2,155,656</u> | <u>4,008,623</u> |
| Non-current assets: | | | |
| Investment in joint venture | 1,917,559 | - | 1,917,559 |
| Capital Assets: | | | |
| Land and improvements | 2,225,237 | - | 2,225,237 |
| Other capital assets, net of depreciation | 21,271,755 | - | 21,271,755 |
| Total non-current assets | <u>25,414,551</u> | <u>-</u> | <u>25,414,551</u> |
| Total assets | <u>27,267,518</u> | <u>2,155,656</u> | <u>29,423,174</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred amounts related to pensions | 454,756 | - | 454,756 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 374,035 | 7,455 | 381,490 |
| Accrued payroll liabilities | 55,534 | - | 55,534 |
| Due to other funds | 5,511 | - | 5,511 |
| Accrued interest payable | 1,987 | - | 1,987 |
| Unearned revenue | 68,491 | - | 68,491 |
| Due to depositors | 101,118 | - | 101,118 |
| Notes payable | 274,621 | - | 274,621 |
| Contract obligation | 188,539 | - | 188,539 |
| Water rights contract obligation | 29,534 | - | 29,534 |
| Accrued compensated absences | 16,854 | - | 16,854 |
| Total current liabilities | <u>1,116,224</u> | <u>7,455</u> | <u>1,123,679</u> |
| Non-current liabilities: | | | |
| Landfill closure and postclosure liability | 4,348,864 | - | 4,348,864 |
| Due to depositors | 404,470 | - | 404,470 |
| Notes payable | 875,398 | - | 875,398 |
| Water rights contract obligation | 61,296 | - | 61,296 |
| Accrued compensated absences | 151,686 | - | 151,686 |
| Net pension liability | 1,125,138 | - | 1,125,138 |
| Total non-current liabilities | <u>6,966,852</u> | <u>-</u> | <u>6,966,852</u> |
| Total liabilities | <u>8,083,076</u> | <u>7,455</u> | <u>8,090,531</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred amounts related to pensions | 41,685 | - | 41,685 |
| NET POSITION | | | |
| Net investment in capital assets | 22,067,604 | - | 22,067,604 |
| Unrestricted (deficit) | (2,470,091) | 2,148,201 | (321,890) |
| Total net position | <u>\$ 19,597,513</u> | <u>\$ 2,148,201</u> | <u>\$ 21,745,714</u> |

CITY OF MCALESTER, OKLAHOMA
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Combining Schedule of Revenues, Expenses, and Changes in Net Position, MPWA Accounts – Year Ended June 30, 2017

| | Enterprise Fund - MPWA | | |
|--|---|-------------------------------------|----------------------|
| | McAlester Public Works Authority Operating Account | Landfill Reserve Account | Total |
| OPERATING REVENUES | | | |
| Charges for services: | | | |
| Water | \$ 2,956,823 | \$ - | \$ 2,956,823 |
| Sewer | 1,658,193 | - | 1,658,193 |
| Sanitation | 2,635,377 | - | 2,635,377 |
| Water taps | 13,775 | - | 13,775 |
| Sewer taps | 6,600 | - | 6,600 |
| Water districts | 1,226,724 | - | 1,226,724 |
| Landfill | 3,075 | - | 3,075 |
| Penalties | - | 7,115 | 7,115 |
| Recycle fees | 37,168 | - | 37,168 |
| Subtitle "D" fees | - | 388,938 | 388,938 |
| Total operating revenues | <u>8,537,735</u> | <u>396,053</u> | <u>8,933,788</u> |
| OPERATING EXPENSES | | | |
| Utility office | 502,509 | - | 502,509 |
| Interdepartmental | 784,766 | - | 784,766 |
| Sanitation | 1,806,804 | - | 1,806,804 |
| Engineering | 378,361 | - | 378,361 |
| Sewer | 759,016 | - | 759,016 |
| Water | 1,301,154 | - | 1,301,154 |
| Utility maintenance | 911,502 | - | 911,502 |
| Landfill | 1,661,438 | 32,699 | 1,694,137 |
| Depreciation | 1,454,142 | - | 1,454,142 |
| Total Operating Expenses | <u>9,559,692</u> | <u>32,699</u> | <u>9,592,391</u> |
| Operating income (loss) | <u>(1,021,957)</u> | <u>363,354</u> | <u>(658,603)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | 9,238 | 17,943 | 27,181 |
| Interest expense | (21,922) | - | (21,922) |
| Miscellaneous revenue | 50,210 | - | 50,210 |
| Gain (loss) on joint venture | (38,383) | - | (38,383) |
| Total non-operating revenue (expenses) | <u>(857)</u> | <u>17,943</u> | <u>17,086</u> |
| Income (loss) before contributions and transfers | (1,022,814) | 381,297 | (641,517) |
| Capital contributions | 1,568,899 | - | 1,568,899 |
| Transfers in | 377,895 | - | 377,895 |
| Transfers out | (3,298,853) | - | (3,298,853) |
| Interaccount transfers | 16,876 | (16,876) | - |
| Change in net position | (2,357,997) | 364,421 | (1,993,576) |
| Total net position - beginning | 21,955,510 | 1,783,780 | 23,739,290 |
| Total net position - ending | <u>\$ 19,597,513</u> | <u>\$ 2,148,201</u> | <u>\$ 21,745,714</u> |

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Combining Schedule of Net Position, MAA Accounts – June 30, 2017

| | McAlester Airport Authority | | | Total |
|---|--|----------------------------------|-----------------------------------|---------------------|
| | McAlester Airport Authority Operating Account | Airport Grant Account | Airport Hanger Account | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 74,811 | \$ 1,352 | \$ 36,760 | \$ 112,923 |
| Accounts receivable, net of allowance | 8,570 | - | - | 8,570 |
| Total current assets | <u>83,381</u> | <u>1,352</u> | <u>36,760</u> | <u>121,493</u> |
| Non-current assets: | | | | |
| Capital Assets: | | | | |
| Land and improvements | 42,364 | - | - | 42,364 |
| Other capital assets, net of depreciation | 3,925,446 | - | - | 3,925,446 |
| Total non-current assets | <u>3,967,810</u> | <u>-</u> | <u>-</u> | <u>3,967,810</u> |
| Total assets | <u>4,051,191</u> | <u>1,352</u> | <u>36,760</u> | <u>4,089,303</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred amounts related to pensions | <u>31,565</u> | <u>-</u> | <u>-</u> | <u>31,565</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 1,912 | - | - | 1,912 |
| Accrued payroll liabilities | 3,987 | - | - | 3,987 |
| Accrued interest payable | 160 | - | - | 160 |
| Notes payable | 57,177 | - | - | 57,177 |
| Accrued compensated absences | 2,573 | - | - | 2,573 |
| Total current liabilities | <u>65,809</u> | <u>-</u> | <u>-</u> | <u>65,809</u> |
| Non-current liabilities: | | | | |
| Notes payable | 40,890 | - | - | 40,890 |
| Accrued compensated absences | 23,161 | - | - | 23,161 |
| Net pension liability | 84,061 | - | - | 84,061 |
| Total non-current liabilities | <u>148,112</u> | <u>-</u> | <u>-</u> | <u>148,112</u> |
| Total liabilities | <u>213,921</u> | <u>-</u> | <u>-</u> | <u>213,921</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred amounts related to pensions | <u>315</u> | <u>-</u> | <u>-</u> | <u>315</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 3,869,743 | - | - | 3,869,743 |
| Unrestricted (deficit) | (1,223) | 1,352 | 36,760 | 36,889 |
| Total net position | <u>\$ 3,868,520</u> | <u>\$ 1,352</u> | <u>\$ 36,760</u> | <u>\$ 3,906,632</u> |

CITY OF MCALESTER, OKLAHOMA
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Combining Schedule of Revenues, Expenses, and Changes in Net Position, MAA Accounts – Year Ended June 30, 2017

| | <u>McAlester Airport Authority</u> | | | <u>Total</u> |
|--|--|----------------------------------|-----------------------------------|---------------------|
| | <u>McAlester Airport Authority Operating Account</u> | <u>Airport Grant Account</u> | <u>Airport Hanger Account</u> | |
| OPERATING REVENUES | | | | |
| Charges for services: | | | | |
| Rents and fees | \$ 108,183 | \$ - | \$ - | \$ 108,183 |
| Total operating revenues | <u>108,183</u> | <u>-</u> | <u>-</u> | <u>108,183</u> |
| OPERATING EXPENSES | | | | |
| Airport | 175,375 | - | - | 175,375 |
| Depreciation | 521,222 | - | - | 521,222 |
| Total Operating Expenses | <u>696,597</u> | <u>-</u> | <u>-</u> | <u>696,597</u> |
| Operating income (loss) | <u>(588,414)</u> | <u>-</u> | <u>-</u> | <u>(588,414)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest expense | (5,395) | - | - | (5,395) |
| Total non-operating revenue (expenses) | <u>(5,395)</u> | <u>-</u> | <u>-</u> | <u>(5,395)</u> |
| Income (loss) before contributions and transfers | (593,809) | - | - | (593,809) |
| Capital contributions | 4,238 | 80,340 | - | 84,578 |
| Transfers in | 113,920 | - | - | 113,920 |
| Interaccount transfers | <u>89,025</u> | <u>(89,025)</u> | <u>-</u> | <u>-</u> |
| Change in net position | (386,626) | (8,685) | - | (395,311) |
| Total net position - beginning | 4,255,146 | 10,037 | 36,760 | 4,301,943 |
| Total net position - ending | <u>\$ 3,868,520</u> | <u>\$ 1,352</u> | <u>\$ 36,760</u> | <u>\$ 3,906,632</u> |

CITY OF MCALESTER, OKLAHOMA
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Combining Statement of Net Position, Internal Service Funds – June 30, 2017

| | Internal Service Funds | | |
|--------------------------------|----------------------------------|------------------------------|----------------|
| | Worker's Compensation Fund | FLEET Maintenance Fund | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 20,994 | \$ 51,058 | \$ 72,052 |
| Due from other funds | 213,133 | - | 213,133 |
| Total assets | <u>234,127</u> | <u>51,058</u> | <u>285,185</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 2,825 | 8,362 | 11,187 |
| Accrued payroll liabilities | - | 8,356 | 8,356 |
| Estimated liability for claims | 23,130 | - | 23,130 |
| Compensated absences | - | 3,434 | 3,434 |
| Total current liabilities | <u>25,955</u> | <u>20,152</u> | <u>46,107</u> |
| Non-current liabilities: | | | |
| Estimated liability for claims | 208,172 | - | 208,172 |
| Compensated absences | - | 30,906 | 30,906 |
| Total non-current liabilities | <u>208,172</u> | <u>30,906</u> | <u>239,078</u> |
| Total liabilities | <u>234,127</u> | <u>51,058</u> | <u>285,185</u> |
| NET POSITION | | | |
| Unrestricted | - | - | - |
| Total net position | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Combining Statement of Revenues, Expenses, and Changes in Net Position, Internal Service Funds – Year Ended June 30, 2017

| | Internal Service Funds | | |
|--------------------------------|----------------------------------|------------------------------|----------------|
| | Worker's Compensation Fund | FLEET Maintenance Fund | Total |
| OPERATING REVENUES | | | |
| Self insurance charges | \$ 245,968 | \$ 528,280 | \$ 774,248 |
| Miscellaneous | 135 | 27,803 | 27,938 |
| Total operating revenues | <u>246,103</u> | <u>556,083</u> | <u>802,186</u> |
| OPERATING EXPENSES | | | |
| FLEET maintenance expense | - | 556,083 | 556,083 |
| Claims expense | 246,103 | - | 246,103 |
| Total operating expenses | <u>246,103</u> | <u>556,083</u> | <u>802,186</u> |
| Operating income | - | - | - |
| Total net position - beginning | - | - | - |
| Total net position - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

Combining Statement of Cash Flows, Internal Service Funds – Year Ended June 30, 2017

| | Internal Service Funds | | |
|---|----------------------------------|------------------------------|-------------------|
| | Worker's Compensation Fund | FLEET Maintenance Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers | \$ (262,332) | \$ (273,991) | \$ (536,323) |
| Payments to employees | - | (292,058) | (292,058) |
| Other receipts | 265,157 | 556,083 | 821,240 |
| Net Cash Provided by (Used in) Operating Activities | <u>2,825</u> | <u>(9,966)</u> | <u>(7,141)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,825 | (9,966) | (7,141) |
| Balances - beginning of the year | <u>18,169</u> | <u>61,024</u> | <u>79,193</u> |
| Balances - end of the year | <u>\$ 20,994</u> | <u>\$ 51,058</u> | <u>\$ 72,052</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ - | \$ - | \$ - |
| Change in assets and liabilities: | | | |
| Due from other funds | 19,054 | - | 19,054 |
| Accounts payables | 2,825 | (10,416) | (7,591) |
| Accrued payroll liabilities | - | (1,009) | (1,009) |
| Claims liability | (19,054) | - | (19,054) |
| Accrued compensated absences | - | 1,459 | 1,459 |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 2,825</u> | <u>\$ (9,966)</u> | <u>\$ (7,141)</u> |

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

Budgetary Comparison Schedules – Major Debt Service Governmental Funds – Year Ended June 30, 2017

DEBT SERVICE - DEDICATED SALES TAX-MPWA (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|------------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 102,632 | \$ 102,632 |
| Resources (Inflows): | | | | |
| Taxes | 4,020,840 | 3,870,840 | 3,762,139 | (108,701) |
| Investment income | - | - | 952 | 952 |
| Transfers in | 254,954 | 404,954 | 404,954 | - |
| Amounts available for appropriation | <u>4,275,794</u> | <u>4,275,794</u> | <u>4,270,677</u> | <u>(5,117)</u> |
| Charges to appropriations (outflows): | | | | |
| Administration | 15,000 | 10,680 | 2,500 | 8,180 |
| Transfers out | <u>4,260,794</u> | <u>4,265,114</u> | <u>4,265,114</u> | <u>-</u> |
| Total Charges to Appropriations | <u>4,275,794</u> | <u>4,275,794</u> | <u>4,267,614</u> | <u>8,180</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,063</u> | <u>\$ 3,063</u> |

DEBT SERVICE - BOND TRUSTEE FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ 970,197 | \$ 7,750,259 | \$ 6,780,062 |
| Resources (Inflows): | | | | |
| Investment income | - | - | 9,092 | 9,092 |
| Transfers in | 5,819,895 | 5,819,895 | 5,811,931 | (7,964) |
| Amounts available for appropriation | <u>5,819,895</u> | <u>6,790,092</u> | <u>13,571,282</u> | <u>6,781,190</u> |
| Charges to appropriations (outflows): | | | | |
| Finance | <u>5,501,654</u> | <u>6,471,851</u> | <u>6,306,281</u> | <u>165,570</u> |
| Total Charges to Appropriations | <u>5,501,654</u> | <u>6,471,851</u> | <u>6,306,281</u> | <u>165,570</u> |
| Ending Budgetary Fund Balance | <u>\$ 318,241</u> | <u>\$ 318,241</u> | <u>\$ 7,265,001</u> | <u>\$ 6,946,760</u> |

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

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2017

SPECIAL REVENUE - JUVENILE FINE FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|-----------------|-----------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 4,430 | \$ 4,430 |
| Resources (Inflows): | | | | |
| Charges for services | 31,421 | 31,421 | 15,468 | (15,953) |
| Amounts available for appropriation | <u>31,421</u> | <u>31,421</u> | <u>19,898</u> | <u>(11,523)</u> |
| Charges to appropriations (outflows): | | | | |
| Public safety | 30,061 | 30,061 | 17,345 | 12,716 |
| Total Charges to Appropriations | <u>30,061</u> | <u>30,061</u> | <u>17,345</u> | <u>12,716</u> |
| Ending Budgetary Fund Balance | <u>\$ 1,360</u> | <u>\$ 1,360</u> | <u>\$ 2,553</u> | <u>\$ 1,193</u> |

SPECIAL REVENUE - TOURISM/SE EXPO FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|-------------------|-----------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ 58,333 | \$ 691,542 | \$ 633,209 |
| Resources (Inflows): | | | | |
| Taxes | 795,680 | 795,680 | 653,028 | (142,652) |
| Charges for services | 153,300 | 153,300 | 141,066 | (12,234) |
| Miscellaneous | 100 | 100 | 149 | 49 |
| Amounts available for appropriation | <u>949,080</u> | <u>1,007,413</u> | <u>1,485,785</u> | <u>478,372</u> |
| Charges to appropriations (outflows): | | | | |
| Administrative services | 812,108 | 812,108 | 724,455 | 87,653 |
| Transfers out | - | 58,333 | 58,333 | - |
| Total Charges to Appropriations | <u>812,108</u> | <u>870,441</u> | <u>782,788</u> | <u>87,653</u> |
| Ending Budgetary Fund Balance | <u>\$ 136,972</u> | <u>\$ 136,972</u> | <u>\$ 702,997</u> | <u>\$ 566,025</u> |

SPECIAL REVENUE - E-911 FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|----------------|-----------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ 196,460 | \$ 196,460 | \$ 951,597 | \$ 755,137 |
| Resources (Inflows): | | | | |
| Taxes | 616,200 | 616,200 | 571,120 | (45,080) |
| Investment income | - | - | 7,796 | 7,796 |
| Amounts available for appropriation | <u>812,660</u> | <u>812,660</u> | <u>1,530,513</u> | <u>717,853</u> |
| Charges to appropriations (outflows): | | | | |
| Public safety | 812,660 | 812,660 | 693,661 | 118,999 |
| Total Charges to Appropriations | <u>812,660</u> | <u>812,660</u> | <u>693,661</u> | <u>118,999</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 836,852</u> | <u>\$ 836,852</u> |

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

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2017
(Continued)

SPECIAL REVENUE - GIFTS & CONTRIBUTIONS FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|----------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 139,634 | \$ 139,634 |
| Resources (Inflows): | | | | |
| Intergovernmental | - | - | 1,000 | 1,000 |
| Investment income | - | - | 6 | 6 |
| Miscellaneous | - | 333,646 | 221,728 | (111,918) |
| Amounts available for appropriation | <u>-</u> | <u>333,646</u> | <u>362,368</u> | <u>28,722</u> |
| Charges to appropriations (outflows): | | | | |
| Administration | - | 333,646 | 83,384 | 250,262 |
| Total Charges to Appropriations | <u>-</u> | <u>333,646</u> | <u>83,384</u> | <u>250,262</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 278,984</u> | <u>\$ 278,984</u> |

SPECIAL REVENUE - STORMWATER FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|----------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ 337,584 | \$ 265,732 | \$ (71,852) |
| Resources (Inflows): | | | | |
| Charges for services | 500,000 | 500,000 | 494,056 | (5,944) |
| Proceeds from long-term debt | - | - | 238,734 | 238,734 |
| Amounts available for appropriation | <u>500,000</u> | <u>837,584</u> | <u>998,522</u> | <u>160,938</u> |
| Charges to appropriations (outflows): | | | | |
| Stormwater | 500,000 | 837,584 | 576,724 | 260,860 |
| Total Charges to Appropriations | <u>500,000</u> | <u>837,584</u> | <u>576,724</u> | <u>260,860</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 421,798</u> | <u>\$ 421,798</u> |

CAPITAL PROJECT - POLICE EQUIPMENT FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|---------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ 6,500 | \$ 9,639 | \$ 3,139 |
| Resources (Inflows): | | | | |
| Intergovernmental | - | 6,500 | 3,640 | (2,860) |
| Amounts available for appropriation | <u>-</u> | <u>13,000</u> | <u>13,279</u> | <u>279</u> |
| Charges to appropriations (outflows): | | | | |
| Public safety | - | 13,000 | 13,000 | - |
| Total Charges to Appropriations | <u>-</u> | <u>13,000</u> | <u>13,000</u> | <u>-</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 279</u> | <u>\$ 279</u> |

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

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2017
(Continued)

CAPITAL PROJECT - STATE FORFEITURE FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|---------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 4,726 | \$ 4,726 |
| Resources (Inflows): | | | | |
| Intergovernmental | - | 30,000 | 26,817 | (3,183) |
| Investment income | - | - | 450 | 450 |
| Amounts available for appropriation | <u>-</u> | <u>30,000</u> | <u>31,993</u> | <u>1,993</u> |
| Charges to appropriations (outflows): | | | | |
| Public safety | - | 30,000 | 22,957 | 7,043 |
| Total Charges to Appropriations | <u>-</u> | <u>30,000</u> | <u>22,957</u> | <u>7,043</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,036</u> | <u>\$ 9,036</u> |

CAPITAL PROJECT - CEMETERY PERPETUAL CARE FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|-----------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 340,535 | \$ 340,535 |
| Resources (Inflows): | | | | |
| Charges for services | 6,050 | 6,050 | 5,525 | (525) |
| Investment income | 1,000 | 1,000 | 2,812 | 1,812 |
| Miscellaneous | - | - | 33,000 | 33,000 |
| Amounts available for appropriation | <u>7,050</u> | <u>7,050</u> | <u>381,872</u> | <u>374,822</u> |
| Charges to appropriations (outflows): | | | | |
| Community services | 5,032 | 5,032 | - | 5,032 |
| Total Charges to Appropriations | <u>5,032</u> | <u>5,032</u> | <u>-</u> | <u>5,032</u> |
| Ending Budgetary Fund Balance | <u>\$ 2,018</u> | <u>\$ 2,018</u> | <u>\$ 381,872</u> | <u>\$ 379,854</u> |

CAPITAL PROJECT - CDBG GRANTS FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|----------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ 407,092 | \$ 191,376 | \$ (215,716) |
| Resources (Inflows): | | | | |
| Intergovernmental | - | - | 108,530 | 108,530 |
| Amounts available for appropriation | <u>-</u> | <u>407,092</u> | <u>299,906</u> | <u>(107,186)</u> |
| Charges to appropriations (outflows): | | | | |
| Engineering | - | 407,092 | 180,128 | 226,964 |
| Total Charges to Appropriations | <u>-</u> | <u>407,092</u> | <u>180,128</u> | <u>226,964</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 119,778</u> | <u>\$ 119,778</u> |

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

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2017
(Continued)

CAPITAL PROJECT - FEDERAL FORFEITURE FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|---------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 16,223 | \$ 16,223 |
| Resources (Inflows): | | | | |
| Intergovernmental | 33,000 | 33,000 | 14,658 | (18,342) |
| Investment income | - | - | 157 | 157 |
| Amounts available for appropriation | <u>33,000</u> | <u>33,000</u> | <u>31,038</u> | <u>(1,962)</u> |
| Charges to appropriations (outflows): | | | | |
| Public safety | <u>33,000</u> | <u>33,000</u> | <u>15,367</u> | <u>17,633</u> |
| Total Charges to Appropriations | <u>33,000</u> | <u>33,000</u> | <u>15,367</u> | <u>17,633</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,671</u> | <u>\$ 15,671</u> |

CAPITAL PROJECT - FIRE IMPROVEMENT GRANT FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|--------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 260 | \$ 260 |
| Resources (Inflows): | | | | |
| Intergovernmental | - | - | - | - |
| Amounts available for appropriation | <u>-</u> | <u>-</u> | <u>260</u> | <u>260</u> |
| Charges to appropriations (outflows): | | | | |
| Public safety | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Charges to Appropriations | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 260</u> | <u>\$ 260</u> |

CAPITAL PROJECT - TECHNOLOGY FUND (Budgetary Basis)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|----------------|---------------------------|---|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ - | \$ 130,774 | \$ 382,946 | \$ 252,172 |
| Resources (Inflows): | | | | |
| Charges for services | 215,000 | 215,000 | 208,237 | (6,763) |
| Amounts available for appropriation | <u>215,000</u> | <u>345,774</u> | <u>591,183</u> | <u>245,409</u> |
| Charges to appropriations (outflows): | | | | |
| Administration | <u>215,000</u> | <u>345,774</u> | <u>300,165</u> | <u>45,609</u> |
| Total Charges to Appropriations | <u>215,000</u> | <u>345,774</u> | <u>300,165</u> | <u>45,609</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 291,018</u> | <u>\$ 291,018</u> |

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

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2017
(Continued)

CAPITAL PROJECT - CAPITAL IMPROVEMENT PLAN FUND (Budgetary Basis)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Beginning Budgetary Fund Balance | \$ - | \$ 1,496,496 | \$ 1,573,728 | \$ 77,232 |
| Resources (Inflows): | | | | |
| Intergovernmental | - | 700,000 | 142,355 | (557,645) |
| Charges for services | 329,700 | 329,700 | 270,357 | (59,343) |
| Investment income | - | - | 756 | 756 |
| Miscellaneous | 60,000 | 60,000 | 108,821 | 48,821 |
| Transfers in | 459,110 | 809,819 | 809,819 | - |
| Proceeds from debt | - | 1,256,000 | 1,014,765 | (241,235) |
| Amounts available for appropriation | <u>848,810</u> | <u>4,652,015</u> | <u>3,920,601</u> | <u>(731,414)</u> |
| Charges to appropriations (outflows): | | | | |
| City manager | 75,000 | 122,800 | 122,798 | 2 |
| Patrol | - | 60,709 | 60,675 | 34 |
| Fire | - | 35,000 | 34,610 | 390 |
| Parks | - | 25,000 | 23,750 | 1,250 |
| Planning & Comm Dev | - | 952,229 | 57,514 | 894,715 |
| Fleet Maintenance | 66,985 | 68,349 | 68,348 | 1 |
| Traffic Control | - | 175,000 | 165,263 | 9,737 |
| Streets | 381,825 | 927,611 | 546,787 | 380,824 |
| Wastewater Treatment | - | 80,000 | 18,600 | 61,400 |
| Water Treatment | - | 691,024 | 169,055 | 521,969 |
| Utility maintenance | 325,000 | 1,514,293 | 1,266,098 | 248,195 |
| Total Charges to Appropriations | <u>848,810</u> | <u>4,652,015</u> | <u>2,533,498</u> | <u>2,118,517</u> |
| Ending Budgetary Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,387,103</u> | <u>\$ 1,387,103</u> |

DEBT SERVICE - SALES TAX - SCHOOLS FUND (Budgetary Basis)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 1,761,745 | \$ 1,761,745 |
| Resources (Inflows): | | | | |
| Taxes | 1,005,210 | 1,005,210 | 940,535 | (64,675) |
| Investment income | 6,000 | 6,000 | 17,828 | 11,828 |
| Amounts available for appropriation | <u>1,011,210</u> | <u>1,011,210</u> | <u>2,720,108</u> | <u>1,708,898</u> |
| Charges to appropriations (outflows): | | | | |
| Community services | 1,500 | 1,500 | - | 1,500 |
| Transfers out | 647,255 | 647,255 | 644,739 | 2,516 |
| Total Charges to Appropriations | <u>648,755</u> | <u>648,755</u> | <u>644,739</u> | <u>4,016</u> |
| Ending Budgetary Fund Balance | <u>\$ 362,455</u> | <u>\$ 362,455</u> | <u>\$ 2,075,369</u> | <u>\$ 1,712,914</u> |

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

Schedule of Revenue Bond Coverage – Year Ended June 30, 2017

| | Series 2015, 2014, 2013, 2012, 2002 Bonds & 1999 Loan |
|---|--|
| Gross Revenue Available for Debt Service: | |
| Charges for services | \$ 8,933,788 |
| Sales tax pledged and transferred | 5,811,931 |
| Total Gross Revenues Available | 14,745,719 |
| Operating Expenses: | |
| Water, Sewer and Sanitation | 6,620,406 |
| Total Operating Expenses | 6,620,406 |
| Net Revenues Available for Debt Service | \$ 8,125,313 |
| Debt Service Requirements: | |
| Average annual principal and interest requirements on bonds and subordinate debt: | |
| Series 2015 Utility System Revenue Bonds | \$ 1,294,116 |
| Series 2014 Utility System Revenue Bonds | 437,483 |
| Series 2013 Tax Exempt Debt | 814,290 |
| Series 2012 Utility System Revenue Bonds | 2,331,476 |
| Series 2002 Utility System Revenue Bonds | 975,555 |
| 1999 CDBG Loan | 13,750 |
| Total average annual debt service | \$ 5,866,670 |
| Computed Coverage | 138% |
| Coverage Requirement | 125% |

NOTE: The above gross revenue and operating expenses only include the activities of the Authority related to water, sewer and sanitation services, excluding depreciation and amortization expense.

STATISTICAL SECTION

The STATISTICAL SECTION presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources, sales tax and property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

FINANCIAL TRENDS

CITY OF MCALESTER, OKLAHOMA
NET ASSETS/POSITION BY COMPONENT
Last Ten Fiscal Years
TABLE 1

| | FISCAL YEAR | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | (A) 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 36,913,324 | \$ 35,524,842 | \$ 34,617,252 | \$ 33,224,076 | \$ 32,432,860 | \$ 30,765,320 | \$ (9,351,998) | \$ (8,435,552) | \$ (5,145,885) | \$ 564,792 |
| Restricted | 6,315,262 | 10,901,873 | 10,879,639 | 15,583,329 | 12,528,800 | 9,774,023 | 9,671,931 | 10,300,783 | 10,794,136 | 10,845,699 |
| Unrestricted | <u>(1,351,655)</u> | <u>127,348</u> | <u>3,528,189</u> | <u>713,466</u> | <u>3,619,246</u> | <u>3,327,652</u> | <u>(331,766)</u> | <u>(11,094,279)</u> | <u>(9,827,102)</u> | <u>(8,993,447)</u> |
| Total governmental activities net assets | \$ <u>41,876,931</u> | \$ <u>46,554,063</u> | \$ <u>49,025,080</u> | \$ <u>49,520,871</u> | \$ <u>48,580,906</u> | \$ <u>43,866,995</u> | \$ <u>(11,833)</u> | \$ <u>(9,229,048)</u> | \$ <u>(4,178,851)</u> | \$ <u>2,417,044</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 22,794,648 | \$ 23,500,930 | \$ 22,543,574 | \$ 22,155,024 | \$ 24,511,925 | \$ 25,309,905 | \$ 25,468,139 | \$ 26,970,248 | \$ 26,876,679 | \$ 25,937,347 |
| Restricted | 8,222,759 | 3,962,096 | 3,841,946 | 669,133 | 185,867 | 7,907,391 | - | - | - | - |
| Unrestricted | <u>(59,681,074)</u> | <u>(57,385,625)</u> | <u>(57,691,240)</u> | <u>(52,715,442)</u> | <u>(51,414,376)</u> | <u>(54,744,596)</u> | <u>556,515</u> | <u>(510,810)</u> | <u>1,164,554</u> | <u>(285,001)</u> |
| Total business-type activities net assets | \$ <u>(28,663,667)</u> | \$ <u>(29,922,599)</u> | \$ <u>(31,305,720)</u> | \$ <u>(29,891,285)</u> | \$ <u>(26,716,584)</u> | \$ <u>(21,527,300)</u> | \$ <u>26,024,654</u> | \$ <u>26,459,438</u> | \$ <u>28,041,233</u> | \$ <u>25,652,346</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 59,707,972 | \$ 59,025,772 | \$ 57,160,826 | \$ 55,379,100 | \$ 56,944,785 | \$ 56,075,225 | \$ 16,116,141 | \$ 18,534,696 | \$ 21,730,794 | \$ 26,502,139 |
| Restricted | 14,538,021 | 14,863,969 | 14,721,585 | 16,252,462 | 12,714,667 | 17,681,414 | 9,671,931 | 10,300,783 | 10,794,136 | 10,845,699 |
| Unrestricted | <u>(61,032,729)</u> | <u>(57,258,277)</u> | <u>(54,163,051)</u> | <u>(52,001,976)</u> | <u>(47,795,130)</u> | <u>(51,416,944)</u> | <u>224,749</u> | <u>(11,605,089)</u> | <u>(8,662,548)</u> | <u>(9,278,448)</u> |
| Total primary government net assets | \$ <u>13,213,264</u> | \$ <u>16,631,464</u> | \$ <u>17,719,360</u> | \$ <u>19,629,586</u> | \$ <u>21,864,322</u> | \$ <u>22,339,695</u> | \$ <u>26,012,821</u> | \$ <u>17,230,390</u> | \$ <u>23,862,382</u> | \$ <u>28,069,390</u> |

(A) - City began reporting revenue bond debt activity previously reported as business-type activities in the governmental activities.

CITY OF MCALESTER, OKLAHOMA
CHANGES IN NET ASSETS/POSITION
Last Ten Fiscal Years
TABLE 2

| | FISCAL YEAR | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | (A) | | | |
| Governmental activities: | | | | | | | | | | |
| Legislature | \$ 72,611 | \$ 32,311 | \$ 126,666 | \$ 97,162 | \$ 119,262 | \$ 119,631 | \$ 92,698 | \$ 118,144 | \$ 128,178 | \$ 109,580 |
| Administration | 2,262,740 | 3,077,346 | 2,523,930 | 2,652,254 | 2,605,293 | 2,593,075 | 2,633,457 | 3,016,773 | 3,075,900 | 3,713,371 |
| Public safety | 8,376,584 | 7,348,140 | 7,375,334 | 8,001,693 | 8,346,194 | 8,398,927 | 8,269,035 | 7,742,108 | 8,002,184 | 8,658,637 |
| Community service | 2,126,035 | 2,111,274 | 2,018,764 | 2,190,693 | 2,965,005 | 2,692,851 | 2,176,495 | 1,964,414 | 2,162,321 | 2,120,523 |
| Administration services | 907,937 | 980,172 | 881,082 | 1,073,608 | 1,057,394 | 1,073,174 | 1,011,076 | 1,280,079 | 1,164,926 | 1,198,426 |
| Health and welfare | 124,894 | 257,350 | 229,776 | 285,502 | 290,065 | 277,730 | 256,902 | 245,481 | 255,471 | 282,159 |
| Public works | 3,500,144 | 3,536,482 | 3,160,982 | 2,616,066 | 2,635,362 | 2,641,505 | 2,764,212 | 2,640,537 | 3,347,597 | 3,547,407 |
| Economic development | 166,887 | 214,845 | 287,955 | 250,974 | 257,449 | 334,831 | 243,467 | 237,615 | 557,723 | 372,295 |
| Stormwater | - | - | - | - | - | - | - | - | - | 900 |
| Payment to Health Center Authority | 1,017,568 | 362,398 | - | - | - | - | - | - | - | - |
| Interest on long-term debt | 32,684 | 16,574 | 25,826 | 23,099 | 16,019 | 10,781 | 2,603,604 | 2,938,799 | 2,504,399 | 2,413,692 |
| Total governmental activities expenses | <u>18,588,084</u> | <u>17,936,892</u> | <u>16,630,315</u> | <u>17,191,051</u> | <u>18,292,043</u> | <u>18,142,505</u> | <u>20,050,946</u> | <u>20,183,950</u> | <u>21,198,699</u> | <u>22,416,990</u> |
| Business-type activities: | | | | | | | | | | |
| Water operations | 2,512,766 | 2,702,777 | 2,693,090 | 2,586,210 | 2,826,263 | 2,699,541 | 2,504,280 | 3,636,153 | 3,835,928 | 4,001,912 |
| Sewer operations | 1,453,532 | 1,497,767 | 1,478,020 | 1,501,178 | 1,574,716 | 1,633,520 | 1,534,532 | 1,833,574 | 2,016,793 | 2,077,471 |
| Sanitation operations | 2,225,325 | 1,875,151 | 2,525,570 | 3,727,028 | 4,132,892 | 3,836,266 | 3,291,636 | 2,454,195 | 911,299 | 3,617,289 |
| Airport | 155,347 | 346,238 | 353,265 | 335,902 | 336,310 | 322,386 | 330,132 | 324,411 | 670,726 | 701,992 |
| Governmental interest & amortization | 3,728,898 | 3,587,968 | 3,642,316 | 3,550,238 | 3,153,918 | 2,354,536 | - | - | - | - |
| Utilities | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities expenses | <u>10,075,868</u> | <u>10,009,901</u> | <u>10,692,261</u> | <u>11,700,556</u> | <u>12,024,099</u> | <u>10,846,249</u> | <u>7,660,580</u> | <u>8,248,333</u> | <u>7,434,746</u> | <u>10,398,664</u> |
| Total primary government expenses | <u>\$ 28,663,952</u> | <u>\$ 27,946,793</u> | <u>\$ 27,322,576</u> | <u>\$ 28,891,607</u> | <u>\$ 30,316,142</u> | <u>\$ 28,988,754</u> | <u>\$ 27,711,526</u> | <u>\$ 28,432,283</u> | <u>\$ 28,633,445</u> | <u>\$ 32,815,654</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Legislature | \$ - | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Administration | 1,936,658 | 268,950 | 338,951 | 650,556 | 1,130,512 | 1,089,491 | 1,394,521 | 1,044,682 | 3,162,687 | 5,183,688 |
| Public safety | 1,093,278 | 1,814,780 | 1,771,953 | 1,578,883 | 1,305,145 | 1,429,987 | 2,741,229 | 2,894,702 | 2,998,352 | 2,614,253 |
| Community service | 108,311 | 98,857 | 105,014 | 127,156 | 121,072 | 113,606 | 143,735 | 295,130 | 426,315 | 393,039 |
| Administration services | 291,165 | 282,857 | 287,636 | 336,545 | 285,993 | 268,606 | 284,712 | 253,325 | 275,793 | 253,082 |
| Health and welfare | - | - | - | - | - | - | 61,870 | 60,942 | 61,160 | 55,533 |
| Public works | 263 | 299 | 3,781 | 3,789 | 3,794 | 3,797 | 185,838 | 173,759 | 168,011 | 160,059 |
| Economic development | - | - | - | - | - | - | 260,000 | 420,504 | 707,749 | 166,666 |
| Stormwater | - | - | - | - | - | - | - | - | 334,148 | 494,056 |
| Interest on long-term debt | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities program revenues | <u>3,429,675</u> | <u>2,465,743</u> | <u>2,507,335</u> | <u>2,696,929</u> | <u>2,846,516</u> | <u>2,905,487</u> | <u>5,071,905</u> | <u>5,143,044</u> | <u>8,134,215</u> | <u>9,320,376</u> |

(A) - City began reporting revenue bond debt activity previously reported as business-type activities in the governmental activities.

(Continued)

TABLE 2
(Continued)

| | FISCAL YEAR | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | (A) 2014 | 2015 | 2016 | 2017 |
| Business-type activities: | | | | | | | | | | |
| Water operations | 3,849,884 | 4,137,356 | 4,067,745 | 4,497,227 | 5,171,920 | 4,592,465 | 4,174,878 | 4,144,455 | 4,354,864 | 5,527,918 |
| Sewer operations | 1,396,625 | 1,456,628 | 1,475,284 | 1,740,561 | 1,748,119 | 1,802,899 | 1,633,623 | 1,718,541 | 1,852,998 | 1,777,843 |
| Sanitation operations | 2,984,600 | 3,135,166 | 3,046,992 | 3,330,969 | 3,285,025 | 3,229,695 | 2,918,401 | 3,055,264 | 3,096,508 | 3,027,390 |
| Airport | 201,113 | 128,937 | 110,415 | 123,874 | 111,902 | 94,250 | 92,304 | 1,683,222 | 377,253 | 188,523 |
| Total business-type activities program revenues | <u>8,432,222</u> | <u>8,858,087</u> | <u>8,700,436</u> | <u>9,692,631</u> | <u>10,316,966</u> | <u>9,719,309</u> | <u>8,819,206</u> | <u>10,601,482</u> | <u>9,681,623</u> | <u>10,521,674</u> |
| Total primary government program revenues | <u>\$ 11,861,897</u> | <u>\$ 11,323,830</u> | <u>\$ 11,207,771</u> | <u>\$ 12,389,560</u> | <u>\$ 13,163,482</u> | <u>\$ 12,624,796</u> | <u>\$ 13,891,111</u> | <u>\$ 15,744,526</u> | <u>\$ 17,815,838</u> | <u>\$ 19,842,050</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities: | \$ (15,158,409) | \$ (15,471,149) | \$ (14,122,980) | \$ (14,494,122) | \$ (15,445,527) | \$ (15,237,018) | \$ (14,979,041) | \$ (15,040,906) | \$ (13,064,484) | \$ (13,096,614) |
| Business-type activities: | <u>(1,643,646)</u> | <u>(1,151,814)</u> | <u>(1,991,825)</u> | <u>(2,007,925)</u> | <u>(1,707,133)</u> | <u>(1,126,940)</u> | <u>1,158,626</u> | <u>2,353,149</u> | <u>2,246,877</u> | <u>123,010</u> |
| Total primary government net expense | <u>\$ (16,802,055)</u> | <u>\$ (16,622,963)</u> | <u>\$ (16,114,805)</u> | <u>\$ (16,502,047)</u> | <u>\$ (17,152,660)</u> | <u>\$ (16,363,958)</u> | <u>\$ (13,820,415)</u> | <u>\$ (12,687,757)</u> | <u>\$ (10,817,607)</u> | <u>\$ (12,973,604)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Sales and use taxes | \$ 15,824,676 | \$ 15,629,476 | \$ 13,701,860 | \$ 14,342,476 | \$ 15,256,164 | \$ 14,056,846 | \$ 13,950,434 | \$ 14,416,789 | \$ 14,601,333 | \$ 14,689,957 |
| Franchise and public service taxes | 643,484 | 729,844 | 567,852 | 687,905 | 584,264 | 552,713 | 607,578 | 577,352 | 552,316 | 544,954 |
| Hotel/motel taxes | 666,372 | 583,258 | 426,662 | 507,415 | 549,088 | 471,081 | 447,768 | 652,340 | 759,410 | 655,558 |
| E-911 taxes | 782,094 | 714,832 | 653,841 | 677,966 | 650,409 | 668,209 | 630,849 | 600,114 | 584,718 | 576,406 |
| Intergovernmental revenue not restricted to specific programs | 318,855 | 321,874 | 302,480 | 317,934 | 332,365 | 305,734 | 291,828 | 301,603 | 302,608 | 305,518 |
| Investment income | 130,804 | 193,521 | 186,899 | 178,656 | 139,075 | 90,143 | 69,007 | 64,026 | 71,856 | 118,910 |
| Miscellaneous | 308,902 | 216,558 | 257,635 | 178,678 | 198,423 | 116,579 | 1,436,459 | 341,415 | 446,824 | 211,918 |
| Transfers-Internal activity | (3,314,213) | (2,637,696) | (748,161) | (3,356,890) | (4,477,786) | (7,180,863) | 1,030,202 | 1,075,317 | 795,616 | 2,589,288 |
| Transfers from component unit | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities | <u>15,360,974</u> | <u>15,751,667</u> | <u>15,349,068</u> | <u>13,534,140</u> | <u>13,232,002</u> | <u>9,080,442</u> | <u>18,464,125</u> | <u>18,028,956</u> | <u>18,114,681</u> | <u>19,692,509</u> |
| Business-type activities: | | | | | | | | | | |
| Investment income | 173,077 | 32,956 | 2,185 | 17,248 | 11,717 | 16,700 | 13,945 | 12,432 | 13,601 | 27,181 |
| Miscellaneous | 6,464 | 19,439 | 35,406 | 20,367 | 25,795 | 116,389 | 45,673 | 33,436 | 116,933 | 50,210 |
| Transfers - Internal activity | <u>3,314,213</u> | <u>2,637,696</u> | <u>748,161</u> | <u>3,356,890</u> | <u>4,477,786</u> | <u>7,180,863</u> | <u>(1,030,202)</u> | <u>(1,075,317)</u> | <u>(795,616)</u> | <u>(2,589,288)</u> |
| Total business-type activities | <u>3,493,754</u> | <u>2,690,091</u> | <u>785,752</u> | <u>3,394,505</u> | <u>4,515,298</u> | <u>7,313,952</u> | <u>(970,584)</u> | <u>(1,029,449)</u> | <u>(665,082)</u> | <u>(2,511,897)</u> |
| Total primary government | <u>\$ 18,854,728</u> | <u>\$ 18,441,758</u> | <u>\$ 16,134,820</u> | <u>\$ 16,928,645</u> | <u>\$ 17,747,300</u> | <u>\$ 16,394,394</u> | <u>\$ 17,493,541</u> | <u>\$ 16,999,507</u> | <u>\$ 17,449,599</u> | <u>\$ 17,180,612</u> |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities | \$ 202,565 | \$ 280,518 | \$ 1,226,088 | \$ (959,982) | \$ (2,213,525) | \$ (6,156,576) | \$ 3,485,084 | \$ 2,988,050 | \$ 5,050,197 | \$ 6,595,895 |
| Business-type activities | <u>1,850,108</u> | <u>1,538,277</u> | <u>(1,206,073)</u> | <u>1,386,580</u> | <u>2,808,165</u> | <u>6,187,012</u> | <u>188,042</u> | <u>1,323,700</u> | <u>1,581,795</u> | <u>(2,388,887)</u> |
| Total primary government | <u>\$ 2,052,673</u> | <u>\$ 1,818,795</u> | <u>\$ 20,015</u> | <u>\$ 426,598</u> | <u>\$ 594,640</u> | <u>\$ 30,436</u> | <u>\$ 3,673,126</u> | <u>\$ 4,311,750</u> | <u>\$ 6,631,992</u> | <u>\$ 4,207,008</u> |

(A) - City began reporting revenue bond debt activity previously reported as business-type activities in the governmental activities.

CITY OF MCALESTER, OKLAHOMA
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
TABLE 3

| | Fiscal Year | | | | | | | | | |
|------------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | (A) 2014 | 2015 | 2016 | 2017 |
| General Fund | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Encumbrances | \$ - | \$ - | \$ 21,800 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | (2,412,174) | (1,404,008) | 972,696 | - | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | - | - | 5,987 | 2,053 | 2,520 | 2,487 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | 59,263 | 61,353 | 6,143 | 48,842 | 41,881 | 52,235 | 48,954 |
| Unassigned | - | - | - | 1,153,793 | 1,872,415 | 2,348,271 | 2,612,033 | 2,122,942 | 882,840 | 683,387 |
| Total General Fund | <u>\$ (2,412,174)</u> | <u>\$ (1,404,008)</u> | <u>\$ 994,496</u> | <u>\$ 1,213,056</u> | <u>\$ 1,933,768</u> | <u>\$ 2,354,414</u> | <u>\$ 2,666,862</u> | <u>\$ 2,166,876</u> | <u>\$ 937,595</u> | <u>\$ 734,828</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Encumbrances | \$ - | \$ - | \$ 85,367 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 9,758,315 | 14,373,107 | 14,848,434 | - | - | - | - | - | - | - |
| Restricted | - | - | - | 15,583,329 | 12,528,800 | 9,774,023 | 28,542,781 | 24,305,808 | 18,544,395 | 18,110,700 |
| Assigned | - | - | - | 473,187 | 2,965,222 | 2,202,832 | 3,461,487 | 3,761,458 | 3,552,621 | 3,380,159 |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | <u>\$ 9,758,315</u> | <u>\$ 14,373,107</u> | <u>\$ 14,933,801</u> | <u>\$ 16,056,516</u> | <u>\$ 15,494,022</u> | <u>\$ 11,976,855</u> | <u>\$ 32,004,268</u> | <u>\$ 28,067,266</u> | <u>\$ 22,097,016</u> | <u>\$ 21,490,859</u> |
| GRAND TOTAL | <u>\$ 7,346,141</u> | <u>\$ 12,969,099</u> | <u>\$ 15,928,297</u> | <u>\$ 17,269,572</u> | <u>\$ 17,427,790</u> | <u>\$ 14,331,269</u> | <u>\$ 34,671,130</u> | <u>\$ 30,234,142</u> | <u>\$ 23,034,611</u> | <u>\$ 22,225,687</u> |

NOTE: GASB 54 was implemented in fiscal year 2011. Years prior to implementation of GASB 54 have not been restated.
 (A) - City began reporting revenue bond debt activity previously reported in the proprietary funds in the governmental funds.

CITY OF MCALESTER, OKLAHOMA
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 TABLE 4

| | Fiscal Year | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|--------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | (A) 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | | | | | | |
| Sales and use taxes | \$ 15,824,676 | \$ 15,629,476 | \$ 13,701,860 | \$ 14,342,476 | \$ 15,256,164 | \$ 14,056,846 | \$ 13,950,434 | \$ 14,416,789 | \$ 14,601,333 | \$ 14,689,957 |
| Franchise and public service taxes | 643,484 | 729,844 | 567,852 | 687,905 | 584,264 | 552,713 | 607,578 | 577,352 | 552,316 | 544,954 |
| E-911 taxes | 782,094 | 714,832 | 653,841 | 677,966 | 650,409 | 668,209 | 630,849 | 600,114 | 584,718 | 576,406 |
| Hotel/motel taxes | 666,372 | 583,258 | 426,662 | 507,415 | 549,088 | 471,081 | 447,768 | 652,340 | 759,410 | 655,558 |
| Intergovernmental | 1,587,064 | 1,440,136 | 1,316,273 | 1,707,380 | 1,676,580 | 2,300,455 | 1,833,809 | 2,234,251 | 2,246,760 | 3,186,856 |
| Charges for services | 2,517,390 | 1,105,891 | 1,398,636 | 1,784,835 | 2,150,778 | 2,131,082 | 2,695,476 | 2,414,327 | 2,426,459 | 2,564,778 |
| Fines and forfeitures | 764,178 | 856,251 | 845,289 | 757,186 | 634,183 | 610,803 | 787,160 | 899,885 | 895,397 | 807,538 |
| Licenses and permits | 105,543 | 112,865 | 101,359 | 159,227 | 92,307 | 111,896 | 141,489 | 102,207 | 128,069 | 87,507 |
| Investment income | 130,804 | 193,521 | 186,899 | 178,656 | 139,075 | 90,143 | 69,007 | 64,026 | 71,856 | 118,910 |
| Miscellaneous | 360,916 | 229,540 | 341,266 | 260,565 | 272,927 | 228,241 | 133,871 | 381,449 | 1,052,725 | 489,979 |
| Total Revenues | 23,382,521 | 21,595,614 | 19,539,937 | 21,063,611 | 22,005,775 | 21,221,469 | 21,297,441 | 22,342,740 | 23,319,043 | 23,722,443 |
| Expenditures: | | | | | | | | | | |
| Legislature | 71,201 | 30,901 | 125,066 | 95,728 | 118,071 | 117,769 | 92,698 | 118,144 | 128,178 | 109,580 |
| Administration | 2,272,374 | 2,990,279 | 2,599,423 | 2,403,037 | 2,378,667 | 2,355,933 | 2,475,490 | 2,693,127 | 2,941,113 | 3,169,857 |
| Public safety | 7,640,579 | 7,157,681 | 7,024,496 | 7,994,007 | 7,598,168 | 7,789,438 | 7,861,764 | 8,042,126 | 8,424,576 | 8,495,607 |
| Community services | 1,861,844 | 1,918,841 | 1,769,825 | 1,931,979 | 2,687,709 | 2,374,036 | 1,862,157 | 1,725,163 | 1,857,977 | 1,695,062 |
| Administration services | 890,722 | 920,474 | 879,398 | 1,092,842 | 1,041,293 | 1,097,904 | 1,010,714 | 1,301,925 | 1,183,280 | 1,178,194 |
| Health and welfare | 116,992 | 249,118 | 227,694 | 288,913 | 293,906 | 282,311 | 254,596 | 255,044 | 261,585 | 279,695 |
| Public works | 1,682,994 | 1,976,844 | 1,545,718 | 1,234,246 | 1,136,893 | 1,064,904 | 1,169,200 | 1,029,679 | 941,827 | 1,124,038 |
| Economic Development | 137,650 | 214,845 | 287,955 | 250,974 | 257,449 | 313,870 | 217,067 | 237,615 | 562,710 | 375,014 |
| Capital outlay | 459,726 | 501,346 | 1,689,725 | 1,301,384 | 4,489,791 | 1,929,581 | 2,508,114 | 7,725,006 | 9,724,557 | 5,241,133 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 348,262 | 335,186 | 162,286 | 343,619 | 109,304 | 201,674 | 3,207,664 | 3,754,875 | 3,702,267 | 4,007,685 |
| Interest and fiscal charges | 37,583 | 23,736 | 26,738 | 29,198 | 16,126 | 11,025 | 2,148,216 | 2,267,239 | 2,077,268 | 1,901,274 |
| Total Expenditures | 15,519,927 | 16,319,251 | 16,338,324 | 16,965,927 | 20,127,377 | 17,538,445 | 22,807,680 | 29,149,943 | 31,805,338 | 27,577,139 |
| Excess of revenues over(under) expenditures | 7,862,594 | 5,276,363 | 3,201,613 | 4,097,684 | 1,878,398 | 3,683,024 | (1,510,239) | (6,807,203) | (8,486,295) | (3,854,696) |
| Other financing sources(uses) and special item: | | | | | | | | | | |
| Transfers in | 3,319,441 | 2,911,291 | 5,122,922 | 2,107,823 | 5,125,820 | 2,288,687 | 8,121,706 | 9,926,637 | 9,417,913 | 9,840,603 |
| Debt Proceeds | - | - | - | 180,987 | - | - | 4,910,000 | 658,805 | 12,752,951 | 238,734 |
| Bond issue costs | - | - | - | - | - | - | (83,603) | - | (363,725) | - |
| Proceeds from sales of capital assets | - | - | - | - | - | - | 1,350,000 | - | - | - |
| Payment to escrow-refunding | - | - | - | - | - | - | - | - | (12,581,463) | - |
| Transfers out | (6,620,930) | (5,494,124) | (5,810,078) | (5,045,219) | (6,846,000) | (9,068,232) | (6,709,096) | (8,215,227) | (7,938,912) | (7,033,565) |
| Transferout- McAlester Regional Health Center Authority | (1,017,568) | (362,398) | 444,741 | - | - | - | - | - | - | - |
| Total other financing sources(uses) and special item | (4,319,057) | (2,945,231) | (242,415) | (2,756,409) | (1,720,180) | (6,779,545) | 7,589,007 | 2,370,215 | 1,286,764 | 3,045,772 |
| Net change in fund balances | \$ 3,543,537 | \$ 2,331,132 | \$ 2,959,198 | \$ 1,341,275 | \$ 158,218 | \$ (3,096,521) | \$ 6,078,768 | \$ (4,436,988) | \$ (7,199,531) | \$ (808,924) |
| Debt service as a percentage of noncapital expenditures | 2.6% | 2.3% | 1.3% | 2.4% | 0.8% | 1.4% | 26.4% | 28.1% | 26.2% | 26.5% |

(A) - City began reporting revenue bond debt activity previously reported in the proprietary funds in the governmental funds.

CITY OF MCALESTER, OKLAHOMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
TABLE 5

| Fiscal Year | Sales Tax | Use Tax | Franchise Tax | Hotel/ Motel Tax | E-911 Tax | Totals |
|--------------------|------------------|----------------|----------------------|-----------------------------|------------------|---------------|
| 2008 | 15,259,877 | 564,799 | 643,484 | 666,372 | 782,094 | 17,916,626 |
| 2009 | 15,049,535 | 579,941 | 729,844 | 583,258 | 714,832 | 17,657,410 |
| 2010 | 13,020,433 | 681,427 | 567,852 | 426,662 | 653,841 | 15,350,215 |
| 2011 | 13,787,766 | 554,710 | 687,905 | 507,415 | 677,966 | 16,215,762 |
| 2012 | 14,663,740 | 592,424 | 584,264 | 549,088 | 650,409 | 17,039,925 |
| 2013 | 13,357,829 | 699,017 | 552,713 | 471,081 | 668,209 | 15,748,849 |
| 2014 | 13,325,717 | 624,717 | 607,578 | 447,768 | 630,849 | 15,636,629 |
| 2015 | 13,775,363 | 641,426 | 577,352 | 652,340 | 600,114 | 16,246,595 |
| 2016 | 13,842,667 | 758,666 | 552,316 | 759,410 | 584,718 | 16,497,777 |
| 2017 | 13,256,719 | 1,433,238 | 544,954 | 655,558 | 576,406 | 16,466,875 |

REVENUE CAPACITY

CITY OF MCALESTER, OKLAHOMA
 SALES TAX RATES OF DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
TABLE 6

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| City of McAlester | 3.75% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Pittsburg County | 0.75% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.50% | 1.50% |
| State of Oklahoma | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% |
| Total | 9.00% | 9.00% | 9.00% | 9.00% | 9.00% | 9.00% | 9.00% | 9.00% | 9.50% | 9.50% |

City-Nov 2008 changed to 3.5% dropped .25% for Hospital
 County - Jan 2006 .75% for remodel
 County-Jan 2009 added .25% FireFighters
 County-Oct 2015 decreased 0.50%
 County-Jan 2016 added 1.0% for streets

CITY OF MCALESTER, OKLAHOMA
TAXABLE SALES BY CATEGORY
Last Ten Fiscal Years

TABLE 7

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Agriculture, forestry, and fishing | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 191 | \$ - | \$ 2 | \$ 1,538 | \$ 1,413 |
| Mining Quarrying, and Oil and Gas Extraction | - | - | - | - | - | 11,948 | 703 | 5,878 | 4,360 | (1,378) |
| Utilities | - | - | - | - | - | 476,905 | 785,842 | 800,800 | 775,938 | 722,816 |
| Construction | - | - | - | - | - | 15,998 | 34,043 | 37,205 | 79,462 | 75,693 |
| Manufacturing | - | - | - | - | - | 177,865 | 262,981 | 309,241 | 377,581 | 283,213 |
| Transportation and Warehousing | - | - | - | - | - | 7,011 | 12,982 | 17,130 | 9,746 | 7,960 |
| Information | - | - | - | - | - | 267,476 | 401,979 | 416,476 | 409,791 | 412,100 |
| Wholesale trade | - | - | - | - | - | 638,228 | 856,848 | 875,118 | 888,427 | 851,854 |
| Retail trade | - | - | - | - | - | 5,605,712 | 8,236,655 | 8,496,420 | 8,401,248 | 8,082,769 |
| Finance, insurance, | - | - | - | - | - | 11,473 | 27,697 | 3,574 | 3,065 | 4,422 |
| Real Estate and Rental and Leasing | - | - | - | - | - | 107,370 | 286,863 | 218,093 | 190,121 | 199,120 |
| Professional, Scientific, and Technical Services | - | - | - | - | - | 44,289 | 52,484 | 28,232 | 27,981 | 32,758 |
| Administrative and Support and Waste Management and Remediation Service | - | - | - | - | - | 4,785 | 3,996 | 2,720 | 2,302 | 11,473 |
| Educational Services | - | - | - | - | - | 1,559 | 1,365 | 115 | 14 | 7 |
| Health Care and Social Assistance | - | - | - | - | - | 176 | 1,227 | 2,159 | 828 | 2,014 |
| Arts, Entertainment, and Recreation | - | - | - | - | - | 31,980 | 46,204 | 59,278 | 50,014 | 47,620 |
| Accommodation and Food Services | - | - | - | - | - | 1,380,169 | 2,069,055 | 2,187,338 | 2,326,704 | 2,226,766 |
| Other services (except Public Administration) | - | - | - | - | - | 160,057 | 246,998 | 261,812 | 250,894 | 258,673 |
| Public Administration | - | - | - | - | - | (194) | 27 | (328) | (96) | 0 |
| Nonclassifiable establishments | - | - | - | - | - | (17,661) | 105,270 | 128,590 | 106,515 | 83,672 |
| Agriculture | 905 | 909 | 2,078 | 3,398 | 4,275 | 1,466 | - | - | - | - |
| Mining | 1,465 | 6,930 | 5,591 | 1,274 | (239) | 91 | - | - | - | - |
| Construction | 17,511 | 22,931 | 23,677 | 15,167 | 20,018 | 5,468 | - | - | - | - |
| Manufacturing | 580,848 | 521,840 | 267,462 | 630,929 | 895,821 | 196,585 | - | - | - | - |
| Transportation | 3,699 | 5,882 | 4,800 | 5,750 | 8,573 | 3,983 | - | - | - | - |
| Communications and utilities: | | | | | | | | | | |
| Communications | 439,785 | 436,570 | 427,119 | 458,645 | 590,649 | 193,928 | - | - | - | - |
| Electric, gas, and sanitary services | 822,175 | 834,988 | 637,879 | 710,258 | 811,074 | 233,346 | - | - | - | - |
| Wholesale trade | 1,076,478 | 1,052,140 | 1,070,343 | 1,228,276 | 1,295,467 | 340,798 | - | - | - | - |
| Retail trade: | | | | | | | | | | |
| Building materials, hardware, garden supply and mobile home dealer | 1,316,453 | 1,380,133 | 1,128,403 | 1,154,230 | 1,086,353 | 324,535 | - | - | - | - |
| General merchandise stores | 4,826,444 | 4,769,157 | 4,047,802 | 3,968,778 | 4,174,660 | 1,259,759 | - | - | - | - |
| Food stores | 618,067 | 673,347 | 616,485 | 665,075 | 650,225 | 221,670 | - | - | - | - |
| Automotive dealers and gasoline service stations | 631,001 | 615,026 | 551,224 | 571,892 | 629,373 | 219,764 | - | - | - | - |
| Apparel and accessory stores | 389,014 | 325,459 | 270,969 | 311,810 | 320,656 | 109,347 | - | - | - | - |
| Furniture, home furnishings and equipment stores | 689,073 | 727,104 | 588,948 | 545,530 | 447,391 | 142,865 | - | - | - | - |
| Eating and drinking places | 1,541,012 | 1,531,678 | 1,444,859 | 1,547,300 | 1,661,899 | 553,320 | - | - | - | - |
| Miscellaneous retail | 1,007,022 | 996,220 | 910,622 | 960,451 | 1,010,940 | 299,524 | - | - | - | - |
| Finance, insurance, and real estate | 2,353 | 1,244 | 1,624 | 2,278 | 1,986 | 2,028 | - | - | - | - |
| Services: | | | | | | | | | | |
| Hotels and motels | 651,891 | 550,515 | 324,879 | 387,153 | 489,648 | 155,914 | - | - | - | - |
| Personal services | 79,420 | 82,852 | 69,019 | 72,171 | 75,481 | 23,034 | - | - | - | - |
| Business services | 212,416 | 233,328 | 214,812 | 156,993 | 249,457 | 61,222 | - | - | - | - |
| Automotive repair services and garages | 94,509 | 128,352 | 127,101 | 142,361 | 150,875 | 61,066 | - | - | - | - |
| Miscellaneous repair services | 39,911 | 30,413 | 20,149 | 15,658 | 25,366 | 8,775 | - | - | - | - |
| Motion pictures | 94,389 | 87,033 | 89,170 | 86,782 | 83,227 | 27,111 | - | - | - | - |
| Other services | 68,839 | 91,402 | 84,084 | 76,184 | 100,108 | 20,819 | - | - | - | - |
| Nonclassifiable establishments | 101,435 | 208,106 | 167,216 | 193,282 | 40,595 | 8,764 | - | - | - | - |
| | \$ 15,306,114 | \$ 15,313,560 | \$ 13,096,315 | \$ 13,911,625 | \$ 14,823,880 | \$ 13,400,517 | \$ 13,433,218 | \$ 13,849,853 | \$ 13,906,433 | \$ 13,302,965 |

Note: In November 2012 the classifications were change from SIC code to NAICS

Information obtained from the Oklahoma Tax Commission website.

DEBT CAPACITY

**CITY OF MCALESTER, OKLAHOMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
TABLE 8**

| <u>Jurisdiction</u> | <u>Net (1) Debt Outstanding</u> | <u>Percentage (2) Applicable to City of McAlester</u> | <u>Amount Applicable to City of McAlester</u> |
|--|---|---|---|
| Direct - City of McAlester | \$ 55,209,574 | 100.00% | \$55,209,574 |
| Overlapping: McAlester School District | \$ - | 100.00% (3) | - |
| Pittsburg County | <u>\$ 2,915,000</u> | 45% | <u>1,308,199</u> |
| Total | <u><u>\$58,124,574</u></u> | | <u><u>\$56,517,773</u></u> |

Outstanding bond debt : 06-30-17

- (1) Gross general bonded debt outstanding less debt service reserves.
- (2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of McAlester.
- (3) Only 75% of City residents would be responsible for the debt.

**CITY OF MCALESTER, OKLAHOMA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
TABLE 9**

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Debt limit | \$ 6,069,063 | \$ 6,554,315 | \$ 6,841,533 | \$ 7,109,639 | \$ 7,331,792 | \$ 7,555,257 | \$ 7,755,946 | \$ 8,065,312 | \$ 8,131,853 | \$ 8,606,087 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | <u>\$ 6,069,063</u> | <u>\$ 6,554,315</u> | <u>\$ 6,841,533</u> | <u>\$ 7,109,639</u> | <u>\$ 7,331,792</u> | <u>\$ 7,555,257</u> | <u>\$ 7,755,946</u> | <u>\$ 8,065,312</u> | <u>\$ 8,131,853</u> | <u>\$ 8,606,087</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|---|---------------------|
| Net assessed valuation | \$ 86,060,867 |
| Debt limit (10% of total assessed value) | 8,606,087 |
| Debt applicable to limit: | |
| General obligation bonds | - |
| Less: Street or utility bonds outstanding | - |
| Total net debt applicable to limit | - |
| Legal debt margin | <u>\$ 8,606,087</u> |

Note: Article 10, Section 26 of the Constitution of the State of Oklahoma limits municipal debt to 10% of net assessed valuation.
Article 10, Section 27 of the Constitution of the State of Oklahoma limits municipal debt to non-utility or non-street purposes.

CITY OF MCALESTER, OKLAHOMA
UTILITY SYSTEMS DIVISION
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
TABLE 10

| | <u>Eligible Revenues</u> | <u>Eligible Expenses (1)</u> | <u>Net Revenue Available for Debt Service</u> | <u>Average Annual/ Annual Debt Service</u> | <u>Revenue Bond Coverage</u> | |
|------|---|----------------------------------|---|--|----------------------------------|------|
| 2008 | Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan | 12,847,465 | 5,249,150 | 7,598,315 | 5,528,300 | 1.37 |
| 2009 | Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan | 13,420,246 | 5,234,856 | 8,185,390 | 5,528,300 | 1.48 |
| 2010 | Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan | 11,497,861 | 5,788,341 | 5,709,520 | 3,968,564 | 1.44 |
| 2011 | Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan | 12,910,132 | 6,753,690 | 6,156,442 | 3,968,564 | 1.55 |
| 2012 | Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan | 13,573,172 | 7,533,575 | 6,039,597 | 3,968,564 | 1.52 |
| 2013 | Series 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan | 13,065,325 | 6,879,431 | 6,185,894 | 4,099,959 | 1.51 |
| 2014 | Series 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan | 12,503,686 | 6,117,823 | 6,385,863 | 4,537,442 | 1.41 |
| 2015 | Series 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan | 13,147,686 | 6,724,078 | 6,423,608 | 4,537,442 | 1.42 |
| 2016 | Series 2015, 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan | 14,753,173 | 5,470,231 | 9,282,942 | 5,866,670 | 1.58 |
| 2017 | Series 2015, 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan | 14,745,719 | 6,620,406 | 8,125,313 | 5,866,670 | 1.38 |

(1) Excludes depreciation and amortization expense.

CITY OF MCALESTER, OKLAHOMA
RATIO FOR OUTSTANDING DEBT BY TYPE
Last Nine Fiscal Years
TABLE 11

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | | | Total Primary Government | % of Total Debt to Personal Income | Per Capita |
|-------------|-------------------------|---------------|------------------------|--------------------------|---------------|----------------------------|---------------------------------|--------------------------|------------------------------------|------------|
| | Revenue Bonds Payable | Notes Payable | Capital Leases Payable | Revenue Bonds Payable | Notes Payable | Water Contract Obligations | Settlement/ Contract Obligation | | | |
| 2008 | - | - | 606,784 | 62,514,230 | 632,887 | 325,009 | 386,970 | 64,465,880 | 10.60% | 3,509 |
| 2009 | - | - | 271,598 | 61,057,126 | 798,420 | 301,571 | 263,714 | 62,692,429 | 10.72% | 3,410 |
| 2010 | - | - | 554,053 | 60,037,888 | 1,201,574 | 277,525 | 125,001 | 62,196,041 | 10.18% | 3,383 |
| 2011 | - | - | 391,421 | 58,586,519 | 1,000,251 | 252,857 | - | 60,231,048 | 9.34% | 3,252 |
| 2012 | - | - | 282,117 | 55,895,942 | 810,602 | 227,550 | 1,131,249 | 58,347,460 | 8.80% | 3,188 |
| 2013 | - | - | 80,443 | 62,046,923 | 613,683 | 201,587 | 942,707 | 63,885,343 | 9.63% | 3,490 |
| Note 2014 | 64,122,887 | - | 42,779 | - | 450,905 | 174,951 | 754,165 | 65,545,687 | 9.88% | 3,581 |
| 2015 | 60,798,769 | - | 626,709 | - | 332,987 | 147,625 | 565,623 | 62,471,713 | 9.42% | 3,413 |
| 2016 | 57,945,932 | - | 632,393 | - | 263,441 | 119,591 | 377,081 | 59,338,438 | 7.95% | 3,241 |
| 2017 | 54,476,132 | - | 733,442 | - | 1,248,086 | 90,830 | 188,539 | 56,737,029 | 7.51% | 3,086 |

Note - City began reporting revenue bonds payable as governmental activities in fiscal year 2014.

DEMOGRAPHIC AND ECONOMIC INFORMATION

**CITY OF MCALESTER, OKLAHOMA
PRINCIPAL EMPLOYERS
Current and Nine Years Ago
TABLE 12**

| Employer | Product/Business | 2008 | | 2017 | |
|------------------------------------|--------------------------|--------------|-------------------------------|--------------|-------------------------------|
| | | Employees | % of Total City Employment | Employees | % of Total City Employment |
| McAlester Army Ammunition Plant | Ammunition | 1,821 | 8.2% | 1,815 | 9.3% |
| McAlester Regional Health Center | Health Care | 919 | 4.1% | 780 | 4.0% |
| McAlester Public Schools | Education | 390 | 1.8% | 415 | 2.1% |
| Wal Mart | Retail Sales | 389 | 1.8% | 325 | 1.7% |
| Oklahoma State Penitentiary | Corrections | 283 | 1.3% | 430 | 2.2% |
| Spirit Aerospace, Inc. | Manufacturing/Assembling | 234 | 1.1% | 304 | 1.6% |
| City of McAlester (full time only) | Municipality | 198 | 0.9% | 210 | 1.1% |
| Choctaw Casino | Gaming | 98 | 0.4% | 137 | 0.7% |
| Berry Plastics | Manufacturing | 175 | 0.8% | 225 | 1.1% |
| Totals | | 4,507 | 20.3% | 4,641 | 23.7% |

*McAlester Employers, McAlester Chamber of Commerce, and Bureau of Labor and Statistics.

| | | |
|-----------------------------|--------|--------|
| Total Employed in McAlester | 22,193 | 19,572 |
|-----------------------------|--------|--------|

**CITY OF MCALESTER, OKLAHOMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
TABLE 13**

| <u>Calendar Year</u> | <u>Population (1)</u> | <u>Personal Income (in thousands)</u> | <u>Per Capita Personal Income (2)</u> | <u>Median Age of Population (3)</u> | <u>School Enrollment (4)</u> | <u>Unemployment Rate (5)</u> |
|----------------------|-----------------------|---------------------------------------|---------------------------------------|-------------------------------------|------------------------------|------------------------------|
| 2008 | 18,369 | 608,271 | 33,114 | 38.0 | 2,819 | 3.2% |
| 2009 | 18,383 | 584,745 | 31,809 | 38.0 | 3,825 | 6.4% |
| 2010 | 18,384 | 610,753 | 33,222 | 37.1 | 3,737 | 6.6% |
| 2011 | 18,522 | 644,714 | 34,808 | 39.0 | 3,547 | 5.8% |
| 2012 | 18,303 | 663,228 | 36,236 | 39.0 | 3,484 | 5.4% |
| 2013 | 18,303 | 663,228 | 36,236 | 39.0 | 3,148 | 5.7% |
| 2014 | 18,303 | 663,228 | 36,236 | 39.0 | 3,111 | 4.7% |
| 2015 | 18,303 | 663,228 | 36,236 | 39.0 | 3,128 | 5.4% |
| 2016 | 18,310 | 746,773 | 40,785 | 37.5 | 3,097 | 6.7% |
| 2017 | 18,383 | 755,817 | 41,115 | 37.0 | 3,060 | 6.7% |

Sources:

(1) www.factfinder2.census.gov

(2) www.bea.gov

(3) www.economicexpert.com

(4) McAlester School District, District Offices

(5) www.bls.gov

OPERATING INFORMATION

CITY OF MCALESTER, OKLAHOMA
 FULL-TIME EQUIVALENT BUDGETED CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years
 TABLE 14

| <u>Function/Program</u> | Fiscal Year 2007 | Fiscal Year 2008 | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2011 | Fiscal Year 2012 | Fiscal Year 2013 | Fiscal Year 2014 | Fiscal Year 2015 | Fiscal Year 2016 | Fiscal Year 2017 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| General Government | | | | | | | | | | | |
| City Manager | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Finance | 5 | 3 | 3 | 3 | 4 | 4 | 4 | 3 | 4 | 4 | 5 |
| City Clerk | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Legal | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Planning | 6 | 6 | 6 | 6 | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| Economic Development | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 |
| Tourism | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 |
| Human Resources | | 2 | 2 | 2 | 3 | 3 | 3 | 2 | 2 | 2 | 2 |
| Information Services | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Total General Government | 18 | 17 | 17 | 17 | 17 | 17 | 18 | 19 | 21 | 21 | 24 |
| Public Safety & Judiciary | | | | | | | | | | | |
| Police | 59 | 60 | 37 | 37 | 37 | 38 | 37 | 36 | 39 | 39 | 39 |
| CID (Detectives) | 0 | 0 | 12 | 12 | 7 | 8 | 8 | 8 | 8 | 8 | 8 |
| Animal Control | 0 | 0 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Communications | 0 | 0 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Communications E911 | 0 | 0 | 5 | 5 | 7 | 10 | 10 | 10 | 10 | 10 | 10 |
| Fire | 44 | 44 | 44 | 44 | 43 | 43 | 43 | 43 | 43 | 43 | 42 |
| Total Public Safety & Judiciary | 103 | 104 | 104 | 104 | 100 | 105 | 104 | 102 | 105 | 105 | 104 |
| Transportation | | | | | | | | | | | |
| Central Garage | 8 | 8 | 8 | 8 | 7 | 6 | 6 | 5 | 5 | 5 | 5 |
| Streets | 16 | 18 | 14 | 14 | 14 | 14 | 14 | 13 | 13 | 14 | 13 |
| Traffic Control | 0 | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Airport | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total Transportation | 27 | 29 | 28 | 28 | 24 | 23 | 23 | 21 | 21 | 22 | 21 |
| Cultural, Parks, & Recreation | | | | | | | | | | | |
| Parks & Recreation | 15 | 15 | 13 | 13 | 15 | 15 | 15 | 13 | 14 | 14 | 14 |
| Expo | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 3 | 4 | 4 | 3 |
| Nutrition | 3 | 3 | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 4 |
| Library | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cemetery | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Building Maintenance | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Total Cultural, Parks, & Recreation | 33 | 33 | 33 | 33 | 34 | 34 | 34 | 29 | 30 | 30 | 29 |
| Utilities | | | | | | | | | | | |
| Utilities | 0 | 0 | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 |
| Utility Office | 6 | 6 | 6 | 6 | 7 | 7 | 8 | 7 | 8 | 8 | 8 |
| Solid Waste | 22 | 17 | 16 | 16 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Landfill | 0 | 5 | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 | 1 |
| Engineering | 6 | 6 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 4 |
| Waste Water | 13 | 13 | 13 | 13 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Water Treatment | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 0 | 0 | 0 |
| Utility Maintenance | 11 | 11 | 11 | 11 | 10 | 14 | 13 | 8 | 10 | 10 | 9 |
| Total Utilities | 66 | 66 | 64 | 64 | 48 | 52 | 50 | 40 | 36 | 37 | 34 |
| Total Full-Time Budgeted Employees by Function | 247 | 249 | 246 | 246 | 223 | 231 | 229 | 211 | 213 | 215 | 212 |

CITY OF MCALESTER, OKLAHOMA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
TABLE 15

| <u>Function/Program</u> | <u>Fiscal Year</u> <u>2008</u> | <u>Fiscal Year</u> <u>2009</u> | <u>Fiscal Year</u> <u>2010</u> | <u>Fiscal Year</u> <u>2011</u> | <u>Fiscal Year</u> <u>2012</u> | <u>Fiscal Year</u> <u>2013</u> | <u>Fiscal Year</u> <u>2014</u> | <u>Fiscal Year</u> <u>2015</u> | <u>Fiscal Year</u> <u>2016</u> | <u>Fiscal Year</u> <u>2017</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| General Government | | | | | | | | | | |
| Buildings | 10 | 10 | 10 | 11 | 12 | 12 | 12 | 12 | 13 | 13 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Patrol units | 57 | 57 | 57 | 52 | 54 | 53 | 53 | 50 | 50 | 50 |
| Fire | | | | | | | | | | |
| Stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Trucks | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 |
| Vehicles | 16 | 16 | 16 | 16 | 16 | 17 | 16 | 16 | 16 | 16 |
| Streets | | | | | | | | | | |
| Street miles | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 | 298 |
| Traffic signals | 22 | 22 | 22 | 22 | 23 | 23 | 23 | 23 | 23 | 23 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 |
| Playgrounds | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 11 | 12 | 12 |
| Baseball/softball diamonds | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Soccer/football fields | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tennis Courts | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Community Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Pools | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Wading Pools | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Arboretum (Mike Deak) 1981 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Skate Park 2010 | - | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Splash Pad 2008 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Dog Park 2014 | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Frisbee Disk Golf Course 2014 | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Community Garden 2013 | - | - | - | - | - | 1 | 1 | 2 | 2 | 2 |
| Amphitheater (Stipe Center) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library | | | | | | | | | | |
| Buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Cemetery | | | | | | | | | | |
| Plots -Oakhill | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 |
| Total Plots (Maintained) | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| Vehicles & Machinery | 12 | 12 | 12 | 10 | 11 | 11 | 11 | 16 | 14 | 14 |
| Water | | | | | | | | | | |
| Water mains (miles) | 170 | 170 | 170 | 170 | 170 | 170 | 170 | 170 | 170 | 170 |
| Fire hydrants | 902 | 912 | 932 | 954 | 969 | 970 | 970 | 970 | 970 | 970 |
| Storage capacity (thousands of gallons) | 3,200 | 3,200 | 3,200 | 3,200 | 3,200 | 3,200 | 3,200 | 3,200 | 3,200 | 3,200 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 |
| Daily Treatment Capacity | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |

CITY OF MCALESTER, OKLAHOMA
Operating Indicators by Function/Program
Last Ten Fiscal Years
TABLE 16

| Function/Program | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fire | | | | | | | | | | | |
| Emergency Respoi | 1,321 | 1,571 | 2,074 | 2,008 | 2,156 | 2,376 | 2,246 | 2,658 | 2807 | 2442 | 3076 |
| Fires Extinguished | 178 | 144 | 166 | 149 | 142 | 197 | 158 | 140 | 93 | 106 | 151 |
| Police | | | | | | | | | | | |
| <i>Physical Arrests</i> | | | | | | | | | | | |
| Juvenile | - | 12 | 38 | 14 | 1 | 29 | 40 | 68 | 528 | 209 | 415 |
| Minors | - | - | - | - | - | - | - | - | 1160 | 145 | 960 |
| Adult | 1,357 | 1,381 | 1,380 | 1,426 | 969 | 870 | 875 | 947 | 10275 | 1047 | 8704 |
| Parking Violations | 548 | 465 | 356 | 228 | 715 | 283 | 156 | 429 | 254 | 207 | 198 |
| Traffic Violations | 8,683 | 8,440 | 7,794 | 9,718 | 14,618 | 5,441 | 6,892 | 10,383 | 11709 | 10712 | 9881 |
| Utilities | | | | | | | | | | | |
| <i>New Accounts</i> | | | | | | | | | | | |
| Residential | 1,323 | 1,195 | 1,226 | 1,238 | 1,166 | 1,297 | 1,240 | 1,285 | 1,189 | 670 | 445 |
| Commercial | 119 | 109 | 67 | 107 | 97 | 106 | 119 | 87 | 70 | 50 | 50 |
| Bulk | | | | | 10 | 5 | 5 | 12 | 8 | 1 | 1 |
| Parks & Recreation | | | | | | | | | | | |
| Athletic Field-Softb | 10 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Soccer (# of fields | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tennis (# of courts | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Frisbee Disk Golf Course | - | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Parks | - | - | - | - | - | - | - | 12 | 12 | 12 | 12 |
| Dog Park | - | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Swimming Pools | - | - | - | - | - | - | - | 3 | 3 | 3 | 3 |
| Wading Pools (# of wading poc | - | - | - | - | - | - | - | 3 | 3 | 3 | 3 |
| Basketball Courts | - | - | - | - | - | - | - | 4 | 4 | 4 | 4 |
| Splash Pad | - | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Skate park | - | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Walking Tracks | - | - | - | - | - | - | - | 5 | 5 | 5 | 5 |
| Amphitheater | - | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Arboretum | - | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Community Garden | - | - | - | - | - | - | - | 1 | 2 | 2 | 2 |
| Recreational Center | - | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Archery Park | - | - | - | - | - | - | - | - | - | 1 | 1 |
| Community Center | 1,064 | 988 | 764 | 2,414 | 1,411 | 1,662 | 1,124 | 2,368 | 2,368 | 3,879 | 4,986 |
| Senior Center-Proç | 55,532 | 55,930 | 50,884 | 46,393 | 52,041 | 51,619 | 33,227 | 57,923 | 57,923 | 59,697 | 68,678 |
| Sr. Center Lunch P | 41,892 | 43,290 | 38,253 | 32,612 | 38,410 | 37,979 | 31,527 | 50,257 | 50,257 | 51,317 | 53,486 |
| Cemetery | | | | | | | | | | | |
| Purchased/sold Lots | | - | - | - | - | - | - | 35 | 28 | 62 | 59 |
| Funerals | | - | - | - | - | - | - | 113 | 133 | 135 | 100 |

* Fire and Police Statistics are calendar year.

Source: Various City Departments

City of McAlester, Oklahoma

Single Audit Report

For the Year Ended June 30, 2017



CITY OF McALESTER, OKLAHOMA

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and City Council
City of McAlester, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McAlester, 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 December 21, 2017. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes a reference to other auditors who audited the financial statements of the McAlester Regional Health Center Authority (the "Authority"), a discretely presented component unit of the City as described in our report on the City's financial statements. This report does not include the results of the Authority's auditors' testing of internal control over financial reporting or on compliance or other matters that are reported on separately by those auditors.

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 City'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.

(Continued)

**INDEPENDENT AUDITORS' 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, CONTINUED**

Internal Control Over Financial Reporting, Continued

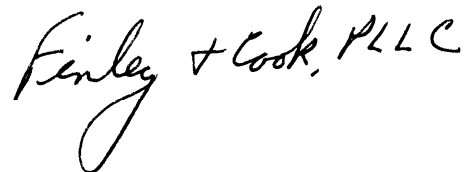
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
December 21, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of McAlester, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of McAlester, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated December 21, 2017, which contained unmodified opinions on those financial statements. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes a reference to other auditors who audited the financial statements of the McAlester Regional Health Center Authority (the "Authority"), a discretely presented component unit of the City as described in our report on the City's financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Shawnee, Oklahoma
December 21, 2017

Finley + Cook, PLLC

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

| Federal/State Grantor/Pass-Through Agency Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed-Through to Subrecipients | Total Federal Expenditures |
|---|---------------------------|---|------------------------------------|----------------------------------|
| Federal Awards: | | | | |
| <i>U.S. Department of Justice:</i> | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2015BUBX15078254 | \$ - | 6,652 |
| <i>Office of Community Oriented Policing Services:</i> | | | | |
| COPS Hiring Program | 16.710 | 2014UMX0050 | - | 122,630 |
| Justice Assistance Grant Program | 16.017 | 2016JAGLLE CI-00062 | - | 7,140 |
| <i>Total U.S. Department of Justice</i> | | | - | 136,422 |
| <i>U.S. Department for Health and Human Services:</i> | | | | |
| Passed Through to Oklahoma Department of Human Services and the Kiamichi Area Nutrition Project: | | | | |
| Special Program for the Aging-Title III, Part C-Nutrition Services | 93.045 | - | - | 55,534 |
| <i>Total U.S. Department of Health and Human Services</i> | | | - | 55,534 |

(Continued)

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters and on Compliance for Each Major Program and on Internal Control Over Compliance Required by *Government Auditing Standards* and the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2017

| Federal/State Grantor/Pass-Through Agency Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed-Through to Subrecipients | Total Federal Expenditures |
|--|---------------------------|---|------------------------------------|----------------------------------|
| Federal Awards, Continued: | | | | |
| <i>U.S. Department of Housing and Urban Development:</i> | | | | |
| Passed through Oklahoma Department of Commerce: | | | | |
| Community Development Block Grant | 14.228 | 16438CDBG15 | - | 129,006 |
| Community Development Block Grant | 14.228 | 16765CDBG ED16 | - | <u>1,000,000</u> |
| <i>Total U.S. Department of Housing and Urban Development</i> | | | - | <u>1,129,006</u> |
| <i>U.S. Department of Transportation:</i> | | | | |
| Federal Aviation Administration: | | | | |
| Airport Improvement Grant | 20.106 | AIP3-40-0057-014-2016 | - | <u>80,341</u> |
| Passed through Oklahoma Tourism and Recreation Department: | | | | |
| Recreational Trails Program Grant | 20.219 | NRT-2013(100) | - | <u>28,981</u> |

(Continued)

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters and on Compliance for Each Major Program and on Internal Control Over Compliance Required by *Government Auditing Standards* and the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2017

| Federal/State Grantor/Pass-Through Agency Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed-Through to Subrecipients | Total Federal Expenditures |
|--|---------------------------|---|------------------------------------|----------------------------------|
| Federal Awards, Continued: | | | | |
| <i>U.S. Department of Transportation, Continued:</i> | | | | |
| Passed through Oklahoma Highway Safety Office: | | | | |
| State and Community Highway Safety | 20.600 | FAST SE-17-03-06-08 | - | 30,597 |
| State and Community Highway Safety | 20.600 | FAST M50T-17-03-02-01 | - | 1,041 |
| State and Community Highway Safety | 20.600 | PT-16-03-12-07 | - | 9,222 |
| Total Highway Safety Office | | | - | 40,860 |
| <i>Total U.S. Department of Transportation</i> | | | - | 150,182 |
| Total Federal Awards | | | \$ - | 1,471,144 |

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters and on Compliance for Each Major Program and on Internal Control Over Compliance Required by *Government Auditing Standards* and the Uniform Guidance.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF McALESTER, OKLAHOMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of McAlester, Oklahoma (the "City") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position, changes in net position, or cash flows of the City.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) SUBRECIPIENTS

During the year ended June 30, 2017, the City did not provide any federal awards to subrecipients.

(4) INDIRECT COST RATE

The City does not have an indirect cost rate and had no indirect costs charged to the federal grants during the year ended June 30, 2017.

(5) MATCHING EXPENDITURES

In connection with the Community Development Block Grant #1675CDBG ED16, the City expended \$125,000 of matching expenditures. In addition, other funds of \$1,191 from non-federal and non-City sources were used to complete the project.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters and on Compliance for Each Major Program and on Internal Control Over Compliance Required by *Government Auditing Standards* and the Uniform Guidance.

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Type of auditors’ report issued on compliance for the major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

Yes No

Identification of major federal programs:

| Federal CFDA Number | Name of Federal Program or Cluster |
|--------------------------------|---|
| 14.228 | U.S. Department of Housing and Urban Development |

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee?

Yes No

CITY OF McALESTER, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2017

SECTION II—FINANCIAL STATEMENT FINDINGS

None.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF McALESTER, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2017

There are no unresolved prior audit findings.