



# MCALESTEROK

Small Town. Big Frontier.

CITY OF MCALESTER COMPREHENSIVE  
ANNUAL FINANCIAL AND INDEPENDENT  
AUDITOR'S REPORTS FOR THE YEAR  
ENDING JUNE 30, 2018



WE ♥  
OUR CITY

**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, 2018**

**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, 2018**

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**CITY OF MCALESTER, OKLAHOMA  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND  
COMPLIANCE:**

Report on Internal Control Over Financial Reporting and on Compliance and Other  
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# McALESTEROK

Small Town. Big Frontier.

PO Box 578 (1<sup>st</sup> & Washington) McAlester, Oklahoma 74502 · 918-423-9300 · FAX 918-421-4971 · [www.cityofmcalester.com](http://www.cityofmcalester.com)

December 28, 2018

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

As mandated by the city charter and state statutes, the Comprehensive Annual Financial Report of the City of McAlester for the year ended June 30, 2018, is hereby submitted to fulfill those requirements. 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 accountants.

Management assumes the responsibility for the completeness and reliability of the information contained in this report. City of McAlester's management 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 that are free from material misstatements. 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. 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 unmodified opinion on the City's financial statements for the year ended June 30, 2018. 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 1<sup>st</sup> and ending June 30<sup>th</sup>. 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. Following 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 the 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**

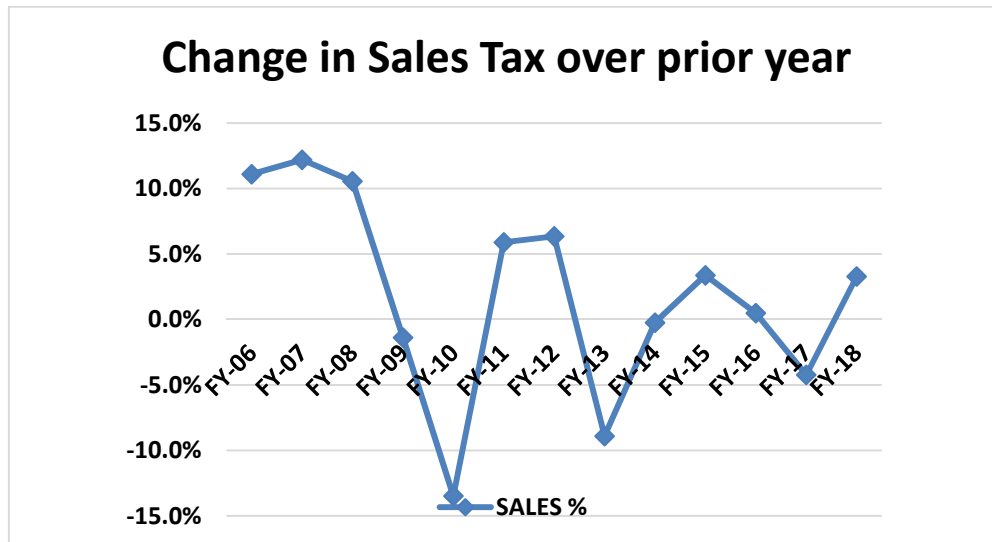
McAlester is the premier trade hub for southeast Oklahoma with a service area covering more than 70,000 residents across 8 counties. Those residents rely on McAlester for quality housing, employment opportunities, retail and dining options, and healthcare services. For those products and services in limited supply in rural Oklahoma, McAlester has convenient access to the markets in Tulsa, Oklahoma City, and Dallas.

The McAlester economy continues to thrive as new investments opens additional opportunities for regional residents. Several of our local industries have expanded, our downtown is witnessing renewed energy and interest, and our highway commercial district is set to welcome a new shopping center in 2019.

This growth is reflected in our sales and use tax collections, which continues to exhibit vibrancy and stability. The increased tax revenue will help ensure the City can maintain its services and infrastructure and advance the interest of our citizens.

The City of McAlester, like most cities in the State of Oklahoma, relies on sales tax. Sales tax can be 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 57% of the City's total General Fund Revenue and was slightly 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 focused on capital needs and infrastructure projects during 2017-2018. City Management and Council asked, and the citizens of McAlester voted for a .50% dedicated sales tax for our infrastructure improvements subsequent to year end. Our comprehensive Storm Water Study is funded and will help prepare us for the repair or replacement of our storm water infrastructure. Numerous storm water projects were planned and completed this year. Several of our needed water treatment infrastructure repairs or replacements have been completed and will continue. Our MCC Controls were replaced and the city is planning to put into place our secondary water source. We are systematically replacing 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. We have completed our AMI meter reading system on the south side of McAlester and will continue to use automated meters for replacements. The AMI Phase 2 for the north side of McAlester has been bid. We have continued work on our Comprehensive Plan “Moving McAlester Forward” with website feedback, town hall meetings, and public surveys for the future planning of this City. City management and staff continues to work with developers to attract businesses to the downtown area, north town area, and the Highway 69 developmental areas.

We have relocated our recycle center and made improvements. The City partnered with the Health Department on the Wayfinding Signs project encouraging walkability around downtown McAlester. On Highway 69, we improved the bomb display adding a MOAB, lighting, and flags to enhance the south entrance to the City. The tourism department was able to purchase an ice rink for local children and adults to have a new winter experience. We are continually looking for opportunities to enrich the quality of life for citizens in our community.

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  
Assistant City Manager

**CITY OF MCALESTER, OKLAHOMA**

**LIST OF PRINCIPAL OFFICIALS**

**JUNE 30, 2018**

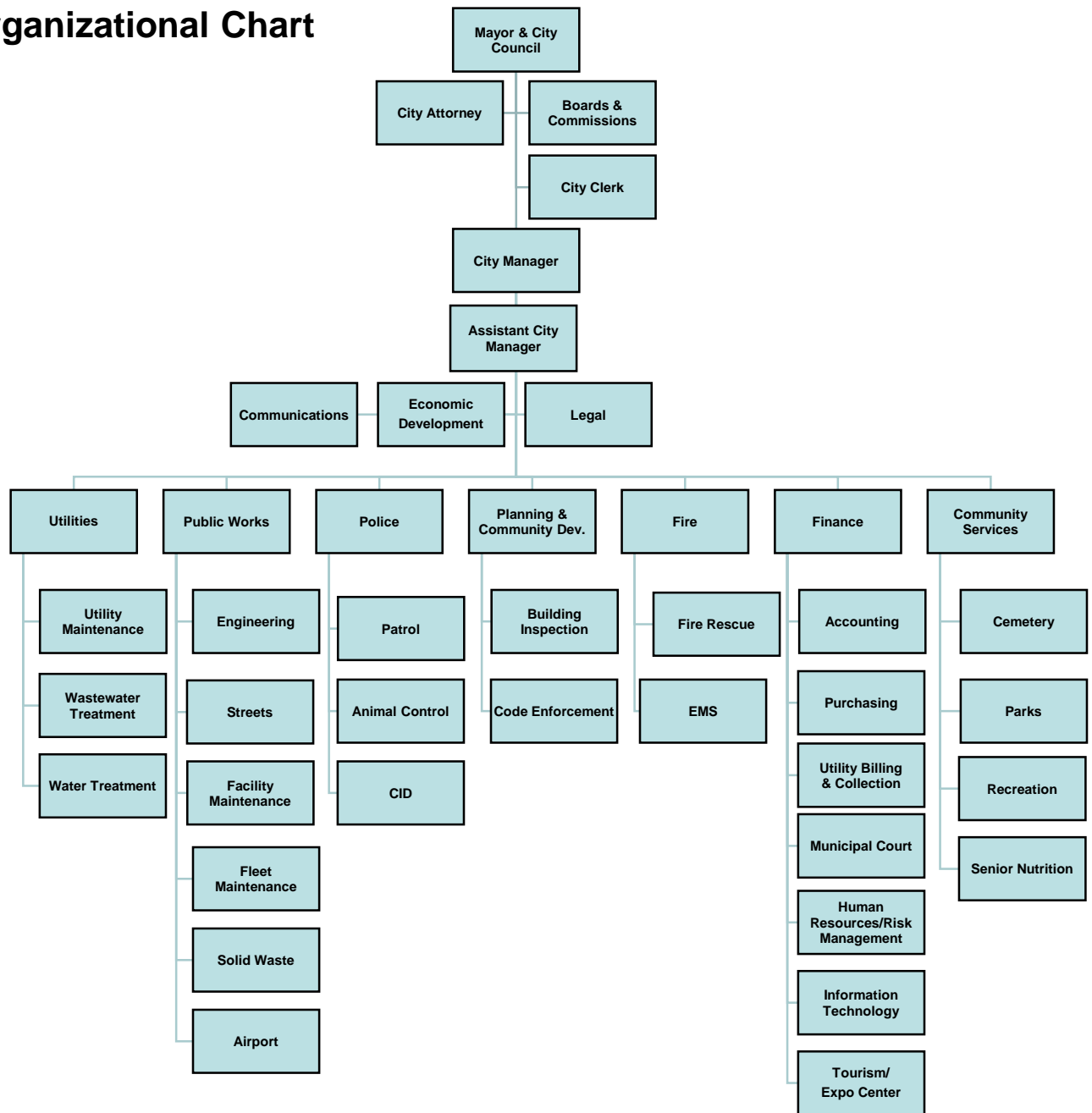
**City Council**

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





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, 2017**

*Christopher P. Morrill*

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, 2018, 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, 2018, 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 schedules, 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 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 section, other supplementary information, and the statistical section, 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 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.

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 28, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
December 28, 2018

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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, 2018. 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, 2018. Total net position increased by \$1,325,140 with the City's total government-wide assets and deferred outflows continuing to exceed its total liabilities and deferred inflows at June 30, 2018, by \$29,394,530 which represents its total government-wide net position.
- The City's governmental activities experienced a current year increase in net position of \$501,114, while business-type activities experienced a current year increase in net position of \$824,026. 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 \$29,394,530, it is segregated by \$26,368,020 in a net investment in capital assets and \$10,407,721 of net position restricted for various purposes, thus leaving the City with (\$7,381,211) in a total unrestricted net position (deficit), with (\$7,655,033) of the unrestricted net position (deficit) located in the City's governmental activities and \$273,822 of positive unrestricted net position 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 stand-alone 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 relatively new accounting standards in the FY 2015, the City's net pension liabilities are now being reported in the amounts of \$12,051,985 for governmental activities and \$976,241 for business-type activities.
  - At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$21,593,952. That net amount is the result of \$2,426 of non-spendable fund balance, \$17,799,126 of restricted fund balance, \$3,131,810 of assigned fund balance, and \$660,590 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, 2018, net position for the governmental activities and business-type activities totaled \$29,394,530, which was an increase of \$1,325,140. 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	\$ 2,417,044	\$ 25,652,346	\$ 28,069,390
Increase in net position	501,114	824,026	1,325,140
<b>Ending net position</b>	<b>\$ 2,918,158</b>	<b>\$ 26,476,372</b>	<b>\$ 29,394,530</b>

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	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 23,952,954	\$ 24,287,218	\$ 6,583,618	\$ 6,042,164	\$ 30,536,572	\$ 30,329,382
Capital assets	43,845,043	46,780,840	27,401,179	27,464,802	71,246,222	74,245,642
<b>Total assets</b>	67,797,997	71,068,058	33,984,797	33,506,966	101,782,794	104,575,024
<b>Deferred Outflows of Resources:</b>						
Deferred amounts related to pensions	3,052,562	4,078,207	240,963	486,321	3,293,525	4,564,528
Deferred amounts on refunding	859,155	1,008,986	-	-	859,155	1,008,986
<b>Liabilities:</b>						
Long-term liabilities	65,894,493	71,639,060	7,342,808	7,785,380	73,237,301	79,424,440
Other liabilities	1,927,668	1,684,027	377,724	513,561	2,305,392	2,197,588
<b>Total liabilities</b>	67,822,161	73,323,087	7,720,532	8,298,941	75,542,693	81,622,028
<b>Deferred Inflows of Resources:</b>						
Deferred amounts related to pensions	969,395	415,120	28,856	42,000	998,251	457,120
<b>Net position:</b>						
Net investment in capital assets	165,470	564,792	26,202,550	25,937,347	26,368,020	26,502,139
Restricted	10,407,721	10,845,699	-	-	10,407,721	10,845,699
Unrestricted (deficit)	(7,655,033)	(8,993,447)	273,822	(285,001)	(7,381,211)	(9,278,448)
<b>Total net position</b>	<b>\$ 2,918,158</b>	<b>\$ 2,417,044</b>	<b>\$ 26,476,372</b>	<b>\$ 25,652,346</b>	<b>\$ 29,394,530</b>	<b>\$ 28,069,390</b>

The significant decline in the amount of long-term liabilities of the governmental activities is directly related to the payment of principal on the revenue bonds of \$4,145,000 during the current year and the decrease in net pension liability in the amount of \$1,765,267 from the prior year.

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 \$26.4 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 \$10.4 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 \$7,381,211

**MANAGEMENT'S DISCUSSION & ANALYSIS  
CITY OF MCALESTER, OKLAHOMA  
JUNE 30, 2018**

deficit. The governmental activities unrestricted net position deficit balance of \$7,655,033 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 liabilities and their related deferred outflows and inflows are reported as a component of the unrestricted net position (deficit).

**The City of McAlester's Statement of Activities**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for Services	\$ 3,356,861	\$ 2,658,144	\$ 9,954,849	\$ 9,312,328	\$ 13,311,710	\$ 11,970,472
Grants & Contributions	1,262,254	1,646,486	-	-	1,262,254	1,646,486
Capital Grants & Contributions	361,676	5,015,746	535,817	1,209,346	897,493	6,225,092
General Revenues:						
Sales & Use Tax	14,800,284	14,689,957	-	-	14,800,284	14,689,957
Other Taxes	1,978,285	1,776,918	-	-	1,978,285	1,776,918
Other General Revenues	786,291	636,346	117,281	77,391	903,572	713,737
<b>Total Revenues</b>	<b>22,545,651</b>	<b>26,423,597</b>	<b>10,607,947</b>	<b>10,599,065</b>	<b>33,153,598</b>	<b>37,022,662</b>
<b>Program Expenses:</b>						
Legislature	114,976	109,580	-	-	114,976	109,580
Administration	3,766,344	3,713,371	-	-	3,766,344	3,713,371
Public safety	8,723,246	8,658,637	-	-	8,723,246	8,658,637
Community services	2,077,211	2,120,523	-	-	2,077,211	2,120,523
Administration services	1,230,232	1,198,426	-	-	1,230,232	1,198,426
Health and welfare	273,749	282,159	-	-	273,749	282,159
Public works	3,573,130	3,547,407	-	-	3,573,130	3,547,407
Economic development	426,789	372,295	-	-	426,789	372,295
Stormwater	3,479	900	-	-	3,479	900
Interest on long-term debt	2,291,099	2,413,692	-	-	2,291,099	2,413,692
Water	-	-	4,267,855	4,001,912	4,267,855	4,001,912
Sewer	-	-	2,201,943	2,077,471	2,201,943	2,077,471
Sanitation	-	-	2,158,235	3,617,289	2,158,235	3,617,289
Airport	-	-	720,170	701,992	720,170	701,992
<b>Total Expenses</b>	<b>22,480,255</b>	<b>22,416,990</b>	<b>9,348,203</b>	<b>10,398,664</b>	<b>31,828,458</b>	<b>32,815,654</b>
Revenues in excess of expenses	65,396	4,006,607	1,259,744	200,401	1,325,140	4,207,008
Net Transfers	435,718	2,589,288	(435,718)	(2,589,288)	-	-
<b>Increase (Decrease) in Net Position</b>	<b>\$ 501,114</b>	<b>\$ 6,595,895</b>	<b>\$ 824,026</b>	<b>\$ (2,388,887)</b>	<b>\$ 1,325,140</b>	<b>\$ 4,207,008</b>

For the year ended June 30, 2018, on a government-wide basis, the City experienced an improvement in its financial condition resulting in an increase in total net position of \$1,325,140. The decrease in the size from the prior year change in net position can be attributable to an increase in charges for services of \$1,341,238, a decrease in operating grants and contributions of \$384,232, a decrease in capital grants and contributions of \$5,327,599, and a decrease of expenses of \$987,196.

The City's current year governmental activities increase in net position of \$501,114 represents a decrease from the increase in net position of \$6,595,895 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 a decrease in capital grants and contributions of \$4,654,070 from prior year, an increase in charges for services of \$698,717



from prior year, a decrease in operating grants and contributions of \$384,232 in the current year and a decrease in net transfers of \$2,153,570.

The business-type activities experienced a current year increase in net position of \$824,026, which represents a significant change from the decrease in net position of \$2,388,887 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 a decrease in capital grants and contributions of \$673,529, offset by an increase in charges for services of \$642,521 and a decrease in current year sanitation expenses of \$1,459,054 related to the change in calculation of landfill closure and post-closure liability in the current year and a decrease in net transfers of \$2,153,570.

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

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

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$21,593,952. However, that net amount is the result of \$2,426 of non-spendable fund balance, \$17,799,126 of restricted fund balance, \$3,131,810 of assigned fund balance, and \$660,590 of unassigned fund balance.

For the reasons discussed previously in regards to business-type activities, the enterprise funds reported combined net position of approximately \$26.5 million.

The General Fund's total fund balance decreased by \$46,719, or 6.4%, which is an improvement from the decrease in fund balance of the prior year. This is due in a large part to a decrease in expenditures from the prior year.

The McAlester Public Works Authority enterprise fund reported an increase in net position, after transfers and capital contributions of \$1,077,879 for the year. This is due in a large part to an increase in operating revenues and a decrease in expense and transfers out from the prior year.

### **General Fund Budgetary Highlights**

For the year ended June 30, 2018, the General Fund reported actual budgetary basis amounts available for appropriations above final estimates by \$16,185 or a 0.1% positive variance. General Fund actual expenditures were under final appropriations by \$572,310 or a 3.9% positive variance.

### ***CAPITAL ASSETS & DEBT ADMINISTRATION***

#### **Capital Assets**

At June 30, 2018, the City had approximately \$71.2 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 decrease of \$2,999,420 from last year.

Below are details regarding the City's capital assets for the years ended June 30, 2018 and 2017.<sup>1</sup>

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<sup>1</sup> For more detailed information on capital asset activity please refer to page 47-48, Note 5. Capital Assets and Depreciation

**The City of McAlester's Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,803,086	\$ 1,803,086	\$ 212,571	\$ 212,571	\$ 2,015,657	\$ 2,015,657
Buildings and Improvements	16,827,683	16,690,796	9,797,639	8,351,562	26,625,322	25,042,358
Machinery and Equipment	10,899,657	10,689,174	4,186,457	3,897,368	15,086,114	14,586,542
Infrastructure	76,313,403	76,269,555	-	-	76,313,403	76,269,555
Utility Property	-	-	48,229,166	47,798,619	48,229,166	47,798,619
Water rights contracts	-	-	719,075	719,075	719,075	719,075
Construction-in-progress	563,449	497,911	1,141,969	1,335,955	1,705,418	1,833,866
Totals	106,407,278	105,950,522	64,286,877	62,315,150	170,694,155	168,265,672
Less Depreciation	(62,562,235)	(59,169,682)	(36,885,698)	(34,850,348)	(99,447,933)	(94,020,030)
<b>Totals, Net</b>	<b>\$ 43,845,043</b>	<b>\$ 46,780,840</b>	<b>\$ 27,401,179</b>	<b>\$ 27,464,802</b>	<b>\$ 71,246,222</b>	<b>\$ 74,245,642</b>

This year's more significant capital asset additions include \$1,071,377 for AMI System project, \$303,971 for MCC Controls at WTP, \$258,256 for 2015 CDBG Waterline Project, \$172,291 for 2016 CDBG Waterline Project, and \$179,822 for 2017 Weiler asphalt paver.

**Debt Administration**

At year-end, the City had \$60.2 million in long-term debt outstanding, which represents a \$4,195,914 decrease from the prior year.<sup>2</sup>

**The City of McAlester's Long-term Debt**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Capital leases payable	\$ 535,071	\$ 733,442	\$ -	\$ -	\$ 535,071	\$ 733,442
Claims liability	125,414	231,302	-	-	125,414	231,302
Accrued compensation	2,426,684	2,387,932	223,654	194,274	2,650,338	2,582,206
Notes Payable	-	-	1,137,305	1,248,086	1,137,305	1,248,086
Revenue Bonds Payable	50,755,339	54,476,132	-	-	50,755,339	54,476,132
Landfill Closure and Post-Closure	-	-	4,412,413	4,348,864	4,412,413	4,348,864
Contract obligation	-	-	-	188,539	-	188,539
Water contract obligations	-	-	61,324	90,830	61,324	90,830
Deposits subject to refund	-	-	531,871	505,588	531,871	505,588
<b>Totals</b>	<b>\$ 53,842,508</b>	<b>\$ 57,828,808</b>	<b>\$ 6,366,567</b>	<b>\$ 6,576,181</b>	<b>\$ 60,209,075</b>	<b>\$ 64,404,989</b>

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.

<sup>2</sup> For more detailed information on long-term debt activity please refer to page 49-54, Note 6. Long-Term Debt and Debt Service Requirements

## ***ECONOMIC OUTLOOK***

The City of McAlester is the largest community within the Choctaw Nation of Oklahoma and serves as a vibrant regional hub of commerce and employment for the entire region. Residents throughout southeast Oklahoma rely on McAlester and benefit from its success.

The McAlester economy continues to thrive, with several new business start-ups in our historic downtown district and upcoming growth along our highway thoroughfare. This collective growth is best reflected in our strong and growing sales tax collections. Additionally, several of the major employers have witnessed significant employee gains over the past year.

The McAlester Army Ammunition Plant continues to experience growth in its industrial base as new investments are made. Several hundred employees have been hired within the past couple of years and more are expected to be hired in the future.

Spirit AeroSystems designated McAlester a three-axis and four-axis center of excellence, focusing on the fabrication of complex commercial and military aircraft parts. The designation included the relocation of several pieces of capital equipment to the McAlester facility.

The McAlester Regional Health Center opened its 21,000 square foot, state-of-the-art, emergency center to serve the healthcare needs of residents in southeast Oklahoma. Additional healthcare specialists are expected to be recruited to help serve the increased capacity of the Health Center.

Choctaw Defense has broken ground on its new rim-fire ammunition facility, which will further enhance their small-arm production to include .22 caliber. This expansion is expected to generate 50 or more employees.

Tucker Energy has experienced a resurgence of activity in the energy extraction industry. They have grown from 200 employees to over 400 employees to prepare for the increased drilling that is beginning to occur.

The City of McAlester has signed an agreement with a retail developer to construct the Shops at McAlester, a 180,000 square foot shopping center that will employ approximately 300 full-time and part-time employees.

## **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 1<sup>st</sup> 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, 2018**

**Government-Wide Statement of Net Position– June 30, 2018**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,988,137	\$ 3,380,669	\$ 23,368,806	\$ 23,535,338
Investments	251,627	-	251,627	9,755,500
Accounts receivable, net of allowance	139,222	1,277,859	1,417,081	11,178,667
Estimated amounts due from third-party payers	-	-	-	79,561
Franchise tax receivable	36,782	-	36,782	-
Ambulance receivable, net of allowance	113,411	-	113,411	-
Court fines receivable, net of allowance	992,251	-	992,251	-
Due from other governments	2,187,692	-	2,187,692	-
Prepaid items	2,426	-	2,426	2,349,317
Other receivables	190,642	-	190,642	-
Internal balances	814	(814)	-	-
Inventory	-	-	-	2,179,803
Investment in joint venture	-	1,925,904	1,925,904	6,477,966
Restitution receivable:				
Due within one year	10,666	-	10,666	-
Due in more than one year	39,284	-	39,284	-
Capital assets:				
Land, improvements, and construction in progress	2,366,535	2,073,615	4,440,150	15,950,317
Other capital assets, net of depreciation	41,478,508	25,327,564	66,806,072	26,515,188
Total assets	<u>67,797,997</u>	<u>33,984,797</u>	<u>101,782,794</u>	<u>98,021,657</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred amounts related to pensions	3,052,562	240,963	3,293,525	-
Deferred amount on refunding	859,155	-	859,155	-
Total deferred outflows of resources	<u>3,911,717</u>	<u>240,963</u>	<u>4,152,680</u>	<u>-</u>
<b>LIABILITIES:</b>				
Accounts payable	640,710	257,315	898,025	4,989,801
Accrued payroll liabilities	447,776	59,303	507,079	4,463,901
Accrued interest payable	835,972	1,710	837,682	-
Due to bondholders	405	-	405	-
Unearned revenue	2,805	59,396	62,201	20
Long-term liabilities:				
Due within one year	5,077,439	474,773	5,552,212	1,183,308
Due in more than one year	60,817,054	6,868,035	67,685,089	12,109,670
Total liabilities	<u>67,822,161</u>	<u>7,720,532</u>	<u>75,542,693</u>	<u>22,746,700</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred amounts related to pensions	969,395	28,856	998,251	-
<b>NET POSITION:</b>				
Net investment in capital assets	165,470	26,202,550	26,368,020	26,782,974
Restricted for emergencies	3,767,482	-	3,767,482	-
Restricted for economic development-bonds	800,000	-	800,000	-
Restricted for economic development	854,006	-	854,006	-
Restricted for E911	770,925	-	770,925	-
Restricted for debt service	3,103,436	-	3,103,436	-
Restricted for stormwater	472,247	-	472,247	-
Restricted for other	639,625	-	639,625	2,861,009
Unrestricted (deficit)	(7,655,033)	273,822	(7,381,211)	45,630,974
Total net position	<u>\$ 2,918,158</u>	<u>\$ 26,476,372</u>	<u>\$ 29,394,530</u>	<u>\$ 75,274,957</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, 2018**

**Government-Wide Statement of Activities –Year Ended June 30, 2018**

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	
<b>Primary government</b>								
Governmental Activities								
Legislature	\$ 114,976	\$ -	\$ -	\$ -	\$ (114,976)	\$ -	\$ (114,976)	\$ -
Administration	3,766,344	651,006	10,577	1,985	(3,102,776)	-	(3,102,776)	-
Public safety	8,723,246	1,711,738	1,026,026	234,426	(5,751,056)	-	(5,751,056)	-
Community services	2,077,211	99,966	11,407	125,265	(1,840,573)	-	(1,840,573)	-
Administration services	1,230,232	255,769	-	-	(974,463)	-	(974,463)	-
Health and welfare	273,749	-	54,051	-	(219,698)	-	(219,698)	-
Public Works	3,573,130	935	160,193	-	(3,412,002)	-	(3,412,002)	-
Economic development	426,789	-	-	-	(426,789)	-	(426,789)	-
Stomwater	3,479	637,447	-	-	633,968	-	633,968	-
Interest on long-term debt	2,291,099	-	-	-	(2,291,099)	-	(2,291,099)	-
Total governmental activities	<u>22,480,255</u>	<u>3,356,861</u>	<u>1,262,254</u>	<u>361,676</u>	<u>(17,499,464)</u>	<u>-</u>	<u>(17,499,464)</u>	<u>-</u>
Business-type activities:								
Water	4,267,855	4,901,196	-	287,948	-	921,289	921,289	-
Sewer	2,201,943	1,776,866	-	-	-	(425,077)	(425,077)	-
Sanitation	2,158,235	3,170,381	-	-	-	1,012,146	1,012,146	-
Airport	720,170	106,406	-	247,869	-	(365,895)	(365,895)	-
Total business-type activities	<u>9,348,203</u>	<u>9,954,849</u>	<u>-</u>	<u>535,817</u>	<u>-</u>	<u>1,142,463</u>	<u>1,142,463</u>	<u>-</u>
Total primary government	<u>31,828,458</u>	<u>13,311,710</u>	<u>1,262,254</u>	<u>897,493</u>	<u>(17,499,464)</u>	<u>1,142,463</u>	<u>(16,357,001)</u>	<u>-</u>
<b>Component Units:</b>								
Parking	\$ 2,399	\$ 4,500	-	-				2,101
Hospital	86,722,756	86,794,740	326,023	257,344				655,351
Total component units	<u>\$ 86,725,155</u>	<u>\$ 86,799,240</u>	<u>\$ 326,023</u>	<u>\$ 257,344</u>				<u>\$ 657,452</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					\$ 14,800,284	\$ -	\$ 14,800,284	\$ -
Franchise and public service taxes					603,833	-	603,833	-
Hotel/motel taxes					722,313	-	722,313	-
E-911 taxes					652,139	-	652,139	-
Invergovernmental revenue not restricted to specific programs					308,791	-	308,791	-
Investment income					288,517	54,059	342,576	111,955
Miscellaneous					188,983	63,222	252,205	-
Transfers - internal activity					435,718	(435,718)	-	-
Total general revenues and transfers					<u>18,000,578</u>	<u>(318,437)</u>	<u>17,682,141</u>	<u>111,955</u>
Change in net position					501,114	824,026	1,325,140	769,407
Net position - beginning					2,417,044	25,652,346	28,069,390	74,505,550
Net position - ending					<u>\$ 2,918,158</u>	<u>\$ 26,476,372</u>	<u>\$ 29,394,530</u>	<u>\$ 75,274,957</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, 2018**

**Governmental Funds Balance Sheet - June 30, 2018**

	Special Revenue			Debt Service		Other Governmental Funds	Total Governmental Funds
	General Fund	Reserve Fund	Economic Development Fund	Dedicated Sales Tax - MPWA	Bond Trustee Fund		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 765,424	\$ 3,767,482	\$ 2,577,265	\$ 3,974	\$ 7,391,405	\$ 5,415,930	\$ 19,921,480
Investments	-	-	251,627	-	-	-	251,627
Receivables:							
Accounts receivable, net of allowance	-	-	-	-	-	139,222	139,222
Due from other funds	-	-	-	-	-	800,000	800,000
Due from other governments	1,241,857	-	131,101	524,399	-	290,335	2,187,692
Franchise tax receivable	36,782	-	-	-	-	-	36,782
Court fines receivable, net of allowance	992,251	-	-	-	-	-	992,251
Ambulance receivable, net of allowance	113,411	-	-	-	-	-	113,411
Other receivables	34,237	-	-	-	-	156,405	190,642
Prepaid items	2,426	-	-	-	-	-	2,426
<b>Total assets</b>	<b>\$ 3,186,388</b>	<b>\$ 3,767,482</b>	<b>\$ 2,959,993</b>	<b>\$ 528,373</b>	<b>\$ 7,391,405</b>	<b>\$ 6,801,892</b>	<b>\$ 24,635,533</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 182,976	\$ -	\$ 108,462	\$ -	\$ -	\$ 342,843	\$ 634,281
Accrued payroll liabilities	409,889	-	3,064	-	-	25,903	438,856
Due to other funds	906,431	-	-	-	-	-	906,431
Unearned revenue	2,805	-	-	-	-	-	2,805
Due to bondholders	405	-	-	-	-	-	405
<b>Total liabilities</b>	<b>1,502,506</b>	<b>-</b>	<b>111,526</b>	<b>-</b>	<b>-</b>	<b>368,746</b>	<b>1,982,778</b>
Deferred Inflows of Resources:							
Deferred revenue	995,773	-	-	-	-	63,030	1,058,803
Fund balances:							
Nonspendable	2,426	-	-	-	-	-	2,426
Restricted	-	3,767,482	854,006	528,373	7,391,405	5,257,860	17,799,126
Assigned	25,093	-	1,994,461	-	-	1,112,256	3,131,810
Unassigned	660,590	-	-	-	-	-	660,590
<b>Total fund balances</b>	<b>688,109</b>	<b>3,767,482</b>	<b>2,848,467</b>	<b>528,373</b>	<b>7,391,405</b>	<b>6,370,116</b>	<b>21,593,952</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 3,186,388</b>	<b>\$ 3,767,482</b>	<b>\$ 2,959,993</b>	<b>\$ 528,373</b>	<b>\$ 7,391,405</b>	<b>\$ 6,801,892</b>	<b>\$ 24,635,533</b>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Total fund balance, governmental funds	\$	21,593,952
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 \$62,562,235		43,845,043
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		16,448
Court fines receivable, net of allow ance for doubtful accounts \$1,353,469		914,883
Ambulance receivable, net of allow ance for doubtful accounts \$1,874,156		74,586
Other receivable, net of allow ance for doubtful accounts \$118,718		52,886
Pension related deferred outflow s		3,052,562
Deferred outflow on refunding		859,155
		4,970,520
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		49,950
		49,950
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		(835,972)
Capital lease obligations payable		(535,071)
Revenue bonds payable		(50,755,339)
Accrued compensated absences		(2,393,545)
Net pension liability		(12,051,985)
Pension related deferred inflow s		(969,395)
		(67,541,307)
Net Position of Governmental Activities in the Statement of Net Position	\$	2,918,158

See accompanying notes to the basic financial statements.



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**Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2018**

	Special Revenue			Debt Service		Other Governmental Funds	Total Governmental Funds
	General Fund	Reserve Fund	Economic Development Fund	Dedicated Sales Tax - MPWA	Bond Trustee Fund		
<b>REVENUES</b>							
Taxes	\$ 9,536,185	\$ -	\$ 977,989	\$ 3,911,954	\$ -	\$ 2,352,441	\$ 16,778,569
Intergovernmental	1,816,343	-	-	-	-	329,659	2,146,002
Charges for services	1,419,847	-	-	-	-	1,250,518	2,670,365
Fines and forfeitures	733,907	-	-	-	-	-	733,907
Licenses and permits	80,810	-	-	-	-	-	80,810
Investment earnings	54,811	64,044	49,806	1,484	55,341	63,031	288,517
Miscellaneous	127,356	-	4,790	-	-	109,202	241,348
<b>Total revenues</b>	<b>13,769,259</b>	<b>64,044</b>	<b>1,032,585</b>	<b>3,913,438</b>	<b>55,341</b>	<b>4,104,851</b>	<b>22,939,518</b>
<b>EXPENDITURES</b>							
Current:							
Legislature	114,976	-	-	-	-	-	114,976
Administration	3,056,754	-	-	2,000	-	17,935	3,076,689
Public safety	7,929,353	-	-	-	-	741,001	8,670,354
Community services	1,617,674	-	-	-	-	-	1,617,674
Administrative services	505,249	-	-	-	-	699,714	1,204,963
Health and welfare	269,875	-	-	-	-	-	269,875
Public works	1,057,453	-	-	-	-	-	1,057,453
Economic development	-	-	427,278	-	-	-	427,278
Capital Outlay	76,584	-	25,867	-	-	2,547,953	2,650,404
Debt Service:							
Principal	-	-	-	-	4,145,000	198,371	4,343,371
Interest and other charges	-	-	-	-	1,736,853	22,129	1,758,982
<b>Total expenditures</b>	<b>14,627,918</b>	<b>-</b>	<b>453,145</b>	<b>2,000</b>	<b>5,881,853</b>	<b>4,227,103</b>	<b>25,192,019</b>
Excess (deficiency) of revenues over (under) expenditures	(858,659)	64,044	579,440	3,911,438	(5,826,512)	(122,252)	(2,252,501)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,537,701	-	-	509,589	5,952,916	981,039	8,981,245
Transfers out	(725,761)	-	(968,731)	(4,401,674)	-	(1,264,313)	(7,360,479)
<b>Total other financing sources and uses</b>	<b>811,940</b>	<b>-</b>	<b>(968,731)</b>	<b>(3,892,085)</b>	<b>5,952,916</b>	<b>(283,274)</b>	<b>1,620,766</b>
<b>Net change in fund balances</b>	<b>(46,719)</b>	<b>64,044</b>	<b>(389,291)</b>	<b>19,353</b>	<b>126,404</b>	<b>(405,526)</b>	<b>(631,735)</b>
Fund balances - beginning	734,828	3,703,438	3,237,758	509,020	7,265,001	6,775,642	22,225,687
<b>Fund balances - ending</b>	<b>\$ 688,109</b>	<b>\$ 3,767,482</b>	<b>\$ 2,848,467</b>	<b>\$ 528,373</b>	<b>\$ 7,391,405</b>	<b>\$ 6,370,116</b>	<b>\$ 21,593,952</b>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Net change in fund balances - total governmental funds: \$ (631,735)

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	2,058,355
Capital assets purchased for business-type activities	(1,578,595)
Capital assets contributed	186,475
Book value on capital assets disposed	(19,182)
Depreciation expense	(3,582,850)
	(2,935,797)

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	(10,666)
Change in deferred revenue	122,664
	111,998

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.

185,347

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:

Revenue bond principal payments	4,145,000
Accretion of capital appreciation revenue bonds	(424,207)
Capital lease obligation principal payments	198,371
	3,919,164

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	48,921
Amortization of deferred outflow on refunding	(156,831)
Change in accrued compensated absences expenses	(39,953)
	(147,863)

Change in net position of governmental activities \$ 501,114

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Net Position - June 30, 2018**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>McAlester Public Works Authority</u>	<u>McAlester Airport Authority</u>	<u>Total</u>	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,793,037	\$ 55,761	\$ 2,848,798	\$ 66,657
Restricted cash and cash equivalents	531,871	-	531,871	-
Due from other funds	-	-	-	107,245
Accounts receivable, net	1,269,076	8,783	1,277,859	-
<b>Total current assets</b>	<u>4,593,984</u>	<u>64,544</u>	<u>4,658,528</u>	<u>173,902</u>
<b>Noncurrent assets:</b>				
Investment in joint venture	1,925,904	-	1,925,904	-
Capital assets:				
Land and other non-depreciable assets	1,753,048	320,567	2,073,615	-
Other capital assets, net of depreciation	21,932,706	3,394,858	25,327,564	-
<b>Total noncurrent assets</b>	<u>25,611,658</u>	<u>3,715,425</u>	<u>29,327,083</u>	<u>-</u>
<b>Total assets</b>	<u>30,205,642</u>	<u>3,779,969</u>	<u>33,985,611</u>	<u>173,902</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amounts related to pensions	223,783	17,180	240,963	-
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	255,348	1,967	257,315	6,429
Accrued payroll liabilities	54,963	4,340	59,303	8,920
Due to other funds	814	-	814	-
Interest payable	1,638	72	1,710	-
Unearned revenue	59,396	-	59,396	-
Claims liability	-	-	-	12,541
Due to depositors	106,374	-	106,374	-
Notes payable	274,851	40,874	315,725	-
Water rights contract obligation	30,308	-	30,308	-
Accrued compensated absences	19,700	2,666	22,366	3,314
<b>Total current liabilities</b>	<u>803,392</u>	<u>49,919</u>	<u>853,311</u>	<u>31,204</u>
<b>Noncurrent liabilities:</b>				
Claims liability	-	-	-	112,873
Landfill closure and postclosure liability	4,412,413	-	4,412,413	-
Due to depositors	425,497	-	425,497	-
Notes payable	821,580	-	821,580	-
Water rights contract obligation	31,016	-	31,016	-
Accrued compensated absences	177,297	23,991	201,288	29,825
Net pension liability	905,979	70,262	976,241	-
<b>Total non-current liabilities</b>	<u>6,773,782</u>	<u>94,253</u>	<u>6,868,035</u>	<u>142,698</u>
<b>Total liabilities</b>	<u>7,577,174</u>	<u>144,172</u>	<u>7,721,346</u>	<u>173,902</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred amounts related to pensions	28,658	198	28,856	-
<b>NET POSITION</b>				
Net investment in capital assets	22,527,999	3,674,551	26,202,550	-
Unrestricted (deficit)	295,594	(21,772)	273,822	-
<b>Total net position</b>	<u>\$ 22,823,593</u>	<u>\$ 3,652,779</u>	<u>\$ 26,476,372</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

**CITY OF MCALESTER, OKLAHOMA**  
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**Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2018**

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
<b>OPERATING REVENUES</b>				
Charges for services:				
Water	\$ 3,080,722	\$ -	\$ 3,080,722	\$ -
Sewer	1,663,000	-	1,663,000	-
Sanitation	2,761,673	-	2,761,673	-
Water taps	18,700	-	18,700	-
Sewer taps	3,400	-	3,400	-
Water districts	1,597,162	-	1,597,162	-
Landfill	2,781	-	2,781	-
Penalties	7,639	-	7,639	-
Recycle fees	37,452	-	37,452	-
Subtitle "D" fees	405,927	-	405,927	-
Airport rents and fees	-	106,406	106,406	-
Self insurance charges	-	-	-	731,049
Miscellaneous	-	-	-	85,112
<b>Total operating revenues</b>	<u>9,578,456</u>	<u>106,406</u>	<u>9,684,862</u>	<u>816,161</u>
<b>OPERATING EXPENSES</b>				
Utility office	574,543	-	574,543	-
Interdepartmental	828,646	-	828,646	-
Sanitation	1,886,234	-	1,886,234	-
Engineering	393,845	-	393,845	-
Sewer	806,159	-	806,159	-
Water	1,325,450	-	1,325,450	-
Utility maintenance	935,744	-	935,744	-
Landfill	219,329	-	219,329	-
Airport	-	186,623	186,623	-
Fleet maintenance	-	-	-	565,330
Claims expense	-	-	-	250,831
Depreciation expense	1,587,206	530,588	2,117,794	-
<b>Total operating expenses</b>	<u>8,557,156</u>	<u>717,211</u>	<u>9,274,367</u>	<u>816,161</u>
<b>Operating income (loss)</b>	1,021,300	(610,805)	410,495	-
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	54,059	-	54,059	-
Interest expense and fiscal charges	(43,833)	(2,959)	(46,792)	-
Miscellaneous revenue	63,222	-	63,222	-
Gain on joint venture	7,345	-	7,345	-
<b>Total non-operating revenue (expenses)</b>	<u>80,793</u>	<u>(2,959)</u>	<u>77,834</u>	<u>-</u>
<b>Income (loss) before contributions and transfers</b>	1,102,093	(613,764)	488,329	-
Capital contributions	1,708,594	247,869	1,956,463	-
Transfers in	621,313	112,042	733,355	-
Transfers out	(2,354,121)	-	(2,354,121)	-
<b>Change in net position</b>	1,077,879	(253,853)	824,026	-
<b>Total net position - beginning</b>	21,745,714	3,906,632	25,652,346	-
<b>Total net position - ending</b>	<u>\$ 22,823,593</u>	<u>\$ 3,652,779</u>	<u>\$ 26,476,372</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2018**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>McAlester Public Works Authority</b>	<b>McAlester Airport Authority</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 9,444,179	\$ 106,193	\$ 9,550,372	\$ -
Payments to suppliers	(5,271,517)	(45,064)	(5,316,581)	(632,500)
Payments to employees	(1,742,698)	(139,759)	(1,882,457)	(294,944)
Receipts of customer meter deposits	127,529	-	127,529	-
Refund of customer meter deposits	(101,246)	-	(101,246)	-
Other receipts	-	-	-	922,049
Other payments	65,870	-	65,870	-
Net Cash Provided by (Used in) Operating Activities	<u>2,522,117</u>	<u>(78,630)</u>	<u>2,443,487</u>	<u>(5,395)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	621,313	112,042	733,355	-
Transfers to other funds	(2,354,121)	-	(2,354,121)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,732,808)</u>	<u>112,042</u>	<u>(1,620,766)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(67,374)	(278,203)	(345,577)	-
Proceeds from capital grant	-	247,869	247,869	-
Proceeds from issuance of debt	214,895	-	214,895	-
Principal payment of capital debt	(486,528)	(57,193)	(543,721)	-
Interest and fiscal charges paid on capital debt	(44,182)	(3,047)	(47,229)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(383,189)</u>	<u>(90,574)</u>	<u>(473,763)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	54,059	-	54,059	-
Net Cash Provided by Investing Activities	<u>54,059</u>	<u>-</u>	<u>54,059</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>460,179</b>	<b>(57,162)</b>	<b>403,017</b>	<b>(5,395)</b>
<b>Balances - beginning of the year</b>	<b>2,864,729</b>	<b>112,923</b>	<b>2,977,652</b>	<b>72,052</b>
<b>Balances - end of the year</b>	<b>\$ 3,324,908</b>	<b>\$ 55,761</b>	<b>\$ 3,380,669</b>	<b>\$ 66,657</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 1,021,300	\$ (610,805)	\$ 410,495	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,587,206	530,588	2,117,794	-
Other non-operating revenues (expenses)	70,567	-	70,567	-
Change in assets and liabilities:				
Receivables, net	(125,182)	(213)	(125,395)	-
Due from other funds	-	-	-	105,888
Investment in joint venture	(8,345)	-	(8,345)	-
Deferred amounts related to pensions	217,946	14,268	232,214	-
Accounts payable	(126,142)	55	(126,087)	(4,758)
Accrued payroll liabilities	(571)	353	(218)	564
Due to other funds	(4,697)	-	(4,697)	-
Claims liability	-	-	-	(105,888)
Unearned revenue	(9,095)	-	(9,095)	-
Due to depositors	26,283	-	26,283	-
Landfill closure liability	63,549	-	63,549	-
Net pension liability	(219,159)	(13,799)	(232,958)	-
Accrued compensated absences	28,457	923	29,380	(1,201)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,522,117</u>	<u>\$ (78,630)</u>	<u>\$ 2,443,487</u>	<u>\$ (5,395)</u>
<b>Noncash capital and related financing activities:</b>				
Capital assets contributed from governmental funds	\$ 1,578,595	\$ -	\$ 1,578,595	\$ -
Capital assets contributed from outside sources	\$ 129,999	\$ -	\$ 129,999	\$ -

See accompanying notes to the basic financial statements.

**CITY OF MCALESTER, OKLAHOMA**  
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**Statement of Fiduciary Net Position – Pension Trust Fund - June 30, 2018**

	<b><u>Defined Benefit Retirement Plan and Trust Fund</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 271,480
Investments:	
Certificates of deposit	99,808
Corporate bonds	473,494
Exchange-traded closed-end funds	913,571
Mortgage and asset backed securities	665,654
Government treasury securities	222,479
Mutual funds	1,578,588
Common stocks	9,571,950
Interest receivable	11,510
Total assets	<u>13,808,534</u>
 <b>NET POSITION</b>	
Net position restricted for pensions	<u>\$ 13,808,534</u>

**Statement of Changes in Fiduciary Net Position – Pension Trust Fund - Year Ended June 30, 2018**

	<b><u>Defined Benefit Retirement Plan and Trust Fund</u></b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 450,503
Total contributions	<u>450,503</u>
Investment income:	
Interest income	351,918
Add realized and unrealized net gain on investments	687,502
Net investment income	<u>1,039,420</u>
Total additions	<u>1,489,923</u>
 <b>DEDUCTIONS</b>	
Benefits paid to participants or beneficiaries	1,164,396
Administrative expenses	129,577
Total deductions	<u>1,293,973</u>
Change in net position held in trust for employees' pension benefits	195,950
Net position - beginning	<u>13,612,584</u>
Net position - ending	<u>\$ 13,808,534</u>

See accompanying notes to the basic financial statements.

**CITY OF MCALESTER, OKLAHOMA**  
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**Discretely Presented Component Units Combining Statement of Net Position - June 30, 2018**

	Component Units		
	McAlester Regional Health Center Authority	McAlester Parking Authority	Total Component Units
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 23,468,212	\$ 67,126	\$ 23,535,338
Investments	9,755,500	-	9,755,500
Accounts receivable, net	11,178,667	-	11,178,667
Estimated amounts due from third-party payers	79,561	-	79,561
Inventories	2,179,803	-	2,179,803
Investment in joint ventures	6,477,966	-	6,477,966
Prepaid expenses	2,349,317	-	2,349,317
Capital assets:			
Land and construction in progress	15,950,317	-	15,950,317
Other capital assets, net of depreciation	26,515,188	-	26,515,188
Total assets	<u>97,954,531</u>	<u>67,126</u>	<u>98,021,657</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	4,989,620	181	4,989,801
Accrued payroll payable	4,463,901	-	4,463,901
Unearned revenue	-	20	20
Long-term liabilities:			
Due within one year	1,183,308	-	1,183,308
Due in more than one year	12,109,670	-	12,109,670
Total liabilities	<u>22,746,499</u>	<u>201</u>	<u>22,746,700</u>
<b>NET POSITION:</b>			
Net investment in capital assets	26,782,974	-	26,782,974
Restricted for capital acquisitions and debt service	2,568,472	-	2,568,472
Restricted for workers' compensation claims	272,234	-	272,234
Restricted for specific operating activities	20,303	-	20,303
Unrestricted	45,564,049	66,925	45,630,974
Total net position	<u>\$ 75,208,032</u>	<u>\$ 66,925</u>	<u>\$ 75,274,957</u>

See accompanying notes to the basic financial statements.

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**Discretely Presented Component Units Combining Statement of Activities - Year Ended June 30, 2018**

	<b>Component Units</b>		
	<b>McAlester Regional Health Center Authority</b>	<b>McAlester Parking Authority</b>	<b>Total Component Units</b>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ -	\$ 4,500	\$ 4,500
Net patient service revenue	82,065,771	-	82,065,771
Miscellaneous	3,740,281	-	3,740,281
Total operating revenues	<u>85,806,052</u>	<u>4,500</u>	<u>85,810,552</u>
<b>OPERATING EXPENSES:</b>			
Parking	-	2,399	2,399
Health and welfare	86,713,091	-	86,713,091
Total operating expenses	<u>86,713,091</u>	<u>2,399</u>	<u>86,715,490</u>
Net operating income (loss)	(907,039)	2,101	(904,938)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Investment income	111,955	-	111,955
Income from joint ventures	988,688	-	988,688
Interest expense and fiscal agent fees	(149,540)	-	(149,540)
Noncapital grants and gifts	326,023	-	326,023
Gain on sale of capital assets	139,875	-	139,875
Total non-operating revenue (expenses)	<u>1,417,001</u>	<u>-</u>	<u>1,417,001</u>
Net income before capital contributions	509,962	2,101	512,063
Contributed capital revenue	<u>257,344</u>	<u>-</u>	<u>257,344</u>
Change in net position	767,306	2,101	769,407
Total net position - beginning	74,440,726	64,824	74,505,550
Total net position - ending	<u>\$ 75,208,032</u>	<u>\$ 66,925</u>	<u>\$ 75,274,957</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
- 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, one-half of which is restricted for technology capital purchases and upgrades.
- Infrastructure Fund – accounts for revenues received from a technology fee, one-half of which is restricted for funding repairs, maintenance, construction and improvements to City infrastructure, including but not limited to capital improvements to water and sewer infrastructure, streets, roadways, and other public facilities.

**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, 2018, 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
<b>Deposits:</b>						
Petty Cash	\$ 5,110	\$ 5,110	\$ -	\$ -	\$ -	\$ -
Demand deposits	15,972,291	15,972,291	-	-	-	-
Demand deposits - pension trust funds	271,480	271,480	-	-	-	-
Time deposits	251,627	-	-	251,627	-	-
Time deposits - pension trust funds	99,808	-	-	99,808	-	-
	<u>16,600,316</u>	<u>16,248,881</u>	<u>-</u>	<u>351,435</u>	<u>-</u>	<u>-</u>
	<b>Credit Rating</b>	<b>Fair Value Categories</b>				
<b>Investments:</b>						
<b>Bond Trustee Accounts:</b>						
Federated Treasury Obligations Inst Money Market Fund	N/A	N/A	1,164,909	1,164,909	-	-
Federated Treasury Obligations Svc Money Market Fund	N/A	N/A	1,465,482	1,465,482	-	-
Federated Government Obligations Tax Managed Svc	N/A	N/A	1,139,336	1,139,336	-	-
Goldman Sachs Financial Square Federal Fund Admin Shares #521	AAAm	N/A	3,621,678	3,621,678	-	-
<b>Pension Trust Fund:</b>						
Western Asset Smash: Series EC (LMECX) - Money Market	N/A	N/A	535,563	535,563	-	-
Western Asset Smash: Series C (LMLCX) - Money Market	N/A	N/A	202,125	202,125	-	-
Western Asset Smash: Series M (LMSMX) - Money Market	N/A	N/A	607,695	607,695	-	-
Invesco Premier Ptf Instl (IPXX) - Money Market	N/A	N/A	233,205	233,205	-	-
Corporate Bonds	AAA	Level II	54,099	-	-	54,099
Corporate Bonds	A+	Level II	41,812	-	41,812	-
Corporate Bonds	A-	Level II	217,865	-	-	134,858
Corporate Bonds	BBB+	Level II	159,718	-	-	92,139
Vanguard Short Term Bond	N/A	Level I	913,571	913,571	-	-
United States Treasury Bonds/Notes	AAA	Level I	222,479	-	21,642	59,233
Mortgage and asset backed securities	N/A	Level II	665,654	-	109,979	555,675
Common Stocks	N/A	Level I	9,571,950	9,571,950	-	-
			<u>20,817,141</u>	<u>19,455,514</u>	<u>-</u>	<u>131,621</u>
						<u>328,042</u>
						<u>901,964</u>
<b>Total Deposits and Investments</b>	<b>\$ 37,417,457</b>	<b>\$ 35,704,395</b>	<b>\$ -</b>	<b>\$ 483,056</b>	<b>\$ 328,042</b>	<b>\$ 901,964</b>
<b>Reconciliation to Statement of Net Position:</b>						
Cash and cash equivalents	\$ 23,368,806					
Investments	251,627					
Add: Fiduciary Fund cash and cash equivalents	271,480					
Add: Fiduciary Fund investments	13,525,544					
	<u>\$ 37,417,457</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, 2018, 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:

<b>Class</b>	<b>Maximum Percent</b>	<b>Minimum Percent</b>	<b>Target Percent</b>
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	\$ 531,871
Total Restricted Assets	\$ 531,871

**Component Units Deposits and Investments:**

McAlester Regional Health Center Authority

*Deposits*

At June 30, 2018, approximately \$21,866,000 of the Authority's bank balances were uninsured with collateral held by the pledging financial institution, leaving \$0 of the Authority's bank balances 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, 2018, the "Investment in joint venture" balance changed as follows:

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Beginning Investment in Joint Venture	\$ 1,917,559
Current Year Contributions	1,000
Gain from Joint Venture	7,345
Ending Investment in Joint Venture	<u>\$ 1,925,904</u>

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

#### 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 stormwater fees, technology fees, police fines, and ambulance receivables. Receivables detail at June 30, 2018, is as follows:

	<u>General Fund</u>		<u>Stormwater Fund</u>	<u>Technology Fund</u>	<u>Infrastructure Fund</u>	<u>MPWA</u>	<u>Airport</u>
	<u>Ambulance</u>	<u>Court</u>					
Accounts receivable	\$ 1,987,567	\$ 2,345,720	\$ 93,760	\$ 82,090	\$ 82,090	\$ 3,500,736	\$ 8,783
Allowance for doubtful accounts	<u>(1,874,156)</u>	<u>(1,353,469)</u>	<u>(36,628)</u>	<u>(41,045)</u>	<u>(41,045)</u>	<u>(2,231,660)</u>	<u>-</u>
Accounts receivable, net	<u>\$ 113,411</u>	<u>\$ 992,251</u>	<u>\$ 57,132</u>	<u>\$ 41,045</u>	<u>\$ 41,045</u>	<u>\$ 1,269,076</u>	<u>\$ 8,783</u>

*Component Units:*

McAlester Regional Health Center Authority

Patient receivable balances at June 30, 2018 were as follows:

	<u>MRHCA</u>
Medicare	\$ 4,563,584
Medicaid	2,221,866
Other third-party payers	7,993,313
Patients	13,840,291
Allowance for doubtful accounts	<u>(17,440,387)</u>
Accounts receivable, net	<u>\$ 11,178,667</u>

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**5. Capital Assets and Depreciation**

For the year ended June 30, 2018, capital assets balances changed as follows:

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
<b>Governmental activities:</b>				
Non-depreciable:				
Land	\$ 1,803,086	\$ -	\$ -	\$ 1,803,086
Construction-in-progress	497,911	160,523	(94,985)	563,449
Total non-depreciable assets at historical cost	<u>2,300,997</u>	<u>160,523</u>	<u>(94,985)</u>	<u>2,366,535</u>
Depreciable:				
Buildings	12,477,174	-	-	12,477,174
Other improvements	4,213,622	136,887	-	4,350,509
Machinery and equipment	10,689,174	419,961	(209,478)	10,899,657
Infrastructure	76,269,555	43,848	-	76,313,403
Total depreciable assets at historical cost	<u>103,649,525</u>	<u>600,696</u>	<u>(209,478)</u>	<u>104,040,743</u>
Less accumulated depreciation				
Buildings	(3,816,797)	(305,325)	-	(4,122,122)
Other improvements	(1,820,625)	(280,228)	-	(2,100,853)
Machinery and equipment	(7,681,086)	(760,294)	190,297	(8,251,083)
Infrastructure	(45,851,174)	(2,237,003)	-	(48,088,177)
Total accumulated depreciation	<u>(59,169,682)</u>	<u>(3,582,850)</u>	<u>190,297</u>	<u>(62,562,235)</u>
Net depreciable assets	<u>44,479,843</u>	<u>(2,982,154)</u>	<u>(19,181)</u>	<u>41,478,508</u>
Governmental activities capital assets, net	<u>\$ 46,780,840</u>	<u>\$ (2,821,631)</u>	<u>\$ (114,166)</u>	<u>\$ 43,845,043</u>
<b>Business-type activities</b>				
Non-depreciable:				
Land	\$ 212,571	\$ -	\$ -	\$ 212,571
Water rights contracts	719,075	-	-	719,075
Construction-in-progress	1,335,955	1,611,909	(1,805,895)	1,141,969
Total non-depreciable assets at historical cost	<u>2,267,601</u>	<u>1,611,909</u>	<u>(1,805,895)</u>	<u>2,073,615</u>
Depreciable:				
Buildings	2,773,061	-	-	2,773,061
Other improvements	5,578,501	1,446,077	-	7,024,578
Machinery and equipment	3,897,368	371,533	(82,444)	4,186,457
Utility property	47,798,619	430,547	-	48,229,166
Total depreciable assets at historical cost	<u>60,047,549</u>	<u>2,248,157</u>	<u>(82,444)</u>	<u>62,213,262</u>
Less accumulated depreciation				
Buildings	(1,724,713)	(68,645)	-	(1,793,358)
Other improvements	(2,802,130)	(518,482)	-	(3,320,612)
Machinery and equipment	(2,866,901)	(321,610)	82,444	(3,106,067)
Utility property	(27,456,604)	(1,209,057)	-	(28,665,661)
Total accumulated depreciation	<u>(34,850,348)</u>	<u>(2,117,794)</u>	<u>82,444</u>	<u>(36,885,698)</u>
Net depreciable assets	<u>25,197,201</u>	<u>130,363</u>	<u>-</u>	<u>25,327,564</u>
Business-type capital assets, net	<u>\$ 27,464,802</u>	<u>\$ 1,742,272</u>	<u>\$ (1,805,895)</u>	<u>\$ 27,401,179</u>

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	Balance at June 30, 2017	Additions	Transfers	Disposals	Balance at June 30, 2018
Component Unit (MRHCA):					
Non-depreciable:					
Land	\$ 1,059,793	\$ -	\$ -	\$ -	\$ 1,059,793
Construction-in-progress	2,556,571	13,179,080	(845,127)	-	14,890,524
Total non-depreciable assets at historical cost	<u>3,616,364</u>	<u>13,179,080</u>	<u>(845,127)</u>	<u>-</u>	<u>15,950,317</u>
Depreciable:					
Land improvements	1,630,354	-	-	-	1,630,354
Buildings and improvements	50,620,535	1,626,858	780,636	(155,892)	52,872,137
Machinery and equipment	33,602,808	1,555,935	64,491	(3,340)	35,219,894
Total depreciable assets at historical cost	<u>85,853,697</u>	<u>3,182,793</u>	<u>845,127</u>	<u>(159,232)</u>	<u>89,722,385</u>
Less accumulated depreciation					
Land improvements	(1,296,107)	(35,867)	-	-	(1,331,974)
Buildings and improvements	(33,210,592)	(1,914,470)	-	155,892	(34,969,170)
Machinery and equipment	(24,684,244)	(2,225,149)	-	3,340	(26,906,053)
Total accumulated depreciation	<u>(59,190,943)</u>	<u>(4,175,486)</u>	<u>-</u>	<u>159,232</u>	<u>(63,207,197)</u>
Net depreciable assets	<u>26,662,754</u>	<u>(992,693)</u>	<u>845,127</u>	<u>-</u>	<u>26,515,188</u>
Component Unit (MRHCA) capital assets, net	<u>\$ 30,279,118</u>	<u>\$ 12,186,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,465,505</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	\$ 318,212
Public safety	395,433
Community services	446,238
Public works	2,422,967
Total governmental activities depreciation expense	<u>\$ 3,582,850</u>

Depreciation expense charged to business-type activities:

Water	\$ 1,090,176
Sewer	437,013
Sanitation	60,017
Airport	530,588
Total business-type activities depreciation expense	<u>\$ 2,117,794</u>

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**6. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2018, the reporting entity's long-term debt changed as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 733,442	\$ -	\$ 198,371	\$ 535,071	\$ 162,230
Revenue Bonds Payable	54,476,132	424,207	4,145,000	50,755,339	4,660,000
Accrued Compensated Absences	2,387,932	225,956	187,204	2,426,684	242,668
Claims Liability	231,302	250,831	356,719	125,414	12,541
 Total Governmental Long-Term Debt	 <u>\$ 57,828,808</u>	 <u>\$ 900,994</u>	 <u>\$ 4,887,294</u>	 <u>\$ 53,842,508</u>	 <u>\$ 5,077,439</u>
			Net pension liability	12,051,985	
				<u>\$ 65,894,493</u>	
 <b>Business-type Activities:</b>					
Landfill Closure and Post-closure Liability	\$ 4,348,864	\$ 63,549	\$ -	\$ 4,412,413	\$ -
Due to Depositors	505,588	127,529	101,246	531,871	106,374
Notes Payable	1,248,086	214,895	325,676	1,137,305	315,725
Contract Obligations	188,539	-	188,539	-	-
Water Contract Obligations	90,830	-	29,506	61,324	30,308
Accrued Compensated Absences	194,274	49,843	20,463	223,654	22,366
 Total Business-type Long-Term Debt	 <u>\$ 6,576,181</u>	 <u>\$ 455,816</u>	 <u>\$ 665,430</u>	 <u>\$ 6,366,567</u>	 <u>\$ 474,773</u>
			Net pension liability	976,241	
				<u>\$ 7,342,808</u>	

Note: The General Fund, Tax and Tourism Fund and E-911 Fund have typically been used to liquidate governmental liability for compensated absences in prior years.

***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 \$60,191

\$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 120,527



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\$84,299 capital lease with Welch State Bank for 2015 dump truck, payable in monthly installments of \$1,518, final payment due March 24, 2020, with interest at 3.08%, paid from the Capital Improvement Plan Fund	30,945
\$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	54,719
\$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	62,488
\$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>206,201</u>
	<u>\$ 535,071</u>
Capital Lease Obligations:	
Current portion	\$ 162,230
Noncurrent portion	<u>372,841</u>
Total Capital Lease Obligations	<u>\$ 535,071</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>(10,054,661)</u>
Principal outstanding at year end	<u>7,505,339</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.	1,230,000
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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	445,000
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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	18,780,000
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	7,235,000
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	4,150,000
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	<u>11,410,000</u>
Total Revenue Bonds Payable	<u>\$ 50,755,339</u>
Current portion	\$ 4,660,000
Noncurrent portion	<u>46,095,339</u>
Total Revenue Bonds Payable	<u>\$ 50,755,339</u>
Accrued Compensated Absences:	
Current portion	\$ 242,668
Noncurrent portion	<u>2,184,016</u>
Total Accrued Compensated Absences	<u>\$ 2,426,684</u>
Claims Liability:	
Current portion	\$ 12,541
Non-current portion	<u>112,873</u>
Total Claims Liability	<u>\$ 125,414</u>

***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.	\$ 46,979
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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.	29,380
MAA Note Payable with First National Bank and used for airport, renewed on October 7, 2016, 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 October 15, 2018.	40,874
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 \$973,660.	784,396
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.	188,007
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>47,669</u>
Total Notes Payable	<u>\$ 1,137,305</u>
Current portion	\$ 315,725
Non-current portion	<u>821,580</u>
Total Notes Payable	<u>\$ 1,137,305</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>\$ 61,324</u>
Current portion	\$ 30,308
Non-current portion	<u>31,016</u>
Total Water Rights Contract	<u>\$ 61,324</u>
Landfill Closure and Post-Closure Liability:	
A \$4,412,413 accrued liability has been recognized in the McAlester Public Works Authority to represent the total estimated amount owed by the Authority for closure and post-closure 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 72.09% of the estimated capacity of the landfill. It is estimated that an additional \$1,708,287 will be recognized as closure and post-closure 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 post-closure 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 34 years.	
Current portion	\$ -
Noncurrent portion	<u>4,412,413</u>
Total Landfill Closure and Postclosure Liability	<u>\$ 4,412,413</u>

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Accrued Compensated Absences:	
Current portion	\$ 22,366
Noncurrent portion	<u>201,288</u>
Total Accrued Compensated Absences	<u>\$ 223,654</u>

Deposits Subject to Refund:	
Current portion	\$ 106,374
Noncurrent portion	<u>425,497</u>
Total Deposits Subject to Refund	<u>\$ 531,871</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>
2019	\$ 162,230	\$ 16,272	\$ 4,660,000	\$ 1,548,238
2020	228,138	9,808	3,145,000	1,395,633
2021	36,682	5,312	3,305,000	1,276,895
2022	35,561	3,848	3,480,000	1,151,876
2023	37,080	2,329	3,660,000	1,020,254
2024-2028	35,380	746	24,130,000	2,769,498
2029-2033	-	-	12,660,000	22,343
2034	-	-	5,770,000	-
Total	<u>\$ 535,071</u>	<u>\$ 38,315</u>	60,810,000	9,184,737
Less: Unaccrued Portion of Debt			<u>(10,054,661)</u>	<u>10,054,661</u>
			<u>\$ 50,755,339</u>	<u>\$ 19,239,398</u>

Year Ended June 30,	<u>Business-Type Activity Debt</u>			
	<u>Notes Payable</u>		<u>Water Rights Contract Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 315,725	\$ 36,012	\$ 30,308	\$ 1,610
2020	285,145	25,168	31,016	934
2021	295,851	14,462	-	-
2022	224,764	3,726	-	-
2023	3,390	-	-	-
2024-2027	12,430	-	-	-
Total	<u>\$ 1,137,305</u>	<u>\$ 79,368</u>	<u>\$ 61,324</u>	<u>\$ 2,544</u>

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*Component Units* have the following long-term debt at June 30, 2018:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
<b>Component Unit Activities (MRHCA):</b>					
Capital Lease Obligations	\$ 196,996	\$ 470,655	\$ 234,318	\$ 433,333	\$ 208,197
Notes Payable to Banks	9,655,057	4,000,000	795,412	12,859,645	975,111
Total Component Unit Debt	<u>\$ 9,852,053</u>	<u>\$ 4,470,655</u>	<u>\$ 1,029,730</u>	<u>\$ 13,292,978</u>	<u>\$ 1,183,308</u>

Notes Payable to Banks (MRHCA):

The notes payable to banks are due between December 2018 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, 2018, 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>
2019	\$ 975,111	\$ 374,210
2020	1,195,018	336,917
2021	995,289	298,161
2022	1,028,157	265,294
2023	1,041,050	231,609
2024-2028	3,358,098	767,666
2029-2033	2,679,774	389,158
2034-2036	<u>1,587,148</u>	<u>63,208</u>
Total	<u>\$ 12,859,645</u>	<u>\$ 2,726,223</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, 2018:

Year Ended June 30,	<u>Capital Lease Obligations Payable</u>
2019	\$ 220,404
2020	117,782
2021	99,952
2022	<u>13,404</u>
Total minimum lease payments	451,542
Less amount representing interest	<u>18,209</u>
Present value of future minimum lease payments	<u>\$ 433,333</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	\$ 2,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,426
Restricted For:							
Grant purposes	-	-	-	-	-	68,094	68,094
Juvenile programs	-	-	-	-	-	2,972	2,972
E911	-	-	-	-	-	770,925	770,925
Economic development	-	-	854,006	-	-	-	854,006
Other	-	-	-	-	-	77,716	77,716
Stormwater	-	-	-	-	-	472,247	472,247
Police capital outlay	-	-	-	-	-	38,150	38,150
Cemetery	-	-	-	-	-	385,940	385,940
Technology improvements	-	-	-	-	-	23,121	23,121
Infrastructure improvements	-	-	-	-	-	43,632	43,632
Emergencies	-	3,767,482	-	-	-	-	3,767,482
Capital improvements:							
Economic development-bond repayment	-	-	-	-	-	800,000	800,000
Economic development - trustee accounts	-	-	-	-	29,935	-	29,935
Debt Service	-	-	-	528,373	7,361,470	2,575,063	10,464,906
Sub-total Restricted	-	3,767,482	854,006	528,373	7,391,405	5,257,860	17,799,126
Assigned to:							
Tourism	-	-	-	-	-	840,116	840,116
Economic development	-	-	1,994,461	-	-	-	1,994,461
Other	-	-	-	-	-	32,744	32,744
Capital improvements	-	-	-	-	-	239,396	239,396
Nutrition services	25,093	-	-	-	-	-	25,093
Sub-total Assigned	25,093	-	1,994,461	-	-	1,112,256	3,131,810
Unassigned	660,590	-	-	-	-	-	660,590
Total Fund Balance	\$ 688,109	\$ 3,767,482	\$ 2,848,467	\$ 528,373	\$ 7,391,405	\$ 6,370,116	\$ 21,593,952

**Restricted Net Position – Governmental Activities**

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

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Fund	Restricted By	Amount
Juvenile Fine Fund	State statutes and/or debt indentures	\$ 2,972
State Forfeiture Fund	State statutes and/or debt indentures	23,780
Cemetery Perpetual Care Fund	State statutes and/or debt indentures	385,940
Federal Forfeiture Fund	State statutes and/or debt indentures	11,693
Capital Improvement Plan Fund	State statutes and/or debt indentures	800,000
		<b>\$ 1,224,385</b>
Dedicated Sales Tax - MPWA	External parties (voters)	\$ 528,373
E911 Fund	External parties (voters)	770,925
Reserve Fund	External parties (voters)	3,767,482
Economic Development Fund	External parties (voters)	854,006
Gifts & Contributions Fund	External parties (donors)	77,716
Stormwater Fund	External parties (voters)	472,247
Infrastructure Fund	External parties (voters)	43,632
Sales Tax - Schools Fund	External parties (voters)	2,575,063
Fire Improvement Grant Fund	External parties (grantors)	260
Police Equipment Fund	External parties (grantors)	2,677
CDBG Fund	External parties (grantors)	67,834
Technology Fund	External parties (voters)	23,121
		<b>\$ 9,183,336</b>

## 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 – expiring July 1, 2018).
- 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 – expiring July 1, 2018).

### 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 2019 through 2034. The total principal and interest payable for the remainder of the life of these bonds is \$69,994,737, which includes \$17,560,000 of accreted bonds. Pledged sales taxes transferred in the current year were \$5,952,916 and the net utility revenues were \$2,608,506. Debt service payments of \$5,880,853, excluding accreted interest, for the current fiscal year were 98.79% of the pledged and transferred sales taxes and 68.7% 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, 2018, were as follows:

<b>Transfer From</b>	<b>Transfer To</b>	<b>Amount</b>	<b>Nature of Transfer</b>
General Fund	McAlester Airport Authority	\$ 51,553	Transfer for operations
General Fund	Capital Improvement Plan Fund	674,208	Transfer for capital improvements
Capital Improvement Plan Fund	MPWA	617,923	Debt service payments
Dedicated Sales Tax Fund	Bond Trustee Fund	4,401,674	Debt payments to trustee bank
Sales Tax - Schools Fund	Bond Trustee Fund	646,390	Debt payments to trustee bank
Economic Development Fund	Bond Trustee Fund	904,852	Debt payments to trustee bank
Economic Development Fund	McAlester Airport Authority	60,489	Operating subsidy - grant match
Economic Development Fund	MPWA	3,390	Debt service payments
MPWA	General Fund	1,537,701	Transfer for operations
MPWA	Capital Improvement Plan Fund	214,895	Transfer for capital improvements
MPWA	Dedicated Sales Tax Fund	509,589	Transfer for operations
MPWA	CDBG Grants Fund	91,936	Transfer for operations
		\$ 9,714,600	
	Transfers In	Transfers Out	Net Transfers/ Internal Activity
Reconciliation to Fund			
Financial Statements:			
Governmental Funds	\$ 8,981,245	\$ (7,360,479)	\$ 1,620,766
Enterprise Funds	733,355	(2,354,121)	(1,620,766)
Total Transfers	\$ 9,714,600	\$ (9,714,600)	\$ -
Reconciliation to statement of activities:		Governmental	Business-Type
Net transfers		\$ 1,620,766	\$ (1,620,766)
Reclassification of revenues between activities		427,936	(427,936)
Reclassification of capital asset purchases and expense between activities		(1,612,984)	1,612,984
Total Transfers - Internal Activity		\$ 435,718	\$ (435,718)

*Balances:*

Interfund receivables and payables at June 30, 2018, were as follows:

<b>Due From</b>	<b>Due To</b>	<b>Amount</b>	<b>Nature of Interfund Balance</b>	
General Fund	Capital Improvement Plan Fund	\$ 800,000	Bond related issues	
General Fund	Workers Compensation Fund	106,431	GF share of claims liability	
MPWA	Workers Compensation Fund	814	GF share of claims liability	
		\$ 907,245		
	<b>Due From Other Fund</b>	<b>Due To Other Funds</b>	<b>Internal Service Funds Reconciliation</b>	<b>Net Activity/ Internal Balances</b>
Reconciliation to Fund				
Financial Statements:				
Governmental Funds	\$ 800,000	\$ (906,431)	\$ 107,245	\$ 814
Enterprise Funds	-	(814)	-	(814)
Internal Service Funds	107,245	-	(107,245)	-
Total Interfund Balances	\$ 907,245	\$ (907,245)	\$ -	\$ -



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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, 2015 to June 30, 2018 are as follows:

	Total Claims Liability
Claims liability, June 30, 2015	\$ 379,150
Claims incurred	381,065
Claims paid	<u>(509,859)</u>
Claims liability, June 30, 2016	250,356
Claims incurred	243,278
Claims paid	<u>(262,332)</u>
Claims liability, June 30, 2017	231,302
Claims incurred	250,831
Claims paid	<u>(356,719)</u>
Claims liability, June 30, 2018	<u><u>\$ 125,414</u></u>

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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 2018, the City's involvement in federal and state award programs was not 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 final problem is the lower backwash pond is currently 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 pond is having the sludge removed daily with pump, tractor, and excavator. The sludge is being transported to the sludge drying beds until material is dry enough to haul to the landfill.

## **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	8.64% of Payroll (\$427,842 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	62
Terminated Vested Employees	34
Retirees or Retiree Beneficiaries	<u>84</u>
Total	<u>180</u>

***C. Changes in Net Pension Liability***

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 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, 2017 and the City’s report ending date of June 30, 2018, 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 6/30/2016	\$ 16,956,873	\$ 12,547,080	\$ 4,409,793
Changes for the Year:			
Interest	1,178,194	-	1,178,194
Difference between expected and actual experience	103,095	-	103,095
Benefit payments, including refunds	(1,094,405)	(1,094,405)	-
Net investment income	-	1,691,613	(1,691,613)
City contributions	-	600,552	(600,552)
Plan administrative expenses	-	(132,257)	132,257
Net Changes	<u>186,884</u>	<u>1,065,503</u>	<u>(878,619)</u>
Balances at 6/30/17	<u>\$ 17,143,757</u>	<u>\$ 13,612,583</u>	<u>\$ 3,531,174</u>

The City reported \$429,351 in pension expense for the year ended June 30, 2018. At June 30, 2018, 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	\$ 166,434	\$ -
Net difference between projected and actual earnings on pension plan investments	139,051	-
Changes in proportion and differences between City contributions and change in proportion share of contributions	60,062	60,062
City contributions subsequent to the measurement date	450,504	-
Total	<u>\$ 816,051</u>	<u>\$ 60,062</u>

\$450,504 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, 2019. 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:**

2019	\$ 58,078
2020	307,989
2021	89,904
2022	<u>(150,486)</u>
	<u>\$ 305,485</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, 2018 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 12.81%.

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%)
<b>City's Net Pension Liability</b>			
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
City's Net Pension Liability - 2018	\$ 5,274,979	\$ 3,429,923	\$ 1,860,105

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The components of the net pension liability of the City as of June 30, 2015, 2016, 2017 & 2018, were as follows:

	2015	2016	2017	2018
Total Pension Liability	\$ 16,785,991	\$ 16,956,873	\$ 17,143,757	\$ 17,238,457
Plan Fiduciary Net Position	13,318,299	12,547,080	13,612,583	13,808,534
Net Pension Liability	<u>\$ 3,467,692</u>	<u>\$ 4,409,793</u>	<u>\$ 3,531,174</u>	<u>\$ 3,429,923</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	79.3%	74.0%	79.4%	80.1%

***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 \$300,317. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$883,787 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 \$661,065. 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, 2018, the City reported a net pension liability of \$9,433,823 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.7501 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$996,750. At June 30, 2018, 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	\$ 1,260,196	\$ -
Net difference between projected and actual earnings on pension plan investments	-	262,888
Changes in proportion	108,417	271,876
City contributions during measurement date	-	5,807
City contributions subsequent to the measurement date	300,317	-
<b>Total</b>	<b>\$ 1,668,930</b>	<b>\$ 540,571</b>

\$300,317 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, 2019. 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:	
2019	\$ 27,606
2020	319,503
2021	227,384
2022	14,814
2023	196,474
Thereafter	42,261
<b>Total</b>	<b>\$ 828,042</b>

**Actuarial Assumptions-** The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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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, 2017, are summarized in the following table:

Asset	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

**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	\$ 12,375,794	\$ 9,433,823	\$ 6,940,568

**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](http://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%



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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 \$309,191. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$304,308 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 \$281,808. 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. 63<sup>rd</sup> 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, 2018, the City reported a net pension liability of \$63,229 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.8220 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$390,694. At June 30, 2018, 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	\$ 3,175	\$ 382,263
Net difference between projected and actual earnings on pension plan investments	470,944	-
Changes in proportion	22,312	6,204
City contributions during measurement date	2,922	9,151
City contributions subsequent to the measurement date	309,191	-
<b>Total</b>	<b>\$ 808,544</b>	<b>\$ 397,618</b>

\$309,191 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, 2019. 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:	
2019	\$ (10,603)
2020	236,965
2021	111,032
2022	(191,144)
2023	<u>(44,515)</u>
Total	<u>\$ 101,735</u>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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, 2017, 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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%

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Private Equity	9.86%
Commodities	5.18%

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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability (asset)	\$ 2,136,960	\$ 63,229	\$(1,688,350)

**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](http://www.ok.gov/OPPRS).

*Summary of Contributions:*

<u>Oklahoma Firefighter's Pension and Retirement System</u>			<u>Oklahoma Police Pension and Retirement System</u>		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2016	297,937	100%	2016	316,663	100%
2017	298,853	100%	2017	318,644	100%
2018	300,317	100%	2018	309,191	100%

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*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 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, 2018, the City contributed \$179,001 to the plan.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 1001 N.W. 63<sup>rd</sup>, Suite 260, Oklahoma City, Oklahoma, 73116.

#### **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:

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 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.

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GASB Statement 87, *Leases* - GASB No. 87 was issued June 2017, the primary objective of this Statement is to increase 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.

GASB Statement 88, *Certain Disclosures Related to Debt* – GASB No. 88 was issued April 2018, the primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date of the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The City has not yet determined the impact that implementation of GASB 88 will have on its disclosures. This Statement is effective for periods beginning after June 15, 2018.

GASB Statement 90, *Majority Equity Interests* - GASB No. 90, Majority Equity Interests (An amendment of GASB Statement 14 and 61) –issued August 2018, will be effective for the City beginning with its fiscal year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The City has not yet determined the impact that implementation of GASB 90 will have on its net position.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2018**

	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ 190,399	\$ 724,894	\$ 534,495
<b>Resources (Inflows):</b>				
<b>TAXES:</b>				
Sales tax	7,850,344	7,850,344	7,787,024	(63,320)
Use tax	831,795	831,795	1,095,265	263,470
Franchise tax	564,200	564,200	597,272	33,072
<b>Total Taxes</b>	<u>9,246,339</u>	<u>9,246,339</u>	<u>9,479,561</u>	<u>233,222</u>
<b>INTERGOVERNMENTAL:</b>				
Alcoholic beverage tax	150,655	150,655	146,079	(4,576)
Tobacco/cigarette tax	157,690	157,690	161,927	4,237
Gas excise tax	34,269	34,269	34,275	6
Vehicle tax	135,225	135,225	126,704	(8,521)
Grant revenue	145,500	190,500	114,897	(75,603)
<b>Total Intergovernmental</b>	<u>623,339</u>	<u>668,339</u>	<u>583,882</u>	<u>(84,457)</u>
<b>CHARGES FOR SERVICES:</b>				
Court costs	366,500	366,500	326,197	(40,303)
Cemetery opening/closing	32,100	32,100	23,275	(8,825)
Incarceration fee	46,688	46,688	47,579	891
Cemetery fees	16,000	16,000	8,475	(7,525)
Swimming pool revenue	34,536	34,536	31,151	(3,385)
Ambulance revenue	480,604	480,604	506,224	25,620
Street cuts	8,500	8,500	935	(7,565)
Recreation fees	5,500	5,500	1,420	(4,080)
Oil and gas leases	355,100	355,100	387,562	32,462
Abatements	40,975	40,975	51,061	10,086
Rental rooms	4,812	4,812	4,205	(607)
Burgular alarms	13,500	13,500	11,020	(2,480)
Complex concessions	15,000	15,000	14,063	(937)
Firing range fees	1,000	1,000	60	(940)
Complex rental	10,000	10,000	15,876	5,876
<b>Total Charges for Services</b>	<u>1,430,815</u>	<u>1,430,815</u>	<u>1,429,103</u>	<u>(1,712)</u>
<b>FINES AND FORFEITURES</b>	<u>902,545</u>	<u>902,545</u>	<u>736,241</u>	<u>(166,304)</u>
<b>LICENSES AND PERMITS</b>	<u>102,277</u>	<u>102,277</u>	<u>80,810</u>	<u>(21,467)</u>
<b>INVESTMENT INCOME</b>	<u>22,115</u>	<u>22,115</u>	<u>54,811</u>	<u>32,696</u>
<b>MISCELLANEOUS:</b>				
Hay sales	-	-	780	780
Vendors	200	200	50	(150)
Cemetery lots	13,150	13,150	16,669	3,519
Demolitions	5,000	5,000	1,020	(3,980)
Court admin fee	4,945	4,945	2,681	(2,264)
Miscellaneous	13,852	13,852	4,481	(9,371)
Credit card payment fees	14,712	14,712	14,139	(573)
Education & training revenue	9,000	9,000	3,050	(5,950)
Restitution reimbursements	5,541	5,541	10,666	5,125
Reimbursements	35,384	35,384	73,820	38,436
<b>Total Miscellaneous</b>	<u>101,784</u>	<u>101,784</u>	<u>127,356</u>	<u>25,572</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers from other funds	2,129,961	2,073,561	1,537,701	(535,860)
<b>Total Other Financing Sources</b>	<u>2,129,961</u>	<u>2,073,561</u>	<u>1,537,701</u>	<u>(535,860)</u>
<b>Amounts available for appropriation</b>	<u>14,559,175</u>	<u>14,738,174</u>	<u>14,754,359</u>	<u>16,185</u>

(Continued)

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Charges to Appropriations (Outflows):</b>				
<b>LEGISLATURE:</b>				
Mayor and Council:				
Personal services	4,889	4,889	4,845	44
Materials and supplies	1,900	1,980	1,980	-
Other services and charges	107,500	111,992	108,123	3,869
<b>TOTAL LEGISLATURE</b>	<b>114,289</b>	<b>118,861</b>	<b>114,948</b>	<b>3,913</b>
<b>ADMINISTRATION:</b>				
City Manager:				
Personal services	255,238	241,653	237,752	3,901
Materials and supplies	2,625	2,188	1,573	615
Other services and charges	55,500	52,397	49,927	2,470
Capital outlay	25,000	18,230	17,980	250
<b>Total City Manager</b>	<b>338,363</b>	<b>314,468</b>	<b>307,232</b>	<b>7,236</b>
Finance:				
Personal services	358,831	358,230	358,206	24
Materials and supplies	2,625	2,625	1,700	925
Other services and charges	7,400	7,745	7,707	38
<b>Total Finance</b>	<b>368,856</b>	<b>368,600</b>	<b>367,613</b>	<b>987</b>
City Clerk:				
Personal services	107,822	107,686	107,513	173
Materials and supplies	900	673	347	326
Other services and charges	8,285	7,927	7,657	270
<b>Total City Clerk</b>	<b>117,007</b>	<b>116,286</b>	<b>115,517</b>	<b>769</b>
City Attorney:				
Personal services	81,749	99,777	99,666	111
Materials and supplies	1,125	125	-	125
Other services and charges	71,100	71,108	51,259	19,849
<b>Total City Attorney</b>	<b>153,974</b>	<b>171,010</b>	<b>150,925</b>	<b>20,085</b>
Court:				
Personal services	158,543	155,222	155,201	21
Materials and supplies	875	875	397	478
Other services and charges	54,300	120,076	119,827	249
<b>Total Court</b>	<b>213,718</b>	<b>276,173</b>	<b>275,425</b>	<b>748</b>
Interdepartmental:				
Personal services	476,013	247,176	234,516	12,660
Materials and supplies	90,000	69,997	34,686	35,311
Other services and charges	751,507	730,364	717,165	13,199
<b>Total Interdepartmental</b>	<b>1,317,520</b>	<b>1,047,537</b>	<b>986,367</b>	<b>61,170</b>
Information Services:				
Personal services	128,412	130,633	130,436	197
Materials and supplies	1,975	1,975	1,713	262
Other services and charges	81,000	76,400	74,668	1,732
<b>Total Information Services</b>	<b>211,387</b>	<b>209,008</b>	<b>206,817</b>	<b>2,191</b>

(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	627,167	666,025	654,020	12,005
Materials and supplies	11,495	6,326	6,117	209
Other services and charges	6,000	3,280	3,169	111
Total CID	<u>644,662</u>	<u>675,631</u>	<u>663,306</u>	<u>12,325</u>
TOTAL ADMINISTRATION	<u>3,365,487</u>	<u>3,178,713</u>	<u>3,073,202</u>	<u>105,511</u>
PUBLIC SAFETY:				
Patrol:				
Personal services	2,801,317	2,838,081	2,796,014	42,067
Materials and supplies	127,290	124,383	123,049	1,334
Other services and charges	143,825	145,178	144,473	705
Total Patrol	<u>3,072,432</u>	<u>3,107,642</u>	<u>3,063,536</u>	<u>44,106</u>
Animal Control:				
Personal services	40,892	41,009	40,976	33
Materials and supplies	6,045	4,545	4,377	168
Other services and charges	1,750	5,784	5,777	7
Total Animal Control	<u>48,687</u>	<u>51,338</u>	<u>51,130</u>	<u>208</u>
Communications:				
Personal services	193,013	212,166	209,448	2,718
Materials and supplies	1,950	1,950	557	1,393
Other services and charges	1,800	1,800	1,549	251
Total Communications	<u>196,763</u>	<u>215,916</u>	<u>211,554</u>	<u>4,362</u>
Fire:				
Personal services	2,956,959	3,198,875	3,187,350	11,525
Materials and supplies	61,529	67,154	64,886	2,268
Other services and charges	139,509	114,890	109,414	5,476
Total Fire	<u>3,157,997</u>	<u>3,380,919</u>	<u>3,361,650</u>	<u>19,269</u>
EMS:				
Materials and supplies	38,850	44,137	41,252	2,885
Other services and charges	81,200	77,807	76,522	1,285
Total EMS	<u>120,050</u>	<u>121,944</u>	<u>117,774</u>	<u>4,170</u>
TOTAL PUBLIC SAFETY	<u>6,595,929</u>	<u>6,877,759</u>	<u>6,805,644</u>	<u>72,115</u>
COMMUNITY SERVICES:				
Parks:				
Personal services	621,907	630,113	626,054	4,059
Materials and supplies	81,900	82,568	77,746	4,822
Other services and charges	74,795	93,673	81,920	11,753
Total Parks	<u>778,602</u>	<u>806,354</u>	<u>785,720</u>	<u>20,634</u>
Swimming Pools:				
Personal services	89,725	102,367	102,363	4
Materials and supplies	40,500	35,500	32,765	2,735
Other services and charges	9,500	6,500	5,379	1,121
Total Swimming Pools	<u>139,725</u>	<u>144,367</u>	<u>140,507</u>	<u>3,860</u>

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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	195,548	184,645	148,255	36,390
Materials and supplies	34,746	25,974	19,393	6,581
Other services and charges	22,780	23,436	14,374	9,062
Total Recreation	<u>253,074</u>	<u>234,055</u>	<u>182,022</u>	<u>52,033</u>
Cemetery:				
Personal services	226,029	257,574	244,702	12,872
Materials and supplies	21,439	20,598	17,347	3,251
Other services and charges	11,153	19,260	17,712	1,548
Total Cemetery	<u>258,621</u>	<u>297,432</u>	<u>279,761</u>	<u>17,671</u>
Facility Maintenance:				
Personal services	153,527	154,020	153,983	37
Materials and supplies	42,200	44,223	41,672	2,551
Other services and charges	70,732	68,305	64,655	3,650
Total Facility Maintenance	<u>266,459</u>	<u>266,548</u>	<u>260,310</u>	<u>6,238</u>
TOTAL COMMUNITY SERVICES	<u>1,696,481</u>	<u>1,748,756</u>	<u>1,648,320</u>	<u>100,436</u>
ADMINISTRATIVE SERVICES:				
Planning & Community Development:				
Personal services	240,417	225,102	219,505	5,597
Materials and supplies	6,825	5,762	4,687	1,075
Other services and charges	129,200	133,931	85,313	48,618
Total Planning & Community Development	<u>376,442</u>	<u>364,795</u>	<u>309,505</u>	<u>55,290</u>
Human Resources/Risk Management:				
Personal services	141,199	146,359	146,240	119
Materials and supplies	37,313	32,636	23,981	8,655
Other services and charges	20,250	27,872	23,638	4,234
Total Human Resources/Risk Management	<u>198,762</u>	<u>206,867</u>	<u>193,859</u>	<u>13,008</u>
TOTAL ADMINISTRATIVE SERVICES	<u>575,204</u>	<u>571,662</u>	<u>503,364</u>	<u>68,298</u>
PUBLIC WORKS:				
Streets:				
Personal services	659,461	603,363	597,830	5,533
Materials and supplies	374,710	345,010	315,814	29,196
Other services and charges	71,420	154,403	148,467	5,936
Capital outlay	221,924	46,924	40,551	6,373
Total Streets	<u>1,327,515</u>	<u>1,149,700</u>	<u>1,102,662</u>	<u>47,038</u>
TOTAL PUBLIC WORKS	<u>1,327,515</u>	<u>1,149,700</u>	<u>1,102,662</u>	<u>47,038</u>
OTHER FINANCING USES:				
Transfers to other funds	884,270	1,092,723	917,724	174,999
<b>Total Charges to Appropriations</b>	<u>14,559,175</u>	<u>14,738,174</u>	<u>14,165,864</u>	<u>572,310</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 588,495</u>	<u>\$ 588,495</u>

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**Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2018, (Continued)**

	<b>SPECIAL REVENUE - RESERVE FUND (Budgetary Basis)</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 3,703,438	\$ 3,703,438
Resources (Inflows):				
Investment income	35,000	35,000	64,044	29,044
Amounts available for appropriation	<u>35,000</u>	<u>35,000</u>	<u>3,767,482</u>	<u>3,732,482</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>\$ 3,767,482</u>	<u>\$ 3,732,482</u>

	<b>SPECIAL REVENUE - ECONOMIC DEVELOPMENT FUND (Budgetary Basis)</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ 445,527	\$ 1,265,005	\$ 3,114,077	\$ 1,849,072
Resources (Inflows):				
Taxes	981,293	981,293	973,378	(7,915)
Investment income	13,000	13,000	49,806	36,806
Miscellaneous	-	-	4,790	4,790
Amounts available for appropriation	<u>1,439,820</u>	<u>2,259,298</u>	<u>4,142,051</u>	<u>1,882,753</u>
Charges to appropriations (outflows):				
Finance	135,775	134,223	68,649	65,574
Planning and community development	340,256	1,159,734	387,631	772,103
Transfers out	963,789	965,341	965,341	-
Total Charges to Appropriations	<u>1,439,820</u>	<u>2,259,298</u>	<u>1,421,621</u>	<u>837,677</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,720,430</u>	<u>\$ 2,720,430</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><b>General Fund</b></u>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$14,754,359
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.	(724,894)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,537,701)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	1,188,095
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.	54,051
The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis.	<u>35,349</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$13,769,259</u>
<b>Uses/Outflows of resources</b>	
Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$14,165,864
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.	(78,192)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	1,188,095
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.	269,875
Transfers to other funds and component units are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(917,724)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$14,627,918</u>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$3,767,482

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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>(3,703,438)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$64,044</u>
	<b><u>Economic Development Fund</u></b>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$4,142,051
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.	(3,114,077)
The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis.	<u>4,611</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$1,032,585</u>
<b>Uses/Outflows of resources</b>	
Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$1,421,621
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.	255
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>(965,341)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$453,145</u>

5. For the year ended June 30, 2018, the City complied, in all material respects, with the applicable budget laws.

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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	2018
<b>Total pension liability</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,125,249	1,159,854	1,170,468	1,178,194	1,190,824
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	354,880	4,086	25,240	103,095	68,272
Changes of assumptions	-	-	-	-	-
Benefit payments, including refunds of member contributions	(992,995)	(992,553)	(1,024,826)	(1,094,405)	(1,164,396)
<b>Net change in total pension liability</b>	<u>487,134</u>	<u>171,387</u>	<u>170,882</u>	<u>186,884</u>	<u>94,700</u>
<b>Total pension liability - beginning</b>	<u>16,127,470</u>	<u>16,614,604</u>	<u>16,785,991</u>	<u>16,956,873</u>	<u>17,143,757</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 16,614,604</u>	<u>\$ 16,785,991</u>	<u>\$ 16,956,873</u>	<u>\$ 17,143,757</u>	<u>\$ 17,238,457</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 580,226	\$ 495,901	\$ 618,056	\$ 600,552	\$ 450,504
Contributions - member	-	-	-	-	-
Net investment income	2,444,464	132,780	(240,387)	1,691,613	1,039,420
Benefit payments, including refunds of member contributions	(992,995)	(992,553)	(1,024,826)	(1,094,405)	(1,164,396)
Administrative expense	(148,960)	(127,870)	(124,062)	(132,257)	(129,577)
Other	71,351	481	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>1,954,086</u>	<u>(491,261)</u>	<u>(771,219)</u>	<u>1,065,503</u>	<u>195,951</u>
<b>Plan fiduciary net position - beginning</b>	<u>11,855,474</u>	<u>13,809,560</u>	<u>13,318,299</u>	<u>12,547,080</u>	<u>13,612,583</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 13,809,560</u>	<u>\$ 13,318,299</u>	<u>\$ 12,547,080</u>	<u>\$ 13,612,583</u>	<u>\$ 13,808,534</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 2,805,044</u>	<u>\$ 3,467,692</u>	<u>\$ 4,409,793</u>	<u>\$ 3,531,174</u>	<u>\$ 3,429,923</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	83.12%	79.3%	74.0%	79.4%	80.1%
<b>Covered payroll</b>	\$ 4,097,667	\$ 3,714,076	N/A	N/A	N/A
<b>Net pension liability as a percentage of covered payroll</b>	68.5%	93.4%	N/A	N/A	N/A

**Notes to Schedule:**

\*Only five 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	2018
Actuarially determined contribution	\$ 489,408	\$ 458,246	\$ 478,557	\$ 427,842
Contributions in relation to the actuarially determined contribution	495,901	593,512	600,552	450,504
Contribution deficiency (excess)	\$ (6,493)	\$ (135,266)	\$ (121,995)	\$ (22,662)
Covered payroll	N/A (Note 4)	N/A (Note 4)	N/A (Note 4)	N/A (Note 4)
Contributions as a percentage of covered payroll	N/A (Note 4)	N/A (Note 4)	N/A (Note 4)	N/A (Note 4)

**Notes to Schedule:**

1. \*Only four years are presented because 10-year data is not yet available; plan frozen on July 1, 2013.
2. Latest Valuation Date: July 1, 2017
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 = 9 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	2018
Annual money-weighted rate of return, net of investment expense	0.2%	0.24%	-2.57%	12.81%

**Note to Schedule:**

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

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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>	<u>2018</u>
City's proportion of the net pension liability	0.774228%	0.747576%	0.761806%	0.750071%
City's proportionate share of the net pension liability	\$ 7,961,756	\$ 7,934,836	\$ 9,307,102	\$ 9,433,823
City's covered payroll	\$ 2,067,321	\$ 2,042,764	2,128,125	2,134,671
City's proportionate share of the net pension liability as a percentage of its covered payroll	385%	388%	437%	442%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%

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

**Notes to Schedule:**

\*Only four years are presented because 10-year data is not yet available.  
Current year measurement date is June 30, 2017.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorially required contribution	\$ 285,987	\$ 297,937	\$ 298,853	\$ 300,317
Contributions in relation to the statutorially required contribution	<u>285,987</u>	<u>297,937</u>	<u>298,853</u>	<u>300,317</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,042,764	2,128,125	2,134,671	2,145,115
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

**Notes to Schedule:**

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



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**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>	<u>2018</u>
City's proportion of the net pension liability (asset)	0.7942%	0.8215%	0.8551%	0.8220%
City's proportionate share of the net pension liability (asset)	\$ (267,389)	\$ 33,497	\$ 1,309,556	\$ 63,229
City's covered payroll	\$ 2,217,808	\$ 2,401,492	\$ 2,435,869	\$ 2,451,108
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.06%	1.39%	53.76%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%

**Notes to Schedule:**

\*Only four years are presented because 10-year data is not yet available.  
Current year measurement date is June 30, 2017.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorially required contribution	\$ 312,194	\$ 316,663	\$ 318,644	\$ 309,191
Contributions in relation to the statutorially required contribution	<u>312,194</u>	<u>316,663</u>	<u>318,644</u>	<u>309,191</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,401,492	\$ 2,435,869	\$ 2,451,108	\$ 2,378,392
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%

**Notes to Schedule:**

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

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF MCALESTER, OKLAHOMA**  
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**Combining Balance Sheet, General Fund Accounts – June 30, 2018**

	<u>General Fund</u>	<u>Nutrition Account</u>	<u>Total General Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 740,084	\$ 25,340	\$ 765,424
Receivables:			
Due from other governments	1,231,829	10,028	1,241,857
Franchise tax receivable	36,782	-	36,782
Court fines receivable, net of allowance	992,251	-	992,251
Ambulance receivable, net of allowance	113,411	-	113,411
Other receivables, net of allowance	34,237	-	34,237
Prepaid items	2,426	-	2,426
	<u>\$ 3,151,020</u>	<u>\$ 35,368</u>	<u>\$ 3,186,388</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 180,596	\$ 2,380	\$ 182,976
Accrued payroll liabilities	401,994	7,895	409,889
Due to other funds	906,431	-	906,431
Unearned revenue	2,805	-	2,805
Due to bondholders	405	-	405
	<u>1,492,231</u>	<u>10,275</u>	<u>1,502,506</u>
Deferred inflows of resources:			
Deferred revenue	<u>995,773</u>	<u>-</u>	<u>995,773</u>
Fund balances:			
Nonspendable	2,426	-	2,426
Assigned	-	25,093	25,093
Unassigned	<u>660,590</u>	<u>-</u>	<u>660,590</u>
	<u>663,016</u>	<u>25,093</u>	<u>688,109</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,151,020</u>	<u>\$ 35,368</u>	<u>\$ 3,186,388</u>

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances, General Fund**  
**Accounts – Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Nutrition Account</u>	<u>Total General Fund</u>
<b>REVENUES</b>			
Taxes	\$ 9,536,185	\$ -	\$ 9,536,185
Intergovernmental	1,762,292	54,051	1,816,343
Charges for services	1,419,847	-	1,419,847
Fines and forfeitures	733,907	-	733,907
Licenses and permits	80,810	-	80,810
Investment earnings	54,811	-	54,811
Miscellaneous	127,356	-	127,356
	<u>13,715,208</u>	<u>54,051</u>	<u>13,769,259</u>
<b>EXPENDITURES</b>			
Current:			
Legislative	114,976	-	114,976
Administration	3,056,754	-	3,056,754
Public safety	7,929,353	-	7,929,353
Community services	1,617,674	-	1,617,674
Administrative services	505,249	-	505,249
Health and welfare	-	269,875	269,875
Public works	1,057,453	-	1,057,453
Capital Outlay	76,584	-	76,584
	<u>14,358,043</u>	<u>269,875</u>	<u>14,627,918</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(642,835)</u>	<u>(215,824)</u>	<u>(858,659)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,537,701	-	1,537,701
Transfers out	(725,761)	-	(725,761)
Interaccount transfers	(191,963)	191,963	-
	<u>619,977</u>	<u>191,963</u>	<u>811,940</u>
<b>Net change in fund balances</b>	(22,858)	(23,861)	(46,719)
<b>Fund balances - beginning</b>	685,874	48,954	734,828
<b>Fund balances - ending</b>	<u>\$ 663,016</u>	<u>\$ 25,093</u>	<u>\$ 688,109</u>

**CITY OF MCALESTER, OKLAHOMA  
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**Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2018**

	SPECIAL REVENUE FUNDS				
	Juvenile Fine Fund	Tourism/SE Expo Fund	E-911 Fund	Gifts & Contributions Fund	Stormwater Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,972	\$ 796,839	\$ 644,715	\$ 118,946	\$ 503,787
Accounts receivable, net of allowance	-	-	-	-	57,132
Due from other funds	-	-	-	-	-
Due from other governments	-	77,840	-	-	-
Other receivables	-	-	156,405	-	-
Total assets	<u>\$ 2,972</u>	<u>\$ 874,679</u>	<u>\$ 801,120</u>	<u>\$ 118,946</u>	<u>\$ 560,919</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 27,181	\$ 11,674	\$ 8,486	\$ 88,672
Accrued payroll liabilities	-	7,382	18,521	-	-
Total liabilities	<u>-</u>	<u>34,563</u>	<u>30,195</u>	<u>8,486</u>	<u>88,672</u>
Deferred Inflows of Resources:					
Deferred revenue	-	-	-	-	-
Fund Balances:					
Restricted	2,972	-	770,925	77,716	472,247
Assigned	-	840,116	-	32,744	-
Total fund balances	<u>2,972</u>	<u>840,116</u>	<u>770,925</u>	<u>110,460</u>	<u>472,247</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,972</u>	<u>\$ 874,679</u>	<u>\$ 801,120</u>	<u>\$ 118,946</u>	<u>\$ 560,919</u>

**(Continued)**

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**Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2018, Continued**

	CAPITAL PROJECT FUNDS				
	Police Equipment Fund	State Forfeiture Fund	Cemetery Perpetual Care Fund	CDBG Grants Fund	Federal Forfeiture Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,677	\$ 23,783	\$ 385,940	\$ 2,774	\$ 11,693
Accounts receivable, net of allowance	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	10,144	-	-	71,250	-
Other receivables	-	-	-	-	-
Total assets	<u>\$ 12,821</u>	<u>\$ 23,783</u>	<u>\$ 385,940</u>	<u>\$ 74,024</u>	<u>\$ 11,693</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 3	-	\$ 6,190	\$ -
Accrued payroll liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>3</u>	<u>-</u>	<u>6,190</u>	<u>-</u>
Deferred Inflows of Resources:					
Deferred revenue	10,144	-	-	-	-
Fund Balances:					
Restricted	2,677	23,780	385,940	67,834	11,693
Assigned	-	-	-	-	-
Total fund balances	<u>2,677</u>	<u>23,780</u>	<u>385,940</u>	<u>67,834</u>	<u>11,693</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,821</u>	<u>\$ 23,783</u>	<u>\$ 385,940</u>	<u>\$ 74,024</u>	<u>\$ 11,693</u>

(Continued)

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**Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2018, Continued**

	CAPITAL PROJECT FUNDS				DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Fire Improvement Grant Fund	Capital Improvement Plan Fund	Technology Fund	Infrastructure Fund	Sales Tax - Schools Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 260	\$ 310,729	\$ 137,798	\$ 29,055	\$ 2,443,962	\$ 5,415,930
Accounts receivable, net of allowance	-	-	41,045	41,045	-	139,222
Due from other funds	-	800,000	-	-	-	800,000
Due from other governments	-	-	-	-	131,101	290,335
Other receivables	-	-	-	-	-	156,405
<b>Total assets</b>	<b>\$ 260</b>	<b>\$ 1,110,729</b>	<b>\$ 178,843</b>	<b>\$ 70,100</b>	<b>\$ 2,575,063</b>	<b>\$ 6,801,892</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 71,333	\$ 129,304	\$ -	\$ -	\$ 342,843
Accrued payroll liabilities	-	-	-	-	-	25,903
<b>Total liabilities</b>	<b>-</b>	<b>71,333</b>	<b>129,304</b>	<b>-</b>	<b>-</b>	<b>368,746</b>
Deferred Inflows of Resources:						
Deferred revenue	-	-	26,418	26,468	-	63,030
Fund Balances:						
Restricted	260	800,000	23,121	43,632	2,575,063	5,257,860
Assigned	-	239,396	-	-	-	1,112,256
<b>Total fund balances</b>	<b>260</b>	<b>1,039,396</b>	<b>23,121</b>	<b>43,632</b>	<b>2,575,063</b>	<b>6,370,116</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 260</b>	<b>\$ 1,110,729</b>	<b>\$ 178,843</b>	<b>\$ 70,100</b>	<b>\$ 2,575,063</b>	<b>\$ 6,801,892</b>

**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, 2018**

	SPECIAL REVENUE FUNDS				
	Juvenile Fine Fund	Tourism/SE Expo Fund	E-911 Fund	Gifts & Contributions Fund	Stormwater Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ 722,313	\$ 652,139	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	7,145	123,880	-	-	637,447
Investment earnings	-	-	13,423	2	-
Miscellaneous	-	89	30	22,499	-
Total revenues	<u>7,145</u>	<u>846,282</u>	<u>665,592</u>	<u>22,501</u>	<u>637,447</u>
<b>EXPENDITURES</b>					
Current:					
Administration	-	-	-	17,935	-
Public safety	6,726	-	733,534	-	-
Administrative services	-	699,714	-	-	-
Capital Outlay	-	72,303	33,097	173,090	547,588
Debt Service:					
Principal	-	-	-	-	30,083
Interest and other charges	-	-	-	-	9,327
Total expenditures	<u>6,726</u>	<u>772,017</u>	<u>766,631</u>	<u>191,025</u>	<u>586,998</u>
Excess (deficiency) of revenues over expenditures	419	74,265	(101,039)	(168,524)	50,449
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	419	74,265	(101,039)	(168,524)	50,449
Fund balances - beginning	2,553	765,851	871,964	278,984	421,798
Fund balances - ending	<u>\$ 2,972</u>	<u>\$ 840,116</u>	<u>\$ 770,925</u>	<u>\$ 110,460</u>	<u>\$ 472,247</u>

(Continued)



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**Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2018 (Continued)**

	CAPITAL PROJECT FUNDS				
	Police Equipment Fund	State Forfeiture Fund	Cemetery Perpetual Care Fund	CDBG Grants Fund	Federal Forfeiture Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,653	26,237	-	157,949	11,570
Charges for services	-	-	5,706	-	-
Investment earnings	-	914	7,012	-	75
Miscellaneous	-	-	-	5,823	-
Total revenues	<u>6,653</u>	<u>27,151</u>	<u>12,718</u>	<u>163,772</u>	<u>11,645</u>
<b>EXPENDITURES</b>					
Current:					
Administration	-	-	-	-	-
Public safety	-	741	-	-	-
Administrative services	-	-	-	-	-
Capital Outlay	11,395	11,666	8,650	328,128	15,623
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	<u>11,395</u>	<u>12,407</u>	<u>8,650</u>	<u>328,128</u>	<u>15,623</u>
Excess (deficiency) of revenues over expenditures	(4,742)	14,744	4,068	(164,356)	(3,978)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	91,936	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,936</u>	<u>-</u>
Net change in fund balances	(4,742)	14,744	4,068	(72,420)	(3,978)
Fund balances - beginning	7,419	9,036	381,872	140,254	15,671
Fund balances - ending	<u>\$ 2,677</u>	<u>\$ 23,780</u>	<u>\$ 385,940</u>	<u>\$ 67,834</u>	<u>\$ 11,693</u>

(Continued)

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2018 (Continued)**

	CAPITAL PROJECT FUNDS				DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	Fire Improvement Grant Fund	Capital Improvement Plan Fund	Technology Fund	Infrastructure Fund	Sales Tax - Schools Fund	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 977,989	\$ 2,352,441
Intergovernmental	-	127,250	-	-	-	329,659
Charges for services	-	269,987	162,721	43,632	-	1,250,518
Investment earnings	-	-	-	-	41,605	63,031
Miscellaneous	-	80,761	-	-	-	109,202
Total revenues	<u>-</u>	<u>477,998</u>	<u>162,721</u>	<u>43,632</u>	<u>1,019,594</u>	<u>4,104,851</u>
<b>EXPENDITURES</b>						
Current:						
Administration	-	-	-	-	-	17,935
Public safety	-	-	-	-	-	741,001
Administrative services	-	-	-	-	-	699,714
Capital Outlay	-	915,795	430,618	-	-	2,547,953
Debt Service:						
Principal	-	168,288	-	-	-	198,371
Interest and other charges	-	12,802	-	-	-	22,129
Total expenditures	<u>-</u>	<u>1,096,885</u>	<u>430,618</u>	<u>-</u>	<u>-</u>	<u>4,227,103</u>
Excess (deficiency) of revenues over expenditures	-	(618,887)	(267,897)	43,632	1,019,594	(122,252)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	889,103	-	-	-	981,039
Transfers out	-	(617,923)	-	-	(646,390)	(1,264,313)
Total other financing sources and uses	<u>-</u>	<u>271,180</u>	<u>-</u>	<u>-</u>	<u>(646,390)</u>	<u>(283,274)</u>
Net change in fund balances	-	(347,707)	(267,897)	43,632	373,204	(405,526)
Fund balances - beginning	260	1,387,103	291,018	-	2,201,859	6,775,642
Fund balances - ending	<u>\$ 260</u>	<u>\$ 1,039,396</u>	<u>\$ 23,121</u>	<u>\$ 43,632</u>	<u>\$ 2,575,063</u>	<u>\$ 6,370,116</u>

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**Combining Schedule of Net Position, MPWA Accounts – June 30, 2018**

	<b>Enterprise Fund - MPWA</b>		
	<b>McAlester Public Works Authority Operating Account</b>	<b>Landfill Reserve Account</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 267,465	\$ 2,525,572	\$ 2,793,037
Restricted cash and cash equivalents	531,871	-	531,871
Accounts receivable, net of allowance	1,238,197	30,879	1,269,076
Total current assets	<u>2,037,533</u>	<u>2,556,451</u>	<u>4,593,984</u>
Non-current assets:			
Investment in joint venture	1,925,904	-	1,925,904
Capital Assets:			
Land and improvements	1,753,048	-	1,753,048
Other capital assets, net of depreciation	21,932,706	-	21,932,706
Total non-current assets	<u>25,611,658</u>	<u>-</u>	<u>25,611,658</u>
Total assets	<u>27,649,191</u>	<u>2,556,451</u>	<u>30,205,642</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts related to pensions	223,783	-	223,783
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	252,668	2,680	255,348
Accrued payroll liabilities	54,963	-	54,963
Due to other funds	814	-	814
Accrued interest payable	1,638	-	1,638
Unearned revenue	59,396	-	59,396
Due to depositors	106,374	-	106,374
Notes payable	274,851	-	274,851
Water rights contract obligation	30,308	-	30,308
Accrued compensated absences	19,700	-	19,700
Total current liabilities	<u>800,712</u>	<u>2,680</u>	<u>803,392</u>
Non-current liabilities:			
Landfill closure and postclosure liability	4,412,413	-	4,412,413
Due to depositors	425,497	-	425,497
Notes payable	821,580	-	821,580
Water rights contract obligation	31,016	-	31,016
Accrued compensated absences	177,297	-	177,297
Net pension liability	905,979	-	905,979
Total non-current liabilities	<u>6,773,782</u>	<u>-</u>	<u>6,773,782</u>
Total liabilities	<u>7,574,494</u>	<u>2,680</u>	<u>7,577,174</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred amounts related to pensions	28,658	-	28,658
<b>NET POSITION</b>			
Net investment in capital assets	22,527,999	-	22,527,999
Unrestricted (deficit)	(2,258,177)	2,553,771	295,594
Total net position	<u>\$ 20,269,822</u>	<u>\$ 2,553,771</u>	<u>\$ 22,823,593</u>

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**Combining Schedule of Revenues, Expenses, and Changes in Net Position, MPWA Accounts – Year Ended June 30, 2018**

	<b>Enterprise Fund - MPWA</b>		
	<b>McAlester Public Works Authority Operating Account</b>	<b>Landfill Reserve Account</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services:			
Water	\$ 3,080,722	\$ -	\$ 3,080,722
Sewer	1,663,000	-	1,663,000
Sanitation	2,761,673	-	2,761,673
Water taps	18,700	-	18,700
Sewer taps	3,400	-	3,400
Water districts	1,597,162	-	1,597,162
Landfill	2,781	-	2,781
Penalties	-	7,639	7,639
Recycle fees	37,452	-	37,452
Subtitle "D" fees	-	405,927	405,927
Total operating revenues	<u>9,164,890</u>	<u>413,566</u>	<u>9,578,456</u>
<b>OPERATING EXPENSES</b>			
Utility office	574,543	-	574,543
Interdepartmental	828,646	-	828,646
Sanitation	1,886,234	-	1,886,234
Engineering	393,845	-	393,845
Sewer	806,159	-	806,159
Water	1,325,450	-	1,325,450
Utility maintenance	935,744	-	935,744
Landfill	178,683	40,646	219,329
Depreciation	1,587,206	-	1,587,206
Total Operating Expenses	<u>8,516,510</u>	<u>40,646</u>	<u>8,557,156</u>
Operating income	<u>648,380</u>	<u>372,920</u>	<u>1,021,300</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	11,391	42,668	54,059
Interest expense	(43,833)	-	(43,833)
Miscellaneous revenue	63,222	-	63,222
Gain on joint venture	7,345	-	7,345
Total non-operating revenue (expenses)	<u>38,125</u>	<u>42,668</u>	<u>80,793</u>
Income before contributions and transfers	686,505	415,588	1,102,093
Capital contributions	1,708,594	-	1,708,594
Transfers in	621,313	-	621,313
Transfers out	(2,354,121)	-	(2,354,121)
Interaccount transfers	10,018	(10,018)	-
Change in net position	672,309	405,570	1,077,879
Total net position - beginning	19,597,513	2,148,201	21,745,714
Total net position - ending	<u>\$ 20,269,822</u>	<u>\$ 2,553,771</u>	<u>\$ 22,823,593</u>

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**Combining Schedule of Net Position, MAA Accounts – June 30, 2018**

	<b>McAlester Airport Authority</b>			<b>Total</b>
	<b>McAlester Airport Authority Operating Account</b>	<b>Airport Grant Account</b>	<b>Airport Hanger Account</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 14,530	\$ 4,471	\$ 36,760	\$ 55,761
Accounts receivable, net of allowance	8,783	-	-	8,783
Total current assets	<u>23,313</u>	<u>4,471</u>	<u>36,760</u>	<u>64,544</u>
Non-current assets:				
Capital Assets:				
Land and improvements	320,567	-	-	320,567
Other capital assets, net of depreciation	3,394,858	-	-	3,394,858
Total non-current assets	<u>3,715,425</u>	<u>-</u>	<u>-</u>	<u>3,715,425</u>
Total assets	<u>3,738,738</u>	<u>4,471</u>	<u>36,760</u>	<u>3,779,969</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amounts related to pensions	17,180	-	-	17,180
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	1,967	-	-	1,967
Accrued payroll liabilities	4,340	-	-	4,340
Accrued interest payable	72	-	-	72
Notes payable	40,874	-	-	40,874
Accrued compensated absences	2,666	-	-	2,666
Total current liabilities	<u>49,919</u>	<u>-</u>	<u>-</u>	<u>49,919</u>
Non-current liabilities:				
Accrued compensated absences	23,991	-	-	23,991
Net pension liability	70,262	-	-	70,262
Total non-current liabilities	<u>94,253</u>	<u>-</u>	<u>-</u>	<u>94,253</u>
Total liabilities	<u>144,172</u>	<u>-</u>	<u>-</u>	<u>144,172</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred amounts related to pensions	198	-	-	198
<b>NET POSITION</b>				
Net investment in capital assets	3,674,551	-	-	3,674,551
Unrestricted (deficit)	(63,003)	4,471	36,760	(21,772)
Total net position	<u>\$ 3,611,548</u>	<u>\$ 4,471</u>	<u>\$ 36,760</u>	<u>\$ 3,652,779</u>

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**Combining Schedule of Revenues, Expenses, and Changes in Net Position, MAA Accounts – Year Ended June 30, 2018**

	<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>	
<b>OPERATING REVENUES</b>				
Charges for services:				
Rents and fees	\$ 106,406	\$ -	\$ -	\$ 106,406
Total operating revenues	<u>106,406</u>	<u>-</u>	<u>-</u>	<u>106,406</u>
<b>OPERATING EXPENSES</b>				
Airport	186,623	-	-	186,623
Depreciation	530,588	-	-	530,588
Total Operating Expenses	<u>717,211</u>	<u>-</u>	<u>-</u>	<u>717,211</u>
Operating income (loss)	<u>(610,805)</u>	<u>-</u>	<u>-</u>	<u>(610,805)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest expense	(2,959)	-	-	(2,959)
Total non-operating revenue (expenses)	<u>(2,959)</u>	<u>-</u>	<u>-</u>	<u>(2,959)</u>
Income (loss) before contributions and transfers	(613,764)	-	-	(613,764)
Capital contributions	-	247,869	-	247,869
Transfers in	112,042	-	-	112,042
Interaccount transfers	<u>244,750</u>	<u>(244,750)</u>	<u>-</u>	<u>-</u>
Change in net position	(256,972)	3,119	-	(253,853)
Total net position - beginning	3,868,520	1,352	36,760	3,906,632
Total net position - ending	<u>\$ 3,611,548</u>	<u>\$ 4,471</u>	<u>\$ 36,760</u>	<u>\$ 3,652,779</u>

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**Combining Statement of Net Position, Internal Service Funds – June 30, 2018**

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 20,052	\$ 46,605	\$ 66,657
Due from other funds	107,245	-	107,245
Total assets	<u>127,297</u>	<u>46,605</u>	<u>173,902</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	1,883	4,546	6,429
Accrued payroll liabilities	-	8,920	8,920
Estimated liability for claims	12,541	-	12,541
Compensated absences	-	3,314	3,314
Total current liabilities	<u>14,424</u>	<u>16,780</u>	<u>31,204</u>
Non-current liabilities:			
Estimated liability for claims	112,873	-	112,873
Compensated absences	-	29,825	29,825
Total non-current liabilities	<u>112,873</u>	<u>29,825</u>	<u>142,698</u>
Total liabilities	<u>127,297</u>	<u>46,605</u>	<u>173,902</u>
<b>NET POSITION</b>			
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, 2018**

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
<b>OPERATING REVENUES</b>			
Self insurance charges	\$ 175,611	\$ 555,438	\$ 731,049
Miscellaneous	75,220	9,892	85,112
Total operating revenues	<u>250,831</u>	<u>565,330</u>	<u>816,161</u>
<b>OPERATING EXPENSES</b>			
FLEET maintenance expense	-	565,330	565,330
Claims expense	250,831	-	250,831
Total operating expenses	<u>250,831</u>	<u>565,330</u>	<u>816,161</u>
Operating income	-	-	-
Total net position - beginning	-	-	-
Total net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MCALESTER, OKLAHOMA  
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**Combining Statement of Cash Flows, Internal Service Funds – Year Ended June 30, 2018**

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers	\$ (357,661)	\$ (274,839)	\$ (632,500)
Payments to employees	-	(294,944)	(294,944)
Other receipts	356,719	565,330	922,049
Net Cash Provided by (Used in) Operating Activities	<u>(942)</u>	<u>(4,453)</u>	<u>(5,395)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(942)	(4,453)	(5,395)
<b>Balances - beginning of the year</b>	<u>20,994</u>	<u>51,058</u>	<u>72,052</u>
<b>Balances - end of the year</b>	<u>\$ 20,052</u>	<u>\$ 46,605</u>	<u>\$ 66,657</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>			
Operating income	\$ -	\$ -	\$ -
Change in assets and liabilities:			
Due from other funds	105,888	-	105,888
Accounts payables	(942)	(3,816)	(4,758)
Accrued payroll liabilities	-	564	564
Claims liability	(105,888)	-	(105,888)
Accrued compensated absences	-	(1,201)	(1,201)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (942)</u>	<u>\$ (4,453)</u>	<u>\$ (5,395)</u>



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**Budgetary Comparison Schedules – Major Debt Service Governmental Funds – Year Ended June 30, 2018**

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 3,063	\$ 3,063
Resources (Inflows):				
Taxes	3,925,172	3,925,172	3,893,512	(31,660)
Investment income	-	-	1,484	1,484
Transfers in	425,589	485,589	509,589	24,000
Amounts available for appropriation	<u>4,350,761</u>	<u>4,410,761</u>	<u>4,407,648</u>	<u>(3,113)</u>
Charges to appropriations (outflows):				
Administration	7,000	7,000	2,000	5,000
Transfers out	4,343,761	4,403,761	4,401,674	2,087
Total Charges to Appropriations	<u>4,350,761</u>	<u>4,410,761</u>	<u>4,403,674</u>	<u>7,087</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,974</u>	<u>\$ 3,974</u>

**DEBT SERVICE - BOND TRUSTEE FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 7,265,001	\$ 7,265,001
Resources (Inflows):				
Investment income	-	-	55,341	55,341
Transfers in	5,895,572	5,895,572	5,952,916	57,344
Amounts available for appropriation	<u>5,895,572</u>	<u>5,895,572</u>	<u>13,273,258</u>	<u>7,377,686</u>
Charges to appropriations (outflows):				
Finance	5,887,357	5,887,357	5,881,853	5,504
Total Charges to Appropriations	<u>5,887,357</u>	<u>5,887,357</u>	<u>5,881,853</u>	<u>5,504</u>
Ending Budgetary Fund Balance	<u>\$ 8,215</u>	<u>\$ 8,215</u>	<u>\$ 7,391,405</u>	<u>\$ 7,383,190</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2018**

**SPECIAL REVENUE - JUVENILE FINE FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 2,553	\$ 2,553
Resources (Inflows):				
Charges for services	31,421	31,421	7,145	(24,276)
Amounts available for appropriation	<u>31,421</u>	<u>31,421</u>	<u>9,698</u>	<u>(21,723)</u>
Charges to appropriations (outflows):				
Public safety	30,061	30,061	6,726	23,335
Total Charges to Appropriations	<u>30,061</u>	<u>30,061</u>	<u>6,726</u>	<u>23,335</u>
Ending Budgetary Fund Balance	<u>\$ 1,360</u>	<u>\$ 1,360</u>	<u>\$ 2,972</u>	<u>\$ 1,612</u>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ 30,000	\$ 702,997	\$ 672,997
Resources (Inflows):				
Taxes	795,680	795,680	715,328	(80,352)
Charges for services	153,740	153,740	123,880	(29,860)
Miscellaneous	100	100	89	(11)
Amounts available for appropriation	<u>949,520</u>	<u>979,520</u>	<u>1,542,294</u>	<u>562,774</u>
Charges to appropriations (outflows):				
Administrative services	787,661	817,661	772,636	45,025
Total Charges to Appropriations	<u>787,661</u>	<u>817,661</u>	<u>772,636</u>	<u>45,025</u>
Ending Budgetary Fund Balance	<u>\$ 161,859</u>	<u>\$ 161,859</u>	<u>\$ 769,658</u>	<u>\$ 607,799</u>

**SPECIAL REVENUE - E-911 FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ 252,024	\$ 252,024	\$ 836,852	\$ 584,828
Resources (Inflows):				
Taxes	616,200	616,200	547,637	(68,563)
Investment income	-	-	13,423	13,423
Miscellaneous	-	-	30	30
Amounts available for appropriation	<u>868,224</u>	<u>868,224</u>	<u>1,397,942</u>	<u>529,718</u>
Charges to appropriations (outflows):				
Public safety	868,224	868,224	764,901	103,323
Total Charges to Appropriations	<u>868,224</u>	<u>868,224</u>	<u>764,901</u>	<u>103,323</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,041</u>	<u>\$ 633,041</u>

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**(Continued)**

**SPECIAL REVENUE - GIFTS & CONTRIBUTIONS FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 278,984	\$ 278,984
Resources (Inflows):				
Investment income	-	-	2	2
Miscellaneous	-	271,809	22,499	(249,310)
Amounts available for appropriation	<u>-</u>	<u>271,809</u>	<u>301,485</u>	<u>29,676</u>
Charges to appropriations (outflows):				
Administration	-	271,809	191,025	80,784
Total Charges to Appropriations	<u>-</u>	<u>271,809</u>	<u>191,025</u>	<u>80,784</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,460</u>	<u>\$ 110,460</u>

**SPECIAL REVENUE - STORMWATER FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ 497,877	\$ 421,798	\$ (76,079)
Resources (Inflows):				
Charges for services	500,000	500,000	637,447	137,447
Proceeds from long-term debt	-	-	-	-
Amounts available for appropriation	<u>500,000</u>	<u>997,877</u>	<u>1,059,245</u>	<u>61,368</u>
Charges to appropriations (outflows):				
Stormwater	500,000	997,877	586,998	410,879
Total Charges to Appropriations	<u>500,000</u>	<u>997,877</u>	<u>586,998</u>	<u>410,879</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,247</u>	<u>\$ 472,247</u>

**CAPITAL PROJECT - POLICE EQUIPMENT FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 279	\$ 279
Resources (Inflows):				
Intergovernmental	-	11,500	13,793	2,293
Amounts available for appropriation	<u>-</u>	<u>11,500</u>	<u>14,072</u>	<u>2,572</u>
Charges to appropriations (outflows):				
Public safety	-	11,500	11,395	105
Total Charges to Appropriations	<u>-</u>	<u>11,500</u>	<u>11,395</u>	<u>105</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,677</u>	<u>\$ 2,677</u>

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**(Continued)**

**CAPITAL PROJECT - STATE FORFEITURE FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ 7,043	\$ 9,036	\$ 1,993
Resources (Inflows):				
Intergovernmental	-	5,500	26,237	20,737
Investment income	-	-	914	914
Amounts available for appropriation	<u>-</u>	<u>12,543</u>	<u>36,187</u>	<u>23,644</u>
Charges to appropriations (outflows):				
Public safety	-	12,543	12,407	136
Total Charges to Appropriations	<u>-</u>	<u>12,543</u>	<u>12,407</u>	<u>136</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,780</u>	<u>\$ 23,780</u>

**CAPITAL PROJECT - CEMETERY PERPETUAL CARE FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ 8,000	\$ 381,872	\$ 373,872
Resources (Inflows):				
Charges for services	6,050	6,050	5,706	(344)
Investment income	1,000	1,000	7,012	6,012
Amounts available for appropriation	<u>7,050</u>	<u>15,050</u>	<u>394,590</u>	<u>379,540</u>
Charges to appropriations (outflows):				
Community services	5,032	13,032	8,650	4,382
Total Charges to Appropriations	<u>5,032</u>	<u>13,032</u>	<u>8,650</u>	<u>4,382</u>
Ending Budgetary Fund Balance	<u>\$ 2,018</u>	<u>\$ 2,018</u>	<u>\$ 385,940</u>	<u>\$ 383,922</u>

**CAPITAL PROJECT - CDBG GRANTS FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ 299,917	\$ 119,778	\$ (180,139)
Resources (Inflows):				
Intergovernmental	-	199,111	107,175	(91,936)
Miscellaneous	-	-	5,823	5,823
Transfers in	-	91,936	91,936	-
Amounts available for appropriation	<u>-</u>	<u>590,964</u>	<u>324,712</u>	<u>(266,252)</u>
Charges to appropriations (outflows):				
Engineering	-	590,964	328,128	262,836
Total Charges to Appropriations	<u>-</u>	<u>590,964</u>	<u>328,128</u>	<u>262,836</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,416)</u>	<u>\$ (3,416)</u>

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(Continued)**

**CAPITAL PROJECT - FEDERAL FORFEITURE FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 15,671	\$ 15,671
Resources (Inflows):				
Intergovernmental	33,000	33,000	11,570	(21,430)
Investment income	-	-	75	75
Amounts available for appropriation	<u>33,000</u>	<u>33,000</u>	<u>27,316</u>	<u>(5,684)</u>
Charges to appropriations (outflows):				
Public safety	<u>33,000</u>	<u>33,000</u>	<u>15,623</u>	<u>17,377</u>
Total Charges to Appropriations	<u>33,000</u>	<u>33,000</u>	<u>15,623</u>	<u>17,377</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,693</u>	<u>\$ 11,693</u>

**CAPITAL PROJECT - FIRE IMPROVEMENT GRANT FUND (Budgetary Basis)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
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)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ 245,608	\$ 291,018	\$ 45,410
Resources (Inflows):				
Charges for services	215,000	215,000	148,094	(66,906)
Amounts available for appropriation	<u>215,000</u>	<u>460,608</u>	<u>439,112</u>	<u>(21,496)</u>
Charges to appropriations (outflows):				
Administration	<u>215,000</u>	<u>460,608</u>	<u>430,618</u>	<u>29,990</u>
Total Charges to Appropriations	<u>215,000</u>	<u>460,608</u>	<u>430,618</u>	<u>29,990</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,494</u>	<u>\$ 8,494</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2018  
(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	\$ -	\$ 581,000	\$ 1,387,103	\$ 806,103
Resources (Inflows):				
Intergovernmental	-	700,000	127,250	(572,750)
Charges for services	329,700	329,700	269,987	(59,713)
Fines and forfeitures	-	34,526	-	(34,526)
Miscellaneous	60,000	301,235	80,761	(220,474)
Transfers in	674,207	849,207	674,208	(174,999)
Proceeds from debt	-	-	214,895	214,895
Amounts available for appropriation	<u>1,063,907</u>	<u>2,795,668</u>	<u>2,754,204</u>	<u>(41,464)</u>
Charges to appropriations (outflows):				
City manager	75,000	114,908	108,113	6,795
Patrol	-	13,820	13,621	199
Parks	50,000	70,720	-	70,720
Facility Maintenance	56,014	29,144	7,200	21,944
Planning & Comm Dev	-	875,000	13,316	861,684
Fleet Maintenance	66,985	68,349	68,348	1
Traffic Control	-	6,872	6,871	1
Streets	213,650	388,160	354,542	33,618
Water Treatment	56,513	341,003	340,900	103
Utility maintenance	545,745	887,692	801,897	85,795
Total Charges to Appropriations	<u>1,063,907</u>	<u>2,795,668</u>	<u>1,714,808</u>	<u>1,080,860</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,396</u>	<u>\$ 1,039,396</u>

**CAPITAL PROJECT - INFRASTRUCTURE 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	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Charges for services	-	-	29,055	29,055
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>29,055</u>	<u>29,055</u>
Charges to appropriations (outflows):				
Administration	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,055</u>	<u>\$ 29,055</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2018  
(Continued)**

	<b>DEBT SERVICE - SALES TAX - SCHOOLS FUND (Budgetary Basis)</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ 1,258,444	\$ 2,075,369	\$ 816,925
Resources (Inflows):				
Taxes	981,293	981,293	973,378	(7,915)
Investment income	6,000	6,000	41,605	35,605
Amounts available for appropriation	<u>987,293</u>	<u>2,245,737</u>	<u>3,090,352</u>	<u>844,615</u>
Charges to appropriations (outflows):				
Community services	1,500	-	-	-
Transfers out	644,237	2,245,737	646,390	1,599,347
Total Charges to Appropriations	<u>645,737</u>	<u>2,245,737</u>	<u>646,390</u>	<u>1,599,347</u>
Ending Budgetary Fund Balance	<u>\$ 341,556</u>	<u>\$ -</u>	<u>\$ 2,443,962</u>	<u>\$ 2,443,962</u>

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**Schedule of Revenue Bond Coverage – Year Ended June 30, 2018**

	Series 2015, 2014, 2013, 2012, 2002 Bonds & 1999 Loan
Gross Revenue Available for Debt Service:	
Charges for services	\$ 9,578,456
Sales tax pledged and transferred	5,952,916
Total Gross Revenues Available	15,531,372
Operating Expenses:	
Water, Sewer and Sanitation	6,969,950
Total Operating Expenses	6,969,950
Net Revenues Available for Debt Service	\$ 8,561,422
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	1,032,941
1999 CDBG Loan	13,750
Total average annual debt service	\$ 5,924,056
Computed Coverage	145%
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.



**CITY OF MCALESTER, OKLAHOMA  
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**Schedule of Federal Awards Expended – Year Ended June 30, 2018**

**CITY OF MCALESTER, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the fiscal year ended June 30, 2018**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Federal Expenditures
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through Oklahoma District Attorney's Council: Justice Assistance Grant	16.738	2017 JAG LLE CI-00064	\$ 9,921	\$ 9,921
Bulletproof Vest Partnership Program	16.607	2017BUBX	223	223
Office of Community Oriented Policing Services: COPS Hiring Program	16.710	2014UMWX0050	304,245	33,023
Total U.S. Department of Justice			314,389	43,167
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
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	N/A	54,051	54,051
Total U.S. Department of Health and Human Services			54,051	54,051
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce: Community Development Block Grant	14.228	17283 CDBG 18	112,869	-
Community Development Block Grant	14.228	17033 CDBG 17	91,936	71,250
Community Development Block Grant	14.228	16755 CDBG 16	86,699	86,699
Total U.S. Department of Housing and Urban Development			291,504	157,949
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Federal Aviation Administration: Airport Improvement Grant	20.106	AIP 3-40-0057-016-2018	4,152,151	-
Airport Improvement Grant	20.106	AIP 3-40-0057-015-2017	275,940	247,869
Total Federal Aviation Administration			4,428,091	247,869
Passed through Oklahoma Highway Safety Office: State and Community Highway Safety	20.616	FAST M5OT-18-03-01-02	3,500	905
State and Community Highway Safety	20.600	FAST SE-17-03-06-08	41,600	10,939
State and Community Highway Safety	20.600	FAST SE-18-03-03-09	40,650	30,196
Total Oklahoma Highway Safety Office			85,750	42,040
Total U.S. Department of Transportation			4,513,841	289,909
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management: Disaster Grant - Public Assistance	97.036	PA-4222	107,370	107,370
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 5,281,155</b>	<b>\$ 652,446</b>

**Notes to Schedule of Expenditures of Federal Awards**

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in the Uniform Guidance (UG).

**CITY OF MCALESTER, OKLAHOMA  
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**Schedule of State Awards Expended – Year Ended June 30, 2018**

**CITY OF MCALESTER, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the fiscal year ended June 30, 2018**

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State Grantor/Pass through agency Grantor/Program Title	Grant #	Award Amount	State Expenditures
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF COMMERCE:</u>			
Oklahoma Strategic Military Planning Commission	N/A	\$ 193,257	\$ 93,642
<u>OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY:</u>			
Oklahoma Solid Waste Management Act	N/A	2,750	1,985
<u>OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT:</u>			
Disaster Grant - Public Assistance	PA-4222	17,895	17,895
<b>TOTAL STATE AWARDS</b>		<u>\$ 213,902</u>	<u>\$ 113,522</u>

## 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									
	2009	2010	2011	2012	2013	(A) 2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 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	\$ 165,470
Restricted	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	10,407,721
Unrestricted	<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>	<u>(7,655,033)</u>
Total governmental activities net assets	<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>	<u>\$ 2,918,158</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 26,202,550
Restricted	3,962,096	3,841,946	669,133	185,867	7,907,391	-	-	-	-	-
Unrestricted	<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>	<u>273,822</u>
Total business-type activities net assets	<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>	<u>\$ 26,476,372</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 26,368,020
Restricted	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	10,407,721
Unrestricted	<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>	<u>(7,381,211)</u>
Total primary government net assets	<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>	<u>\$ 29,394,530</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									
	2009	2010	2011	2012	2013	(A) 2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
Legislature	\$ 32,311	\$ 126,666	\$ 97,162	\$ 119,262	\$ 119,631	\$ 92,698	\$ 118,144	\$ 128,178	\$ 109,580	\$ 114,976
Administration	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	3,766,344
Public safety	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	8,723,246
Community service	2,111,274	2,018,764	2,190,693	2,965,005	2,692,851	2,176,495	1,984,414	2,162,321	2,120,523	2,077,211
Administration services	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	1,230,232
Health and welfare	257,350	229,776	285,502	290,065	277,730	256,902	245,481	255,471	282,159	273,749
Public works	3,536,482	3,160,982	2,616,066	2,635,362	2,641,505	2,764,212	2,640,537	3,347,697	3,547,407	3,573,130
Economic development	214,845	287,955	250,974	257,449	334,831	243,467	237,615	557,723	372,295	426,789
Stormwater	-	-	-	-	-	-	-	-	900	3,479
Payment to Health Center Authority	362,398	-	-	-	-	-	-	-	-	-
Interest on long-term debt	16,574	25,826	23,099	16,019	10,781	2,603,604	2,938,799	2,504,399	2,413,692	2,291,099
<b>Total governmental activities expenses</b>	<b>17,936,892</b>	<b>16,630,315</b>	<b>17,191,051</b>	<b>18,292,043</b>	<b>18,142,505</b>	<b>20,050,946</b>	<b>20,183,950</b>	<b>21,198,699</b>	<b>22,416,990</b>	<b>22,480,255</b>
Business-type activities:										
Water operations	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	4,267,855
Sewer operations	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	2,201,943
Sanitation operations	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	2,158,235
Airport	346,238	353,265	335,902	336,310	322,386	330,132	324,411	670,726	701,992	720,170
Governmental interest & amortization	3,587,968	3,642,316	3,550,238	3,153,918	2,354,536	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>10,009,901</b>	<b>10,692,261</b>	<b>11,700,556</b>	<b>12,024,099</b>	<b>10,846,249</b>	<b>7,660,580</b>	<b>8,248,333</b>	<b>7,434,746</b>	<b>10,398,664</b>	<b>9,348,203</b>
<b>Total primary government expenses</b>	<b>\$ 27,946,793</b>	<b>\$ 27,322,576</b>	<b>\$ 28,891,607</b>	<b>\$ 30,316,142</b>	<b>\$ 28,988,754</b>	<b>\$ 27,711,526</b>	<b>\$ 28,432,283</b>	<b>\$ 28,633,445</b>	<b>\$ 32,815,654</b>	<b>\$ 31,828,458</b>
<b>Program Revenues</b>										
Governmental activities:										
Legislature		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administration	268,950	338,951	650,556	1,130,512	1,089,491	1,394,521	1,044,682	3,162,687	5,183,688	663,568
Public safety	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	2,972,190
Community service	98,857	105,014	127,156	121,072	113,606	143,735	295,130	426,315	393,039	236,638
Administration services	282,857	287,636	336,545	285,993	268,606	284,712	253,325	275,793	253,082	255,769
Health and welfare	-	-	-	-	-	61,870	60,942	61,160	55,533	54,051
Public works	299	3,781	3,789	3,794	3,797	185,838	173,759	168,011	160,059	161,128
Economic development	-	-	-	-	-	260,000	420,504	707,749	166,666	-
Stormwater	-	-	-	-	-	-	-	334,148	494,056	637,447
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>2,465,743</b>	<b>2,507,335</b>	<b>2,696,929</b>	<b>2,846,516</b>	<b>2,905,487</b>	<b>5,071,905</b>	<b>5,143,044</b>	<b>8,134,215</b>	<b>9,320,376</b>	<b>4,980,791</b>

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

(Continued)

**TABLE 2**  
(Continued)

	FISCAL YEAR									
	2009	2010	2011	2012	2013	(A) 2014	2015	2016	2017	2018
<b>Business-type activities:</b>										
Water operations	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	5,189,144
Sewer operations	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	1,776,866
Sanitation operations	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	3,170,381
Airport	128,937	110,415	123,874	111,902	94,250	92,304	1,683,222	377,253	188,523	354,275
Total business-type activities program revenues	<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>	<u>10,490,666</u>
Total primary government program revenues	<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>	<u>\$ 15,471,457</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities:	\$ (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)	\$ (17,499,464)
Business-type activities:	(1,151,814)	(1,991,825)	(2,007,925)	(1,707,133)	(1,126,940)	1,158,626	2,353,149	2,246,877	123,010	1,142,463
Total primary government net expense	<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>	<u>\$ (16,357,001)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Sales and use taxes	\$ 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	\$ 14,800,284
Franchise and public service taxes	729,844	567,852	687,905	584,264	552,713	607,578	577,352	552,316	544,954	603,833
Hotel/motel taxes	583,258	426,662	507,415	549,088	471,081	447,768	652,340	759,410	655,558	722,313
E-911 taxes	714,832	653,841	677,966	650,409	668,209	630,849	600,114	584,718	576,406	652,139
Intergovernmental revenue not restricted to specific programs	321,874	302,480	317,934	332,365	305,734	291,828	301,603	302,608	305,518	308,791
Investment income	193,521	186,899	178,656	139,075	90,143	69,007	64,026	71,856	118,910	288,517
Miscellaneous	216,558	257,635	178,678	198,423	116,579	1,436,459	341,415	446,824	211,918	188,983
Transfers-Internal activity	(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	435,718
Transfers from component unit	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>18,000,578</u>
Business-type activities:										
Investment income	32,956	2,185	17,248	11,717	16,700	13,945	12,432	13,601	27,181	54,059
Miscellaneous	19,439	35,406	20,367	25,795	116,389	45,673	33,436	116,933	50,210	63,222
Transfers - Internal activity	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)	(435,718)
Total business-type activities	<u>2,890,091</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>	<u>(318,437)</u>
Total primary government	<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>	<u>\$ 17,682,141</u>
<b>Change in Net Assets</b>										
Governmental activities	\$ 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	\$ 501,114
Business-type activities	1,538,277	(1,206,073)	1,386,580	2,808,165	6,187,012	188,042	1,323,700	1,581,795	(2,388,887)	824,026
Total primary government	<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>	<u>\$ 1,325,140</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund						(A)				
Reserved for:										
Encumbrances	\$ -	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(1,404,008)	972,696	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	5,987	2,053	2,520	2,487	2,426
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	59,263	61,353	6,143	48,842	41,881	52,235	48,954	25,093
Unassigned	-	-	1,153,793	1,872,415	2,348,271	2,612,033	2,122,942	882,840	683,387	660,590
<b>Total General Fund</b>	<b><u>\$ (1,404,008)</u></b>	<b><u>\$ 994,496</u></b>	<b><u>\$ 1,213,056</u></b>	<b><u>\$ 1,933,768</u></b>	<b><u>\$ 2,354,414</u></b>	<b><u>\$ 2,666,862</u></b>	<b><u>\$ 2,166,876</u></b>	<b><u>\$ 937,595</u></b>	<b><u>\$ 734,828</u></b>	<b><u>\$ 688,109</u></b>
All Other Governmental Funds										
Reserved for:										
Encumbrances	\$ -	\$ 85,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	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	17,799,126
Assigned	-	-	473,187	2,965,222	2,202,832	3,461,487	3,761,458	3,552,621	3,380,159	3,106,717
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b><u>\$ 14,373,107</u></b>	<b><u>\$ 14,933,801</u></b>	<b><u>\$ 16,056,516</u></b>	<b><u>\$ 15,494,022</u></b>	<b><u>\$ 11,976,855</u></b>	<b><u>\$ 32,004,268</u></b>	<b><u>\$ 28,067,266</u></b>	<b><u>\$ 22,097,016</u></b>	<b><u>\$ 21,490,859</u></b>	<b><u>\$ 20,905,843</u></b>
<b>GRAND TOTAL</b>	<b><u>\$ 12,969,099</u></b>	<b><u>\$ 15,928,297</u></b>	<b><u>\$ 17,269,572</u></b>	<b><u>\$ 17,427,790</u></b>	<b><u>\$ 14,331,269</u></b>	<b><u>\$ 34,671,130</u></b>	<b><u>\$ 30,234,142</u></b>	<b><u>\$ 23,034,611</u></b>	<b><u>\$ 22,225,687</u></b>	<b><u>\$ 21,593,952</u></b>

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									
	2009	2010	2011	2012	2013	(A) 2014	2015	2016	2017	2018
<b>Revenues</b>										
Sales and use taxes	\$ 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	\$ 14,800,284
Franchise and public service taxes	729,844	567,852	687,905	584,264	552,713	607,578	577,352	552,316	544,954	603,833
E-911 taxes	714,832	653,841	677,966	650,409	668,209	630,849	600,114	584,718	576,406	652,139
Hotel/motel taxes	583,258	426,662	507,415	549,088	471,081	447,768	652,340	759,410	655,558	722,313
Intergovernmental	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	2,146,002
Charges for services	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	2,670,365
Fines and forfeitures	856,251	845,289	757,186	634,183	610,803	787,160	899,885	895,397	807,538	733,907
Licenses and permits	112,865	101,359	159,227	92,307	111,896	141,489	102,207	128,069	87,507	80,810
Investment income	193,521	186,899	178,656	139,075	90,143	69,007	64,026	71,856	118,910	288,517
Miscellaneous	229,540	341,266	260,565	272,927	228,241	133,871	381,449	1,052,725	489,979	241,348
<b>Total Revenues</b>	<b>21,595,614</b>	<b>19,539,937</b>	<b>21,063,611</b>	<b>22,005,775</b>	<b>21,221,469</b>	<b>21,297,441</b>	<b>22,342,740</b>	<b>23,319,043</b>	<b>23,722,443</b>	<b>22,939,518</b>
<b>Expenditures:</b>										
Legislature	30,901	125,066	95,728	118,071	117,769	92,698	118,144	128,178	109,580	114,976
Administration	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	3,076,689
Public safety	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	8,670,354
Community services	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	1,617,674
Administration services	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	1,204,963
Health and welfare	249,118	227,694	288,913	293,906	282,311	254,596	255,044	261,585	279,695	269,875
Public works	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	1,057,453
Economic Development	214,845	287,955	250,974	257,449	313,870	217,067	237,615	562,710	375,014	427,278
Capital outlay	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	2,650,404
Debt service:										
Principal retirement	335,186	162,286	343,619	109,304	201,674	3,207,664	3,754,875	3,702,267	4,007,685	4,343,371
Interest and fiscal charges	23,736	26,738	29,198	16,126	11,025	2,148,216	2,267,239	2,077,268	1,901,274	1,758,982
<b>Total Expenditures</b>	<b>16,319,251</b>	<b>16,338,324</b>	<b>16,965,927</b>	<b>20,127,377</b>	<b>17,538,445</b>	<b>22,807,680</b>	<b>29,149,943</b>	<b>31,805,338</b>	<b>27,577,139</b>	<b>25,192,019</b>
Excess of revenues over(under) expenditures	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)	(2,252,501)
<b>Other financing sources(uses) and special item:</b>										
Transfers in	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	8,981,245
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	(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)	(7,360,479)
Transferout- McAlester Regional Health Center Authority	(362,398)	444,741	-	-	-	-	-	-	-	-
<b>Total other financing sources(uses) and special item</b>	<b>(2,945,231)</b>	<b>(242,415)</b>	<b>(2,756,409)</b>	<b>(1,720,180)</b>	<b>(6,779,545)</b>	<b>7,589,007</b>	<b>2,370,215</b>	<b>1,286,764</b>	<b>3,045,772</b>	<b>1,620,766</b>
<b>Net change in fund balances</b>	<b>\$ 2,331,132</b>	<b>\$ 2,959,198</b>	<b>\$ 1,341,275</b>	<b>\$ 158,218</b>	<b>\$ (3,096,521)</b>	<b>\$ 6,078,768</b>	<b>\$ (4,436,988)</b>	<b>\$ (7,199,531)</b>	<b>\$ (808,924)</b>	<b>\$ (631,735)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	2.3%	1.3%	2.4%	0.8%	1.4%	26.4%	28.1%	26.2%	26.5%	26.4%

(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**

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<b>Fiscal Year</b>	<b>Sales Tax</b>	<b>Use Tax</b>	<b>Franchise Tax</b>	<b>Hotel/ Motel Tax</b>	<b>E-911 Tax</b>	<b>Totals</b>
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
2018	13,691,840	1,108,444	603,833	722,313	652,139	16,778,569

## **REVENUE CAPACITY**

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

	<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>	<u>2018</u>
City of McAlester	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Pittsburg County	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.50%	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%	9.50%	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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture, forestry, and fishing	\$ -	\$ -	\$ -	\$ -	\$ 191	\$ -	\$ 2	\$ 1,538	\$ 1,413	\$ 1,079
Mining Quarrying, and Oil and Gas Extraction	-	-	-	-	11,948	703	5,878	4,360	(1,378)	2,203
Utilities	-	-	-	-	476,905	785,842	800,800	775,938	722,816	784,018
Construction	-	-	-	-	15,998	34,043	37,205	79,462	75,693	112,475
Manufacturing	-	-	-	-	177,865	262,981	309,241	377,581	283,213	520,137
Transportation and Warehousing	-	-	-	-	7,011	12,982	17,130	9,746	7,960	9,718
Information	-	-	-	-	267,476	401,979	416,476	409,791	412,100	399,955
Wholesale trade	-	-	-	-	638,228	856,848	875,118	888,427	851,854	890,282
Retail trade	-	-	-	-	5,605,712	8,236,655	8,496,420	8,401,248	8,082,769	8,080,244
Finance, insurance,	-	-	-	-	11,473	27,697	3,574	3,065	4,422	5,901
Real Estate and Rental and Leasing	-	-	-	-	107,370	286,863	218,093	190,121	199,120	230,165
Professional, Scientific, and Technical Services	-	-	-	-	44,289	52,484	28,232	27,981	32,758	29,713
Administrative and Support and Waste Management and Remediation Service	-	-	-	-	4,785	3,996	2,720	2,302	11,473	7,384
Educational Services	-	-	-	-	1,559	1,365	115	14	7	747
Health Care and Social Assistance	-	-	-	-	176	1,227	2,159	828	2,014	1,283
Arts, Entertainment, and Recreation	-	-	-	-	31,980	46,204	59,278	50,014	47,620	48,669
Accommodation and Food Services	-	-	-	-	1,380,169	2,069,055	2,187,338	2,326,704	2,226,766	2,290,853
Other services (except Public Administration)	-	-	-	-	160,057	246,998	261,812	250,894	258,673	263,385
Public Administration	-	-	-	-	(194)	27	(328)	(96)	0	28
Nonclassifiable establishments	-	-	-	-	(17,661)	105,270	128,590	106,515	83,672	46,614
<b>Agriculture</b>	<b>909</b>	<b>2,078</b>	<b>3,398</b>	<b>4,275</b>	<b>1,466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Mining</b>	<b>6,930</b>	<b>5,591</b>	<b>1,274</b>	<b>(239)</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Construction</b>	<b>22,931</b>	<b>23,677</b>	<b>15,167</b>	<b>20,018</b>	<b>5,468</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Manufacturing</b>	<b>521,840</b>	<b>267,462</b>	<b>630,929</b>	<b>895,821</b>	<b>196,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transportation</b>	<b>5,882</b>	<b>4,800</b>	<b>5,750</b>	<b>8,573</b>	<b>3,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Communications and utilities:</b>										
Communications	436,570	427,119	458,645	590,649	193,928	-	-	-	-	-
Electric, gas, and sanitary services	834,988	637,879	710,258	811,074	233,346	-	-	-	-	-
Wholesale trade	1,052,140	1,070,343	1,228,276	1,295,467	340,798	-	-	-	-	-
<b>Retail trade:</b>										
Building materials, hardware, garden supply and mobile home dealer	1,380,133	1,128,403	1,154,230	1,086,353	324,535	-	-	-	-	-
General merchandise stores	4,769,157	4,047,802	3,968,778	4,174,660	1,259,759	-	-	-	-	-
Food stores	673,347	616,485	665,075	650,225	221,670	-	-	-	-	-
Automotive dealers and gasoline service stations	615,026	551,224	571,892	629,373	219,764	-	-	-	-	-
Apparel and accessory stores	325,459	270,969	311,810	320,656	109,347	-	-	-	-	-
Furniture, home furnishings and equipment stores	727,104	588,948	545,530	447,391	142,865	-	-	-	-	-
Eating and drinking places	1,531,678	1,444,859	1,547,300	1,661,899	553,320	-	-	-	-	-
Miscellaneous retail	996,220	910,622	960,451	1,010,940	299,524	-	-	-	-	-
Finance, insurance, and real estate	1,244	1,624	2,278	1,986	2,028	-	-	-	-	-
<b>Services:</b>										
Hotels and motels	550,515	324,879	387,153	489,648	155,914	-	-	-	-	-
Personal services	82,852	69,019	72,171	75,481	23,034	-	-	-	-	-
Business services	233,328	214,812	156,993	249,457	61,222	-	-	-	-	-
Automotive repair services and garages	128,352	127,101	142,361	150,875	61,066	-	-	-	-	-
Miscellaneous repair services	30,413	20,149	15,658	25,366	8,775	-	-	-	-	-
Motion pictures	87,033	89,170	86,782	83,227	27,111	-	-	-	-	-
Other services	91,402	84,084	76,184	100,108	20,819	-	-	-	-	-
Nonclassifiable establishments	208,106	167,216	193,282	40,595	8,764	-	-	-	-	-
	<b>\$ 15,313,560</b>	<b>\$ 13,096,315</b>	<b>\$ 13,911,625</b>	<b>\$ 14,823,878</b>	<b>\$ 13,400,519</b>	<b>\$ 13,433,218</b>	<b>\$ 13,849,853</b>	<b>\$ 13,906,433</b>	<b>\$ 13,302,965</b>	<b>\$ 13,724,853</b>

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	\$ 51,290,410	100.00%	\$51,290,410
Overlapping: McAlester School District	\$ -	100.00% (3)	-
Pittsburg County	<u>\$ -</u>	45%	<u>-</u>
Total	<u>\$51,290,410</u>		<u>\$51,290,410</u>

Outstanding bond debt : 06-30-18

- (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 76% 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 8,965,554
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 8,965,554</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 2018**

Net assessed valuation	\$ 89,655,539
Debt limit (10% of total assessed value)	8,965,554
Debt applicable to limit:	
General obligation bonds	-
Less: Street or utility bonds outstanding	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 8,965,554</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>	
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
2018	Series 2015, 2014, 2013,2012,2002 Utility System Revenue Bonds, 1999 CDBG Loan	15,531,372	6,969,950	8,561,422	5,924,056	1.45

(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
2018	50,755,339	-	535,071	-	1,137,305	61,324	-	52,489,039	6.58%	2,855

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 Ten Years Ago  
TABLE 12**

Employer	Product/Business	2008		2018	
		Employees	% of Total City Employment	Employees	% of Total City Employment
McAlester Army Ammunition Plant	Ammunition	1,821	8.2%	2,100	9.9%
McAlester Regional Health Center	Health Care	919	4.1%	795	3.7%
McAlester Public Schools	Education	390	1.8%	432	2.0%
Wal Mart	Retail Sales	389	1.8%	300	1.4%
Oklahoma State Penitentiary	Corrections	283	1.3%	300	1.4%
Spirit Aerospace, Inc.	Manufacturing/Assembling	234	1.1%	352	1.7%
City of McAlester (full time only)	Municipality	198	0.9%	211	1.0%
Choctaw Casino	Gaming	98	0.4%	139	0.7%
Berry Plastics	Manufacturing	175	0.8%	250	1.2%
Lowe's	Retail Sales	100	0.5%	112	0.5%
<b>Totals</b>		<b>4,607</b>	<b>20.8%</b>	<b>4,991</b>	<b>23.5%</b>

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

Total Employed in McAlester	22,193	21,279
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**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>
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%
2018	18,383	797,491	43,382	36.2	3,126	6.5%

Sources:

(1) [www.factfinder2.census.gov](http://www.factfinder2.census.gov)

(2) [www.bea.gov](http://www.bea.gov)

(3) [www.economicexpert.com](http://www.economicexpert.com)

(4) McAlester School District, District Offices

(5) [www.bls.gov](http://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 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	Fiscal Year 2018
<b>General Government</b>										
City Manager	2	2	2	2	2	3	3	3	3	3
Finance	3	3	4	4	4	3	4	4	5	5
City Clerk	1	1	1	1	1	1	2	2	2	2
Legal	2	2	2	2	2	2	2	2	3	3
Planning	6	6	4	4	5	5	5	5	5	5
Economic Development	0	0	0	0	0	1	1	1	1	1
Tourism	0	0	0	0	0	1	1	1	1	1
Human Resources	2	2	3	3	3	2	2	2	2	2
Information Services	1	1	1	1	1	1	1	1	2	2
<b>Total General Government</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>21</b>	<b>21</b>	<b>24</b>	<b>24</b>
<b>Public Safety &amp; Judiciary</b>										
Police	37	37	37	38	37	36	39	39	39	39
CID (Detectives)	12	12	7	8	8	8	8	8	8	8
Animal Control	2	2	2	2	2	1	1	1	1	1
Communications	4	4	4	4	4	4	4	4	4	4
Communications E911	5	5	7	10	10	10	10	10	10	10
Fire	44	44	43	43	43	43	43	43	42	43
<b>Total Public Safety &amp; Judiciary</b>	<b>104</b>	<b>104</b>	<b>100</b>	<b>105</b>	<b>104</b>	<b>102</b>	<b>105</b>	<b>105</b>	<b>104</b>	<b>105</b>
<b>Transportation</b>										
Central Garage	8	8	7	6	6	5	5	5	5	5
Streets	14	14	14	14	14	13	13	14	13	14
Traffic Control	3	3	0	0	0	0	0	0	0	0
Airport	3	3	3	3	3	3	3	3	3	3
<b>Total Transportation</b>	<b>28</b>	<b>28</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>21</b>	<b>22</b>
<b>Cultural, Parks, &amp; Recreation</b>										
Parks & Recreation	13	13	15	15	15	13	14	14	14	15
Expo	6	6	5	5	5	3	4	4	3	4
Nutrition	5	5	5	5	5	5	4	4	4	4
Library	1	0	0	0	0	0	0	0	0	0
Cemetery	5	5	5	5	5	5	5	5	5	5
Building Maintenance	3	4	4	4	4	3	3	3	3	3
<b>Total Cultural, Parks, &amp; Recreation</b>	<b>33</b>	<b>33</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>29</b>	<b>30</b>	<b>30</b>	<b>29</b>	<b>31</b>
<b>Utilities</b>										
Utilities	2	2	2	2	2	0	0	0	0	0
Utility Office	6	6	7	7	8	7	8	8	8	8
Solid Waste	16	16	1	1	1	0	0	0	0	0
Landfill	4	4	4	4	2	2	2	2	1	2
Engineering	4	4	4	4	4	4	4	5	4	4
Waste Water	13	13	12	12	12	12	12	12	12	12
Water Treatment	8	8	8	8	8	7	0	0	0	0
Utility Maintenance	11	11	10	14	13	8	10	10	9	11
<b>Total Utilities</b>	<b>64</b>	<b>64</b>	<b>48</b>	<b>52</b>	<b>50</b>	<b>40</b>	<b>36</b>	<b>37</b>	<b>34</b>	<b>37</b>
<b>Total Full-Time Budgeted Employees by Function</b>	<b>246</b>	<b>246</b>	<b>223</b>	<b>231</b>	<b>229</b>	<b>211</b>	<b>213</b>	<b>215</b>	<b>212</b>	<b>219</b>

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>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>	<u>Fiscal Year</u> <u>2018</u>
General Government										
Buildings	10	10	11	12	12	12	12	13	13	13
Police										
Stations	1	1	1	1	1	2	2	2	2	2
Patrol units	57	57	52	54	53	53	50	50	50	53
Fire										
Stations	4	4	4	4	4	4	4	4	4	4
Trucks	5	5	5	5	5	6	6	6	6	8
Vehicles	16	16	16	16	17	16	16	16	16	18
Streets										
Street miles	298	298	298	298	298	298	298	298	298	298
Traffic signals	22	22	22	23	23	23	23	23	23	20
Parks and recreation										
Acreage	103	103	103	103	103	103	103	103	103	135
Playgrounds	10	10	10	10	10	10	11	12	12	12
Baseball/softball diamonds	9	9	9	9	9	9	9	9	9	9
Soccer/football fields	2	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	1
Splash Pad 2008	1	1	1	1	1	1	1	1	1	1
Dog Park 2014	-	-	-	-	-	1	1	1	1	1
Frisbee Disk Golf Course 2014	-	-	-	-	-	1	1	1	1	1
Community Garden 2013	-	-	-	-	1	1	2	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	35,092
Vehicles & Machinery	12	12	10	11	11	11	16	14	14	14
Water										
Water mains (miles)	170	170	170	170	170	170	170	170	170	230
Fire hydrants	912	932	954	969	970	970	970	970	970	1,035
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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Fire</b>										
Emergency Respon	2,074	2,008	2,156	2,376	2,246	2,658	2,807	2,442	3,076	2,998
Fires Extinguished	166	149	142	197	158	140	93	106	151	132
<b>Police</b>										
<i>Physical Arrests</i>										
Juvenile	38	14	1	29	40	68	528	209	415	334
Minors	-	-	-	-	-	-	1,160	145	960	886
Adult	1,380	1,426	969	870	875	947	10,275	1,047	8,704	8,627
Parking Violations	356	228	715	283	156	429	254	207	198	104
Traffic Violations	7,794	9,718	14,618	5,441	6,892	10,383	11,709	10,712	9,881	9,847
<b>Utilities</b>										
<i>New Accounts</i>										
Residential	1,226	1,238	1,166	1,297	1,240	1,285	1,189	670	445	1,215
Commercial	67	107	97	106	119	87	70	50	50	58
Bulk			10	5	5	12	8	1	1	9
<b>Parks &amp; Recreation</b>										
Athletic Field-Softb	9	9	9	9	9	9	9	9	9	8
Soccer (# of fields	2	2	2	2	2	2	2	2	2	2
Tennis (# of courts	6	6	6	6	6	6	6	6	6	6
Frisbee Disk Golf C	-	-	-	-	-	1	1	1	1	1
Parks	-	-	-	-	-	12	12	12	12	13
Dog Park	-	-	-	-	-	1	1	1	1	1
Swimming Pools	-	-	-	-	-	3	3	3	3	3
Wading Pools (# of	-	-	-	-	-	3	3	3	3	5
Basketball Courts	-	-	-	-	-	4	4	4	4	4
Splash Pad	-	-	-	-	-	1	1	1	1	1
Skate park	-	-	-	-	-	1	1	1	1	1
Walking Tracks	-	-	-	-	-	5	5	5	5	5
Amphitheater	-	-	-	-	-	1	1	1	1	1
Arboretum	-	-	-	-	-	1	1	1	1	1
Community Garder	-	-	-	-	-	1	2	2	2	1
Recreational Cente	-	-	-	-	-	1	1	1	1	1
Archery Park	-	-	-	-	-	-	-	1	1	1
Community Center	764	2,414	1,411	1,662	1,124	2,368	2,368	3,879	4,986	5,200
Senior Center-Proç	50,884	46,393	52,041	51,619	33,227	57,923	57,923	59,697	68,678	62,338
Sr. Center Lunch F	38,253	32,612	38,410	37,979	31,527	50,257	50,257	51,317	53,486	51,620
<b>Cemetery</b>										
Purchased/sold Lo	-	-	-	-	-	35	28	62	59	43
Funerals	-	-	-	-	-	113	133	135	100	92

\* Fire and Police Statistics are calendar year.

Source: Various City Departments



**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, 2018, 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 28, 2018. 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.

*Finlay + Cook, PLLC*

Shawnee, Oklahoma  
December 28, 2018