

CITY OF CATOOSA, OKLAHOMA
Catoosa, Oklahoma

BASIC FINANCIAL STATEMENTS

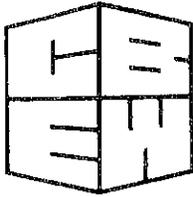
JUNE 30, 2016

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JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

November 9, 2016

Honorable Board of City Council Members
City of Catoosa
Catoosa, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Catoosa, Oklahoma, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension exhibits and budgetary comparison information on pages 3 – 13 and 56 – 61 and notes on page 62 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 of America, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

**CITY OF CATOOSA, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2016**

The discussion and analysis of the City of Catoosa's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the accompanying basic financial statements.

WHO WE ARE

As of June 30, 2016 the mayor, council members, clerk and treasurer consisted of the following:

Mayor	Brenda Conley
Council Members	Thomas Sweet Derrick Hildebrent Russ White Ralph McLaughlin Shawn Battles Greg Williams
City Manager	David Tillotson
Clerk	Wendy Knight
Treasurer	Myrna Barbee

The Treasurer and City Manager are appointed positions. The council members are elected and the Mayor is voted and approved by the council.

FINANCIAL HIGHLIGHTS

- The total assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2016 by \$22,775,385 as reflected in the Statement of Net Position, an increase of \$1,512,565 from the prior year. This excess is summarized for both years as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Invested in capital assets, net of related debt	\$ 11,961,264	\$ 10,605,843
Restricted for various purposes	3,134,440	6,112,227
Unassigned	<u>7,679,681</u>	<u>4,544,750</u>
	<u>\$ 22,775,385</u>	<u>\$ 21,262,820</u>

- The City's (including the PWA) net position increased \$1,512,565 during the year. The amounts of the increase were as follows:

Net investment in capital assets	\$ 1,355,421
Unrestricted	(2,644,912)
Restricted	<u>2,802,056</u>
	<u>\$1,512,565</u>

- Invested in capital assets, net of related debt was due to asset additions of \$1,798,941, less depreciation of \$541,125 with net reduction of long-term debt of \$98,605.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the City's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, library, streets, etc.	Activities the City operates similar to private businesses such as water and sewer utilities
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash funds

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety activities, streets, cultural, library, parks and recreation activities and general government activities. The business-type activities of the City include utilities.

A component unit is included in the basic financial statements and consists of a legally separate entity for which the City is financially accountable and that has the same governing board as the City. This blended component unit is the Catoosa Public Works Authority.

Catoosa Economic Development Authority is another component unit of the City. This is the first year in which activity for CEDA has occurred, and has issued TIF funding debt for economic development purposes.

The government-wide financial statements can be found pages 14 and 15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The City maintains 13 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Recreational Services Fund, Fire Department Fund and the PWA Operation and Maintenance Fund, which are considered to be major funds. Data for the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on pages 16 through 19 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide separate information for the utility operations. Combining schedules for the proprietary funds are presented in the supplementary information. The proprietary funds financial statements can be found on pages 20 through 22 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$22,775,385 at the close of the current fiscal year, a 7.11% increase over the prior year.

As shown on Table 1, the largest portion of the City's net position, \$11,961,264, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position, \$3,134,440 represents resources that are subject to external restrictions on how they may be used. The major restrictions on net position are funding source restrictions. \$762,370 pertains to the PWA Operating and Maintenance Fund. \$522,983 is reserved for Storm Water Management Projects, \$802,573 is restricted for Fire Department use, and \$985,965 is restricted for use between the library, community center and park and recreation improvements or amenities, \$46,432 is reserved for the Cemetery and \$14,117 is reserved for CEDA.

The remaining balance of total net position of \$7,679,681 is unrestricted and may be used to meet the City's obligations to citizens and creditors in accordance with the finance-related legal requirements reflected in the City's fund structure.

At the end of the fiscal year ended June 30, 2016, The City reported positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

TABLE 1
SUMMARY OF NET POSITION
JUNE 30, 2016 and 2015

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 8,333,099	\$11,597,607	\$ 5,914,346	\$2,577,824	\$14,247,445	\$14,175,431
Capital assets	<u>5,945,313</u>	<u>5,059,201</u>	<u>6,023,922</u>	<u>5,653,218</u>	<u>11,969,235</u>	<u>10,712,419</u>
Total assets	<u>14,278,412</u>	<u>16,656,808</u>	<u>11,938,268</u>	<u>8,231,042</u>	<u>26,216,680</u>	<u>24,887,850</u>
Current and other liabilities	412,862	902,498	544,394	210,023	957,256	1,112,521
Long-term liabilities	<u>1,463,789</u>	<u>1,418,694</u>	<u>1,020,250</u>	<u>1,093,815</u>	<u>2,484,039</u>	<u>2,512,509</u>
Total liabilities	<u>1,876,651</u>	<u>2,321,192</u>	<u>1,564,644</u>	<u>1,303,838</u>	<u>3,441,295</u>	<u>3,625,030</u>
Net position						
Invested in capital assets, net of related debt	5,937,342	4,952,625	6,023,922	5,653,218	11,961,264	10,605,843
Restricted for specific purposes	2,597,349	5,588,635	537,091	523,592	3,134,440	6,112,227
Unrestricted	<u>3,867,070</u>	<u>3,794,356</u>	<u>3,812,611</u>	<u>750,394</u>	<u>7,679,681</u>	<u>4,544,750</u>
Total net position	<u>\$12,401,761</u>	<u>\$14,335,616</u>	<u>\$10,373,624</u>	<u>\$ 6,927,204</u>	<u>\$22,775,385</u>	<u>\$21,262,820</u>

TABLE 2
CITY OF CATOOSA
Changes in Net Position
Year Ended June 30, 2016 and 2015

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues						
Charges for services	\$ 286,995	\$ 458,565	\$ 2,319,362	\$ 2,087,383	\$ 2,606,357	\$ 2,545,948
Operating grants & Contributions	223,945	232,565	--	--	223,945	232,565
Capital grants & Contributions	350,683	7,918	--	--	350,683	7,918
General revenues:						
Sales tax	5,339,008	4,951,165	--	--	5,339,008	4,951,165
Other taxes	1,093,734	1,058,478	56,276	55,813	1,150,010	1,114,291
Other general revenues	<u>(4,060,541)</u>	<u>(513,765)</u>	<u>4,250,996</u>	<u>914,672</u>	<u>190,455</u>	<u>400,907</u>
Total revenues	<u>3,233,824</u>	<u>6,194,926</u>	<u>6,626,634</u>	<u>3,057,868</u>	<u>9,860,458</u>	<u>9,252,794</u>
Expenses						
General government	2,402,184	1,911,969	--	--	2,402,184	1,911,969
Public safety	1,982,895	2,179,848	--	--	1,982,895	2,179,848
Street	456,914	457,874	--	--	456,914	457,874
Cultural, recreation & Library	325,686	366,563	--	--	325,686	366,563
Utilities	--	--	3,128,241	2,722,051	3,128,241	2,722,051
Economic development	--	--	51,973	46,009	51,973	46,009
Total expenses	<u>5,167,679</u>	<u>4,916,254</u>	<u>3,180,214</u>	<u>2,768,060</u>	<u>8,347,893</u>	<u>7,684,314</u>
Increase in net position	<u>\$(1,933,855)</u>	<u>\$1,278,672</u>	<u>\$3,446,420</u>	<u>\$289,808</u>	<u>1,512,565</u>	<u>\$1,568,480</u>

Governmental Activities. Governmental activities decreased the City's net position by \$1,933,855 for the current fiscal year, which is a 13.5% decrease in Governmental Funds. This is due to transfers of \$4,053,526 to the PWA. Previous year's transfer was \$908,173.

Business-type Activities. Business-type activities increased the City's net position by \$3,446,420 for the current fiscal year, accounting for a 16.2% increase in the net position of the City and a 45.8% increase in business-type activities. The above mentioned transfer was the primary reason for the increase.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported total fund balances of \$7,519,451 compared to \$10,643,876 for the prior year end. This is a \$3,124,425 decrease, primarily due to a \$4,053,526 transfer from the PWA Operation and Maintenance Fund to the Catoosa Public Works Authority. The previous year had an increase of \$801,000.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved (designated and undesignated) fund balance of the General Fund was \$4,597,216, constituting 100% of the fund balance, which was \$155,020 or 3.26% less than the prior year's General Fund balance.

Fire Department Fund

This fund is dedicated to collecting a .5 cent sales tax for construction and operation of the City's Fire Department. The fund balance increased \$206,182 as the City's General Fund transferred \$97,310 in the process of fully equipping the fire department.

PWA Operating and Maintenance Fund

This fund is dedicated to collecting a .5 cent sales tax for construction, maintenance and operation of utility systems owned by the Catoosa PWA. All of the fund balance of \$762,307 is restricted for such usage. The fund balance decreased by \$3,217,723, as the fund transferred \$4,053,526 to the PWA.

CDBG Fund

This fund collects funds from various CDBG grants and disburses the funds as grant work is performed. Generally there is no fund balance as assets are offset by related liabilities.

GENERAL FUND BUDGETARY

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

**TABLE 3
CITY OF CATOOSA
SUMMARY ANALYSIS OF GENERAL BUDGET
FISCAL YEAR ENDING JUNE 30, 2016**

<u>Category</u>	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenue				
Sales tax	\$ 2,580,456	\$ 2,580,456	\$ 3,270,530	\$ 690,074
All other taxes	1,043,065	1,043,065	1,081,054	37,989
All other revenues	<u>406,974</u>	<u>406,974</u>	<u>551,864</u>	<u>144,890</u>
Total revenues	<u>4,030,495</u>	<u>4,030,495</u>	<u>4,903,448</u>	<u>872,953</u>
Expenditures				
General government (1)	2,924,730	2,931,730	2,501,885	429,845
Public safety (2)	1,511,883	1,581,383	1,360,070	221,313
Street	588,954	540,908	411,703	129,205
Cultural and recreation services (3)	86,974	86,974	124,052	(37,078)
Emergency reserve	<u>3,066,633</u>	<u>3,038,179</u>	<u>644,439</u>	<u>2,393,740</u>
Total expenditures	<u>8,179,174</u>	<u>8,179,174</u>	<u>5,042,149</u>	<u>3,137,025</u>
Total excess (deficiency) of revenues over expenditures	(4,148,679)	(4,148,679)	(138,701)	4,009,978
Beginning fund balance	<u>4,148,679</u>	<u>4,148,679</u>	<u>4,148,679</u>	<u>---</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 4,009,978</u>	<u>\$ 4,009,978</u>

(1) Includes general government, Community Development, Economic Development and Technology

(2) Includes Police and Emergency Management

(3) Includes Museum

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

Generally, the City attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2016 and 2015 amounted to \$11,969,235 and \$10,712,419 respectively (net of accumulated depreciation) This investment, detailed in Table 4, in a broad range of capital assets includes structures and improvements, equipment, and construction in progress.

TABLE 4
CAPITAL ASSETS (NET OF DEPRECIATION)
June 30, 2016 and 2015

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Storm water improvements	\$ --	\$ --	\$ 641,310	\$ 440,441	\$ 641,310	\$ 440,441
Land and easements	85,211	85,211	255,582	258,452	340,793	343,663
Buildings and real estate	1,879,848	1,816,803	--	--	1,879,848	1,816,803
Machinery and equipment	2,059,522	2,233,128	210,982	175,796	2,270,504	2,408,924
Infrastructure	1,920,732	924,059	--	--	1,920,732	924,059
Utility property	--	--	4,916,048	4,770,611	4,916,048	4,770,611
Work in Progress	--	--	--	7,918	--	7,918
Capital assets, net	<u>\$5,945,313</u>	<u>\$5,059,201</u>	<u>\$6,023,922</u>	<u>\$5,653,218</u>	<u>\$11,969,235</u>	<u>\$10,712,419</u>

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The City's major governmental revenue, sales tax, increased from the prior year. This local economic trend generally mirrored the similar economic effects experienced at the national and state levels. City growth, as a suburb of Tulsa, has aided in increased revenues.

The long-term economic forecast for the City is quite good. Business and commercial and residential construction is increasing within the city limits. All of this should increase the City's revenue and allow the City to provide full and expanded services to its citizens in the future.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please contact the City of Catoosa at (918) 266-2505.

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2016

Statement 1

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and cash equivalents (Note 1)	\$ 6,677,557	\$ 4,014,912	\$10,692,469
Due from restricted	--	17,906	17,906
Due from other funds	38,200	--	38,200
Receivables:			
Accounts receivable	--	212,054	212,054
Fines receivable	146,992	--	146,992
Taxes	1,045,595	1,082,250	2,127,845
Grants	12,835	--	12,835
Noncurrent assets:			
Restricted assets:			
Cash and investments (Note 1)	--	585,576	585,576
Accounts receivable	--	19,886	19,886
Due to general operations	--	(17,906)	(17,906)
Payable from restricted assets	--	(332)	(332)
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 and 2)	<u>5,945,313</u>	<u>6,023,922</u>	<u>11,969,235</u>
Total assets	<u>13,866,492</u>	<u>11,938,268</u>	<u>25,804,760</u>
Deferred outflow of resources:			
Total deferred outflows	<u>411,920</u>	<u>--</u>	<u>411,920</u>
Liabilities			
Current liabilities:			
Accounts payable	243,183	298,628	541,811
Accrued expenses	--	56,327	56,327
Accrued compensated absences	112,177	6,626	118,803
Accrued payroll	49,531	613	50,144
Due to other funds	--	38,200	38,200
Notes payable (Note 2)	7,971	144,000	151,971
Non-current liabilities:			
Reserve for deposits	--	64,250	64,250
Notes payable (Note 2)	--	956,000	956,000
Net pension liabilities	<u>1,111,875</u>	<u>--</u>	<u>1,111,875</u>
Total liabilities	<u>1,524,737</u>	<u>1,564,644</u>	<u>3,089,381</u>
Deferred Inflows of Resources:			
Total deferred inflows	<u>351,914</u>	<u>--</u>	<u>351,914</u>
Net position:			
Net investment in capital assets	5,937,342	6,023,922	11,961,264
Restricted	2,597,349	537,091	3,134,440
Unrestricted	<u>3,867,070</u>	<u>3,812,611</u>	<u>7,679,681</u>
Total net position	<u>\$12,401,761</u>	<u>\$10,373,624</u>	<u>\$22,775,385</u>

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 2,402,184	\$ 103,630	\$ 21,591	\$ --	\$(2,276,963)
Public safety and judiciary	1,982,895	164,674	169,060	--	(1,649,161)
Highway, roads and airport	456,914	--	--	150,000	(306,914)
Cultural, parks and recreation	325,686	18,691	33,294	--	(273,701)
Sewer/storm water construction	--	--	--	<u>200,683</u>	<u>200,683</u>
Total governmental activities	<u>5,167,679</u>	<u>286,995</u>	<u>223,945</u>	<u>350,683</u>	<u>(4,306,056)</u>
Business-type activities					
Water service	695,550	596,617	--	--	(98,933)
Sewer service	2,399,716	1,636,846	--	--	(762,870)
Storm water	32,975	85,899	--	--	52,924
Economic development	<u>51,973</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(51,973)</u>
Total business-type activities	<u>3,180,214</u>	<u>2,319,362</u>	<u>--</u>	<u>--</u>	<u>(860,852)</u>
Total	<u>\$ 8,347,893</u>	<u>\$ 2,606,357</u>	<u>\$ 223,945</u>	<u>\$ 350,683</u>	<u>\$(5,166,908)</u>

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net (expense) /revenue	(4,306,056)	(860,852)	(5,166,908)
General revenues:			
Taxes:			
Sales tax	5,339,008	--	5,339,008
Property tax	--	56,276	56,276
Use tax	387,612	--	387,612
Cigarette tax	61,378	--	61,378
Alcohol beverage tax	43,862	--	43,862
Hotel/motel tax	253,299	--	253,299
Gasoline tax	13,430	--	13,430
Motor vehicle tax	51,357	--	51,357
Wireless 911	9,567	--	9,567
Franchise taxes	273,229	--	273,229
Interest income	40,768	5,344	46,112
Miscellaneous revenue	143,474	869	144,343
Transfers	<u>(4,244,783)</u>	<u>4,244,783</u>	<u>--</u>
Total general revenues and transfers	<u>2,372,201</u>	<u>4,307,272</u>	<u>6,679,473</u>
Change in net position	(1,933,855)	3,446,420	1,512,565
Net position - beginning of year	<u>14,335,616</u>	<u>6,927,204</u>	<u>21,262,820</u>
Net position - end of year	<u>\$12,401,761</u>	<u>\$10,373,624</u>	<u>\$22,775,385</u>

CITY OF CATOOSA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	CDBG Grant Fund	Fire Department Fund	PWA Operation Maintenance Fund	Recreational Services Fund	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash & cash equivalents (Note 1)	\$ 3,449,115	\$ 425,835	\$ 784,317	\$ 622,124	\$ 974,639	\$ 421,527	\$ 6,677,557
Taxes receivable	694,980	--	140,246	140,246	70,123	--	1,045,595
Fines receivable	39,540	--	--	--	--	--	39,540
Grants receivable	1,562	11,273	--	--	--	--	12,835
Due from other funds	<u>673,755</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>673,755</u>
Total assets	<u>\$ 4,858,952</u>	<u>\$ 437,108</u>	<u>\$ 924,563</u>	<u>\$ 762,370</u>	<u>\$ 1,044,762</u>	<u>\$ 421,527</u>	<u>\$ 8,449,282</u>
Liabilities							
Accounts payable	212,173	--	5,160	--	25,111	739	243,183
Accrued payroll	48,001	--	1,106	--	424	--	49,531
Due to other funds	<u>--</u>	<u>437,108</u>	<u>147,365</u>	<u>--</u>	<u>46,955</u>	<u>4,127</u>	<u>635,555</u>
Total liabilities	<u>260,174</u>	<u>437,108</u>	<u>153,631</u>	<u>--</u>	<u>72,490</u>	<u>4,866</u>	<u>928,269</u>
Fund balance:							
Restricted for:							
Other purposes	--	--	770,932	762,370	972,272	91,775	2,597,349
Committed	--	--	--	--	--	--	--
Assigned to:							
Other purposes	--	--	--	--	--	324,886	324,886
Unassigned	<u>4,598,778</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,598,778</u>
Total fund balance	<u>4,598,778</u>	<u>--</u>	<u>770,932</u>	<u>762,370</u>	<u>972,272</u>	<u>416,661</u>	<u>7,521,013</u>
Total liabilities and fund balance	<u>\$ 4,858,952</u>	<u>\$ 437,108</u>	<u>\$ 924,563</u>	<u>\$ 762,370</u>	<u>\$ 1,044,762</u>	<u>\$ 421,527</u>	<u>\$ 8,449,282</u>

CITY OF CATOOSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Total Governmental Funds	\$ 7,521,013
Amounts reported for governmental activities in the statement of net position are different because:	
Some of the City's revenues will be collected after year-end but are available soon enough to pay for the current period's expenditures and, therefore, are deferred in governmental funds:	
Fines and Forfeitures	107,452
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds:	
Pension related deferred outflows	411,920
Accrued compensated absences payable	(112,177)
Long term note payable	(7,971)
Certain liabilities are not due and payable in the current period from current financial resources, and therefore, are not reported in the fund.	
Net pension liability	(1,111,875)
Pension related deferred inflows	(351,914)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These funds consist of:	
Depreciable buildings, property and equipment, net of depreciation	<u>5,945,313</u>
Net Assets of Governmental Activities	<u>\$ 12,401,761</u>

CITY OF CATOOSA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	CDBG Grant Fund	Fire Department Fund	PWA Operation Maintenance Fund	Recreational Services Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Sales tax	\$ 3,285,543	\$ --	\$ 821,386	\$ 821,386	\$ 410,693	\$ --	\$ 5,339,008
Other taxes	820,505	--	--	--	--	--	820,505
Licenses and permits	103,630	--	--	--	--	--	103,630
Franchise fees	273,229	--	--	--	--	--	273,229
Interest	18,417	--	2,406	14,917	3,320	1,708	40,768
Fees and services	11,196	--	--	--	5,770	1,725	18,691
Fines and forfeitures	119,870	--	--	--	--	38,250	158,120
Miscellaneous revenue	128,070	--	1,095	--	4,045	10,264	143,474
Grants and donations	<u>128,232</u>	<u>350,683</u>	<u>79,354</u>	<u>--</u>	<u>--</u>	<u>16,359</u>	<u>574,628</u>
Total revenues	<u>4,888,692</u>	<u>350,683</u>	<u>904,241</u>	<u>836,303</u>	<u>423,828</u>	<u>68,306</u>	<u>7,472,053</u>
Expenditures:							
Current:							
General government	2,362,239	--	--	--	--	1,576	2,363,815
Public safety and judiciary	1,299,213	--	665,507	--	--	14,621	1,979,341
Highways and roads	406,139	--	--	--	--	--	406,139
Cultural and recreational	70,642	--	--	--	199,318	8,189	278,149
Cemetery	--	--	--	--	--	--	--
Debt service	9,724	--	90,360	--	--	--	100,084
Capital outlay	<u>711,968</u>	<u>214,427</u>	<u>39,502</u>	<u>--</u>	<u>256,708</u>	<u>--</u>	<u>1,222,605</u>
Total expenditures	<u>4,859,925</u>	<u>214,427</u>	<u>795,369</u>	<u>--</u>	<u>456,026</u>	<u>24,386</u>	<u>6,350,133</u>
Excess of revenues over (under) expenditures	28,767	136,256	108,872	836,303	(32,198)	43,920	1,121,920
Other financing uses:							
Transfers in	--	78,507	97,310	--	29,914	--	205,731
Transfers out	<u>(182,225)</u>	<u>(214,763)</u>	<u>--</u>	<u>(4,053,526)</u>	<u>--</u>	<u>--</u>	<u>(4,450,514)</u>
Excess of revenues over (under) expenditures and transfers	(153,458)	--	206,182	(3,217,223)	(2,284)	43,920	(3,122,863)
Fund balance - beginning of year	<u>4,752,236</u>	<u>--</u>	<u>564,750</u>	<u>3,979,593</u>	<u>974,556</u>	<u>372,741</u>	<u>10,643,876</u>
Fund balance - end of year	<u>\$ 4,598,778</u>	<u>--</u>	<u>\$ 770,932</u>	<u>\$ 762,370</u>	<u>\$ 972,272</u>	<u>\$ 416,661</u>	<u>\$ 7,521,013</u>

**CITY OF CATOOSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$(3,122,863)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Revenues in the statement of activities that do not provide current financial resources (are not collected within 60 days) are deferred in the governmental funds. Therefore, the recognition of revenues differs between the two statements. The following represents the net change in deferred revenues for fines and forfeitures	6,554
Government-wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	(2,896)
Government Funds report note payments as expenditures. However, in the Government-Wide Statement of Activities, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	98,606
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(336,493)
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 Statement report pension contributions as expenditures	200,633
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	<u>1,222,604</u>
Change in Net Position of Governmental Activities	<u>\$(1,933,855)</u>

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

Business-Type Activities - Enterprise Funds

	<u>Catoosa Economic Development Authority</u>	<u>Catoosa Public Works Authority</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents (Note 1)	\$ 88,194	\$ 3,926,718	\$ 4,014,912
Accounts receivable	--	212,054	212,054
Due from restricted assets	--	17,906	17,906
Noncurrent assets:			
Taxes receivable	1,082,250	--	1,082,250
Restricted:			
Cash and cash equivalents (Note 1)	--	585,576	585,576
Accounts receivable	--	19,886	19,886
Due to general operations	--	(17,906)	(17,906)
Payables from restricted assets	--	(332)	(332)
Capital assets:			
Depreciable buildings, property and equipment net of depreciation (Notes 1 and 2)	--	<u>6,023,922</u>	<u>6,023,922</u>
Total assets	<u>\$ 1,170,444</u>	<u>\$10,767,824</u>	<u>\$ 11,938,268</u>
Liabilities			
Current liabilities:			
Accounts payable	--	298,628	298,628
Accrued expenses	56,327	--	56,327
Accrued compensated absences	--	6,626	6,626
Accrued payroll	--	613	613
Due to other funds	--	38,200	38,200
Current portion of notes payable	144,000	--	144,000
Non-current liabilities:			
Reserve for depositors	--	64,250	64,250
Notes payable	<u>956,000</u>	--	<u>956,000</u>
Total liabilities	<u>1,156,327</u>	<u>408,317</u>	<u>1,564,644</u>
Net Position:			
Net investment in capital assets	--	6,023,922	6,023,922
Restricted	14,117	522,974	537,091
Unrestricted	--	<u>3,812,611</u>	<u>3,812,611</u>
Total net position	<u>\$ 14,117</u>	<u>\$10,359,507</u>	<u>\$10,373,624</u>

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Business-type Activities - Enterprise Funds

	Catoosa Economic Development <u>Authority</u>	Catoosa Public Works <u>Authority</u>	<u>Total</u>
Revenues			
Utility charges	\$ --	\$ 2,319,362	\$ 2,319,362
Miscellaneous	<u> --</u>	<u> 869</u>	<u> 869</u>
Total revenues	<u> --</u>	<u>2,320,231</u>	<u>2,320,231</u>
Operating expenses			
General and administrative	--	6,652	6,652
Purchased utilities	--	2,556,546	2,556,546
Personnel services	--	287,638	287,638
Plant and distribution expense	--	70,030	70,030
Other	--	1,743	1,743
Depreciation expense	<u> --</u>	<u>205,632</u>	<u>205,632</u>
Total operating expense	<u> --</u>	<u>3,128,241</u>	<u>3,128,241</u>
Income before non-operating revenues, expenses and transfers	--	(808,010)	(808,010)
Nonoperating revenues (expenses):			
Interest income	10	5,334	5,344
Tax revenue	56,276	--	56,276
Interest expense	<u>(51,973)</u>	<u> --</u>	<u>(51,973)</u>
Total	<u>4,313</u>	<u>5,334</u>	<u>9,647</u>
Income (loss) before operating transfers	<u>4,313</u>	<u>(802,676)</u>	<u>(798,363)</u>
Transfers in (out)	<u> --</u>	<u>4,244,783</u>	<u>4,244,783</u>
Change in net position	4,313	3,442,107	3,446,420
Net position - beginning of year	<u>9,804</u>	<u>6,917,400</u>	<u>6,927,204</u>
Net position - end of year	<u>\$ 14,117</u>	<u>\$ 10,359,507</u>	<u>\$ 10,373,624</u>

CITY OF CATOOSA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
Business-type Activities - Enterprise Funds

	Catoosa Economic Development <u>Authority</u>	Catoosa Public Works <u>Authority</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers and service users	\$ --	\$ 2,311,977	\$ 2,311,977
Cash payments for goods and services	--	(2,419,513)	(2,419,513)
Cash payments to employees and benefits	--	(294,366)	(294,366)
Other operating revenues	--	869	869
Receipts over refunds of customer meter deposits	<u>--</u>	<u>435</u>	<u>435</u>
Net cash provided (used) by operating activities	<u>--</u>	<u>(400,598)</u>	<u>(400,598)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	--	(576,336)	(576,336)
Transfer in (out) - net	<u>--</u>	<u>4,244,783</u>	<u>4,244,783</u>
Net cash (used) by capital and related financing activities	<u>--</u>	<u>3,668,447</u>	<u>3,668,447</u>
Cash flows from investing activities			
Interest income	10	5,334	5,344
Taxes received	74,026	--	74,026
Interest paid	<u>--</u>	<u>--</u>	<u>--</u>
Net cash provided (used) by investing activities	<u>74,036</u>	<u>5,334</u>	<u>79,370</u>
Net increase (decrease) in cash and cash equivalents	74,036	3,273,183	3,347,219
Cash and cash equivalents - beginning of year	<u>14,158</u>	<u>1,239,111</u>	<u>1,253,269</u>
Cash and cash equivalents - end of year	<u>\$ 88,194</u>	<u>\$ 4,512,294</u>	<u>\$ 4,600,488</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	<u>--</u>	<u>(808,010)</u>	<u>(808,010)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	--	205,632	205,632
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	--	(7,385)	(7,385)
Increase (decrease) in due to other funds	--	25,043	25,043
Increase (decrease) in reserve for depositors	--	435	435
Increase (decrease) in accounts payable and accrued expenses	<u>--</u>	<u>183,687</u>	<u>183,687</u>
Total adjustments	<u>--</u>	<u>407,412</u>	<u>407,412</u>
Net cash provided by operating activities	<u>\$ --</u>	<u>\$(400,598)</u>	<u>\$(400,598)</u>

**CITY OF CATOOSA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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CITY OF CATOOSA, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Catoosa was created in 1902 and operates under a Council-Manager form of government. The City's major operations include public safety, (Police and fire), recreation, parks and library, provision and maintenance of streets and drainage, utility service (sewer and water), and general administrative services. In addition, the City exercises sufficient control over other governmental agencies that are included as part of the City's reporting entity.

The financial statements of the City of Catoosa have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below:

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Catoosa
Blended Component Unit:	Catoosa Public Works Authority Catoosa Economic Development Authority Catoosa Industrial Authority (no activity)

In determining the financial reporting entity, The City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. These funds generally receive grant money that requires separate bank accounts, and thus separate funds are established to account for grant activity.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by other funds. Although not anticipated, the City may assess a property tax if such sales tax is insufficient.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Catoosa Public Works Authority, the Catoosa Economic Development Authority, and the Catoosa Industrial Authority are the only enterprise funds.

Major and Non major Funds

The funds are further classified as major or non major as follows:

Fund	Brief Description
Major:	
General	See above for description
PWA Operation and Maintenance	Primarily used for the construction of utility related assets. Funds can also be used for operation and maintenance of the Authority's systems.
CDBG Grant Fund	Received grant money for projects.
Special Revenue Funds Fire Department	Primary funding for Fire Department with a .5 cent sales tax as its revenue source.
Recreational Services Fund	A .25 cent sales tax is used to fund the operation of the City's Library, Community Center and future Recreational Center.
Proprietary Fund: Catoosa Public Works Authority	Accounts for activities of providing water and wastewater, services to the public. See below for pertinent information pertaining to this fund including the dedication of revenues.
Catoosa Economic Development Authority	Account for economic development activities, including issuance of TIF bonds to attract new retail and industrial development.
Non major:	
Special Revenue Funds: Special Events	Accounts for revenues and expenditures related to Catoosa's annual Fourth of July celebration.
Cemetery	Accounts for cemetery revenue restricted by State law for cemetery capital improvements.

Technology Fund	Fees collected with police fines to be used to purchase computers and related technology equipment.
A & D Fund	Fees collected with police fines to be used for drug and alcohol enforcement.
Police training	Accounts for police fine revenues and expenditures dedicated to provide for Police Department training and related supplies and equipment
Fire Department Special	Grants revenues and collected fees associated with the Fire Department are accounted for in this fund, along with associated Fire Department expenditures.
Retirement	Former Police Chief pension funds
Library Contribution Fund	Accounts for donations and grants received by the library.

The Catoosa Public Works Authority was created in 1965 and operates as a public trust. On January 19, 1965, the City of Catoosa, Oklahoma accepted beneficial interest in the trust pursuant to resolution. The Authority's major operations consist of providing water and sewage disposal and storm water management to the citizens of the City of Catoosa, Oklahoma. The trustees of the Authority consist of the acting members of the governing body of the City of Catoosa. The Catoosa Economic Development Authority has been dormant for many years, but has recently been activated to assist with a TIF funding district for commercial economic development purposes.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the government-wide Statement of Net position and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains,

losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Licenses and permits, franchise fees, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales and other taxes and investment earnings are recorded when earned (when they are measurable and available). Specifically, taxes received in July following the end of the year are reflected as income in June, as such funds were in the possession of other governmental units awaiting distribution to the City. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budget Basis of Accounting

Formal budgetary accounting is employed as a management control for the governmental funds of the City. An annual operating budget is adopted each fiscal year for the general fund. The basis of accounting for budgetary purposes is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net position, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." See Note 3.I. for details of interfund transactions, including receivables and payables at year end.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Catoosa Public Works Authority is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has not been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers.

Inventories

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories is recorded as expenditures when purchased rather than when consumed.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 50 years
Machinery and Equipment	3 - 20 years
Utility System	25 - 50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. No more than 520 hours of vacation time can be carried over to the following year. Vacation leave which is unused and vested to the employee is payable upon separation of employment which have been accrued. Employees are granted sick leave at the rate of 80 hours per month. Unused sick leave is not payable to an employee upon separation of employment; therefore, there is no liability for unpaid accumulated sick leave.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consist primarily of customer meter deposits and a lease purchase of a fire truck.

Long-term debt for 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. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted 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 improvement 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

The Catoosa Public Works Authority requires meter deposits for utility services. Such deposits are retained until services are discontinued. At that time, the deposits are applied first to any outstanding balances owed by the customers and the excess, if any, is refunded. No interest is paid on the deposits.

- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non spendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available the City considers committed amounts to be spent first followed by assigned amounts and lastly unassigned amounts.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

The City levies a 3.25 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated to the various funds by ordinance:

General Fund	2.00 cent
Public Works Authority	.50 cent
Fire Department	.50 cent
Recreation Services Fund	<u>.25 cent</u>
	<u>3.25 cent</u>

Use Tax

The City levies a 3.25 cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City of Catoosa's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By
Cemetery Fund	State Law
Public Works Authority	Trust Indenture
Economic Development Authority	Trust Indenture
Industrial Authority	Trust Indenture

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 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.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	See Notes 1.E. and 3.J.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
E-911 revenue	E-911 Emergency Services Purposes
Water, Sewer and Storm water Revenue	Utility Operations
Cemetery Revenue	Cemetery Capital Improvements

For the year ended June 30, 2016, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2016, the City has no general obligation debt.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2016, the City incurred no such indebtedness.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City of Catoosa complied with this statute in all material respects for the year ended June 30, 2016.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2016. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3 - Uninsured and uncollateralized; or 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 with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody 1	Credit Risk 2	Category 3	Total Carrying Value
Demand deposits	<u>\$11,278,045</u>	<u>\$ 587,322</u>	<u>\$ -----</u>	<u>\$ 10,690,723</u>	<u>\$11,278,045</u>
Time deposits					
Total Deposits					
Reconciliation to Government-wide Statement of Net position:					
Unrestricted cash, including time deposits					\$ 10,692,469
Restricted cash, including time deposits					<u>585,576</u>
					<u>\$11,278,045</u>

At June 30, 2016, the City's cash deposits, including interest bearing certificates of deposit, are entirely covered by FDIC or direct obligation of the US Government insured or collateralized with securities held by the City or its agent in the City's name.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the US Government, its agencies and instrumentalities to which the full faith and credit of the US Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits 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 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 - d).

3.B. RESTRICTED ASSETS

Restricted assets consist of cash, certificates of deposit, and account receivable, reserved as follows:

Customer meter deposits - reflected as a long-term liability on the balance sheet	\$ 80,043
Less: Due to general operations	<u>(15,793)</u>
	64,250
Reserve for storm water management - reflected as a reservation of retained earnings on the balance sheet	
Cash	505,532
Accounts receivable	19,886
Due to general operations	(2,113)
Accounts payable (restricted)	<u>(332)</u>
	<u>522,973</u>
	<u>\$ 587,223</u>
Total restricted assets	
Cash	\$ 585,575
Accounts receivable	19,886
Payable to general operations	(17,906)
Payables from restricted asset	<u>(332)</u>
	<u>\$ 587,223</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the Catoosa Public Works Authority are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. There were no bad debts expensed for the year.

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2016</u>
Governmental activities:				
Land	\$ 85,211	\$ --	\$ --	\$ 85,211
Buildings	2,710,469	119,954	--	2,830,423
Machinery and equipment	4,911,564	80,667	--	4,992,231
Infrastructure	<u>985,335</u>	<u>1,021,984</u>	<u>--</u>	<u>2,007,319</u>
Totals at historical cost	<u>8,692,579</u>	<u>1,222,605</u>	<u>--</u>	<u>9,915,184</u>
Less accumulated depreciation				
Buildings	(893,666)	(56,909)	--	(950,575)
Machinery and equipment	(2,678,436)	(254,273)	--	(2,932,709)
Infrastructure	<u>(61,276)</u>	<u>(25,311)</u>	<u>--</u>	<u>(86,587)</u>
Total accumulated depreciation	<u>(3,633,378)</u>	<u>(336,493)</u>	<u>--</u>	<u>(3,969,871)</u>
Governmental activities capital assets, net	<u>\$ 5,059,201</u>	<u>\$ 886,112</u>	<u>\$ --</u>	<u>\$ 5,945,313</u>
Business-type activities:				
Land and easements, buildings	\$ 273,639	\$ --	\$ --	\$ 273,639
Storm water improvements	500,528	213,369	--	713,897
Machinery and equipment	587,883	71,049	--	658,932
Utility property	7,428,418	299,836	--	7,728,254
Work in progress	<u>7,918</u>	<u>--</u>	<u>(7,918)</u>	<u>--</u>
Totals at historical cost	<u>8,798,386</u>	<u>584,254</u>	<u>(7,918)</u>	<u>9,374,722</u>
Less accumulated depreciation:				
Buildings	(15,187)	(2,870)	--	(18,057)
Storm water improvement	(60,087)	(12,500)	--	(72,587)
Machinery and equipment	(412,087)	(35,863)	--	(447,950)
Utility property	<u>(2,657,807)</u>	<u>(154,399)</u>	<u>--</u>	<u>(2,812,206)</u>
Total accumulated depreciation	<u>(3,145,168)</u>	<u>(205,632)</u>	<u>--</u>	<u>(3,350,800)</u>
Business-type capital assets, net	<u>\$ 5,653,218</u>	<u>\$ 378,622</u>	<u>\$ (7,918)</u>	<u>\$ 6,023,922</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$ 39,509
Public safety and judiciary	206,997
Highway and road	39,196
Cultural and recreation	50,548
Cemetery	<u>243</u>
Total depreciation expense	<u>\$336,493</u>

The City has not capitalized assets under \$1,000 or library books, most of which would be under \$1,000.

3.E. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll.

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

The following is a summary of the City's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2016:

Debt outstanding, July 1, 2015	\$ 106,576
Issued	--
Retirements	<u>98,605</u>
Debt outstanding June 30, 2016	<u>\$ 7,971</u>

	<u>Total</u>	<u>Due Within One Year</u>
Notes payable at June 30, 2016 for the City of Catoosa consists of the following:		
Lease/purchase option on City Manager vehicle in monthly installments of \$810.37, including 2.64% interest in the original amount of \$28,000	\$ 7,971	\$ 7,971
Less: current portion	<u>7,971</u>	
Long term portion	<u>\$ --</u>	
Long-term debt maturities for each of the next two years and until maturity:		
June 30, 2017	\$ 7,971	

Business-Type Activities

The following is a summary of the Authority's long-term debt transactions for the year ended June 30, 2016:

Debt outstanding, July 1, 2015	\$1,100,000
Issued	--
Retired	<u>--</u>
Debt outstanding June 30, 2016	<u>\$1,100,000</u>

	<u>Total</u>	<u>Due Within One Year</u>
Notes payable at June 30, 2016 for the Catoosa Economic Development Authority consists of the following:		
Issuance of TIF financing for economic development purposes, in the amount of \$1,100,000 at 4.75% Interest	<u>\$1,100,000</u>	<u>\$144,000</u>
	1,100,000	144,000
Less: current portion	<u>144,000</u>	
Long term portion	<u>\$ 956,000</u>	

Long-term debt maturities for each of the next five years and until maturity:

June 30, 2016	144,000
June 30, 2017	76,000
June 30, 2018	81,000
June 30, 2019	85,000
June 30, 2020	89,000
June 30, 2021 - 2025	509,000
June 30, 2026 - 2027	116,000

Other long-term debt of the Catoosa Public Works Authority consists of customer meter deposits.

Cash has been reserved in an amount equal to customer meter deposits, which are refundable only when services are terminated. This liability is not interest bearing.

**3.G. DUE TO/FROM OTHER FUNDS -
OPERATING AND CAPITAL TRANSFERS**

As of June 30, 2016, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$673,755	\$ --
Police Training Fund	--	1,097
Fire Department	--	147,365
Recreational Services	--	46,955
Library Contribution Fund	--	3,030
CDBG Grant Fund	--	437,108
Catoosa PWA	<u>--</u>	<u>38,200</u>
	<u>\$673,755</u>	<u>\$673,755</u>

Operating transfers during the year consisted of the following:

	<u>From</u>		<u>To</u>	
	<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
Sanitary Sewer Lines/ System Maintenance	PWA O & M Fund	\$4,053,526	Catoosa PWA	\$4,053,526
Sanitary Sewer/ Storm water Upgrade	CDBG Grant Fund	214,763	Catoosa PWA	214,763
Grant matching Water/Sewer	Catoosa PWA	23,506	CDBG Grant Fund	23,506
Grant matching Streets	General Fund	55,001	CDBG Grant Fund	55,001
Insurance reimbursement/ For facilities repair	General Fund	29,914	Special Events	29,914
Purchase and payments of fire trucks for Fire Department	General Fund	<u>97,310</u>	Fire Department	<u>97,310</u>
		<u>\$4,474,020</u>		<u>\$4,474,020</u>

3.H. FUND EQUITY

Reservations of retained earnings of the Catoosa Public Works Authority were created to allocate funds for storm water management, as indicated below.

Reserved for Storm Water Management - This reserve is funded by a charge assessed to each water and sewer customer. The Authority is utilizing such revenues to fund improvements to storm water drainage system in the City of Catoosa. The activity in this reserve account is summarized as follows:

Balance - July 1, 2015	<u>\$ 513,788</u>
Additions	
Storm water management fees	85,899
Interest income applicable to reserve balance	<u>1,522</u>
	<u>87,421</u>
Subtractions	
Equipment, maintenance and system additions paid for from reserves	<u>78,235</u>
	<u>78,235</u>
Balance - June 30, 2016	<u>\$ 522,974</u>

3.I. NET POSITION

The fund balances at June 30, 2016 consist of:

	<u>Unassigned</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
General Fund	\$4,598,778	\$ --	\$ --	\$ --	\$4,598,778
Fire Department	--	770,932	--	--	770,932
PWA Operation & Maintenance	--	762,370	--	--	762,370
Cemetery Operations	--	46,432	--	--	46,432
Police Training	--	--	--	52,475	52,475
Fire Department Special	--	31,650	--	--	31,650
Retirement Fund	--	--	--	114,203	114,203
Library Contribution	--	13,693	--	--	13,693
Recreational Services	--	972,272	--	--	972,272
Enhanced 911	--	--	--	28,682	28,682
Technology Fund	--	--	--	101,066	101,066
A & D Fund	--	--	--	<u>28,460</u>	<u>28,460</u>
	<u>\$4,598,778</u>	<u>\$2,597,349</u>	<u>\$ --</u>	<u>\$ 324,886</u>	<u>\$ 7,521,013</u>

NOTE 4. OTHER NOTES

4.A. Employee Pension

The City participates in three employee pension systems as follows:

- Oklahoma Police Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan
- Oklahoma Firefighters Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan
- Oklahoma Municipal Retirement Fund (OkMRF) Agent Employer - Defined Contribution Plan
- Single Employer Pension Plan through First Financial Securities of America - Defined Contribution Plan

Oklahoma Police Pension and Retirement System

Plan description - The City of Catoosa, as the employer, participates in the Oklahoma Police Pension and Retirement Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided - OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited services, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based

on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective, July 1, 1998, once a disability benefit is granted to a participant, that participant is not longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

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% 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 \$79,062. The State of Oklahoma also made on-behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$73,500. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$8,446 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2015 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension asset 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, 2015. Based upon the information, the City's proportion was 0.2071 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$(120,159). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ --	\$ 46,702
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	151,344	183,843

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between City contributions and proportionate share of contributions	10	--
City contributions subsequent to the measurement date	<u>79,062</u>	<u>--</u>
Total	<u>\$ 230,416</u>	<u>\$ 230,545</u>

\$76,134 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	
2016	\$(34,514)
2017	(34,514)
2018	(34,514)
2019	27,870
2020	<u>(3,529)</u>
	<u>\$(79,201)</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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 non-disabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA.

Mortality rates: 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, 2015 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 weighing 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, 2015 are summarized in the following table:

<u>Asset Class:</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	2.24%
Domestic equity	4.87%
International equity	7.68%
Real estate	5.47%
Private equity	5.80%
Commodities	2.96%

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 higher (8.5%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employer's net pension liability (asset)	\$ 507,481	\$ 8,446	\$(412,276)

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 OPPR, which can be located at www.ok.gov/OPPRS.

Oklahoma Firefighter's Pension and Retirement System

Plan description - The City of Catoosa, as the employer, participates in the Firefighters Pension and Retirement, a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided - FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average

monthly compensation based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

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% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay and \$60 per volunteer firemen. Contributions to the pension plan from the City were \$39,765 and \$1,200 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure 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 \$0. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a net pension liability of \$1,103,429 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension asset 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, 2015. Based upon this information, the City's proportion was .103959%.

For the year ended June 30, 2016, the City recognized pension expense of \$40,589. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,800	\$ --
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	39,117	121,370
Changes in proportion and differences between City contributions and proportionate share of contributions	79,622	--
City contributions subsequent to the measurement date	<u>40,965</u>	<u>--</u>
Total	<u>\$ 181,504</u>	<u>\$ 121,370</u>

\$39,207 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, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	
2016	\$(8,094)
2017	(8,094)
2018	(8,094)
2019	4,735
2020	357
2012	<u>21</u>
	<u>\$(19,169)</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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 health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015 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 weighing 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, 2015, are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	20%	5.13%
Domestic equity	42%	8.02%
International equity	23%	9.94%
Real estate	8%	7.47%
Other assets	10%	6.25%

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:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employer's net pension liability (asset)	\$ 1,432,688	\$ 1,103,429	\$ 827,279

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.

City Employee Pension Plan - Defined Contribution Plans

The City has adopted a Code Section 457 Retirement Plan for all city employees not covered by other plans. Under this plan, which is a defined contributions plan, the employees may elect to contribute up to the lesser of \$7,500 or 25% of compensation annually. The employer contributes 12% of covered payroll annually. Employees have a 100% nonforfeitable interest in their contributions. The vesting schedule for City contributions to the plan is 0% to 6 years of service and 100% after 7 years. However, employees are fully vested at age 65 or upon death or disability regardless of the number of years of service. The contributions to the plan by employees and the City were \$29,620 and \$41,735 respectively.

City Manager Plans (CMO Plan)

CMO Plan Description and Fund Policy -Effective October 1, 2006, the City has also provided a defined contribution plan and trust known as the City of Catoosa City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the City Council. This plan is available only to the City Manager. The City manager is eligible to participate upon employment and must contribute a mandatory minimum pretax contribution of 5% to the plan and the employer makes variable contributions to the fund. For the current year, the employer contribution rate is 15%. Contributions to the plan for the year ended June 30, 2016 were \$17,629 on a covered payroll of \$117,528.

Other Post-Employment Benefits

Plan Description: The City provides post employment benefit options for health care, prescription drug dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The provisions for these benefits are not formalized in a contract or plan document, but is mentioned in the City's administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood

by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post employment benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2016, no retired employees are receiving benefits under this plan.

Funding Policy: The contribution requirement of the City is an implicit subsidy. the implicit subsidy is not a direct payment from the employer on behalf of the member, but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age based claims costs and the premium paid by the retiree. the amount required to fund the implicit rate is based on project pay as you go financing requirements. For fiscal year 2016, the City contribution 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2016 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

4.B. 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; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City. During the last three years no claim has been settled for amounts in excess of insurance coverage.

4.C. Catoosa Industrial Authority

The Catoosa Industrial Authority (CIA) was formed as a Public Trust on December 18, 2015 under the laws of the State of Oklahoma (Title 60, Oklahoma Statutes 2011, Sections 176 - 180.3, inclusive, and the Oklahoma Trust Act, et al.) As of the financial statement date, the Trust had no assets of financial activity, thus is not reported within the Statement. Activity should commence in the fiscal year 2016 - 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Police:

- Schedule of the City's Proportionate Share of the Net Pension Liability
(Asset)
- Schedule of City Contributions

Fire:

- Schedule of the City's Proportionate Share of the Net Pension Liability
(Asset)
- Schedule of City Contributions

Budgetary Comparison Schedules - General Fund and Street and Drainage Fund

**CITY OF CATOOSA, OKLAHOMA
 REQUIRED SUPPLEMENTAL INFORMATION
 ON PENSION PLAN FUNDING PROGRESS
 YEAR ENDED JUNE 30, 2016**

**Exhibit 1
 Schedule of the City of Catoosa Proportionate Share
 of the Net Pension Liability (Asset)
 Oklahoma Police Pension and Retirement System
 Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.2071%	0.2071%
City's proportionate share of the net pension liability (asset)	\$(69,736)	\$ 8,446
City's covered employee payroll	585,651	608,170
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(11.91%)	1.39%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%

* The amounts present for each fiscal year were determined as of 6/30 of the previous fiscal year.

Notes to Schedule:

Only the current fiscal year and one previous year are presented because 10 year data is not yet available.

Exhibit 2
Schedule of City Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 76,134	\$ 79,062
Contributions in relation to the statutorily required contribution	<u>76,134</u>	<u>79,062</u>
Contribution deficiency (excess)	<u>---</u>	<u>---</u>
City's covered employee payroll	<u>\$ 585,651</u>	<u>\$ 608,170</u>
Contributions as a percentage of covered employee payroll	13.0%	13.0%

Notes to Schedule:

Only the current and one prior fiscal year are presented because 10 year data is not yet available.

Exhibit 3
Schedule of the City of Catoosa's Proportionate Share
of the Net Pension Liability (Asset)
Oklahoma Firefighters Pension and Retirement System
Last 10 Fiscal Years *

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.0958%	.103959%
City's proportionate share of the net pension liability	\$985,153	\$1,103,429
City's covered employee payroll	271,479	284,034
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.25%	388.48%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

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

Notes to Schedule:

Only the current fiscal year and one prior year are presented because 10 year data is not yet available.

Exhibit 4
Schedule of City Contributions
Oklahoma Firefighters Pension and Retirement System
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 38,007	\$ 39,765
Contributions in relation to the statutorily required contribution	<u>38,007</u>	<u>39,765</u>
Contribution deficiency (excess)	<u> --</u>	<u> --</u>
City's covered employee payroll	<u>\$ 271,479</u>	<u>\$ 284,034</u>
Contributions as a percentage of covered employee payroll	14%	14%
Contributions per volunteer fireman	60	60

Notes to Schedule:

Only the current and prior fiscal years are presented because 10 year data is not yet available.

CITY OF CATOOSA, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCE BUDGET (GAAP BUDGETARY BASIS)
AND ACTUAL GOVERNMENTAL FUNDS (UNAUDITED)
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 4,148,679	\$ 4,148,679	\$ 4,148,679	\$ --
Resources (inflows)				
Taxes				
Gas tax	12,035	12,035	13,397	1,362
Cigarette tax	47,601	47,601	42,561	(5,040)
Franchise taxes	252,968	252,968	319,321	66,353
Use tax	409,317	409,317	380,621	(28,696)
Sales tax	2,580,456	2,580,456	3,270,530	690,074
Motel tax	233,973	233,973	230,278	(3,695)
Motor vehicle tax	48,835	48,835	52,008	3,173
Alcoholic beverage tax	38,336	38,336	42,868	4,532
Grants and donations	78,149	78,149	126,670	48,521
Police fines	198,117	198,117	155,663	(42,454)
Licenses and permits	69,852	69,852	103,630	33,778
Investment income	23,649	23,649	18,417	(5,232)
Other income				
Rentals	10,076	10,076	11,196	1,120
E-911 fees	6,300	6,300	8,218	1,918
Miscellaneous	<u>20,831</u>	<u>20,831</u>	<u>128,070</u>	<u>107,239</u>
Total revenues	<u>4,030,495</u>	<u>4,030,495</u>	<u>4,903,448</u>	<u>872,953</u>
Amounts available for appropriation	<u>8,179,174</u>	<u>8,179,174</u>	<u>9,052,127</u>	<u>872,953</u>
Charges to appropriations (outflows)				
General governments	1,101,745	1,094,745	876,736	218,009
Police	1,424,333	1,493,833	1,295,978	197,855
Community Development	376,958	376,958	249,851	127,107
Streets and parks	588,954	540,908	411,703	129,205
Technology	29,500	43,500	18,029	25,471
Economic Development	1,416,527	1,416,527	1,357,269	59,258
Emergency Management	87,550	87,550	64,092	23,458
Museum	86,974	86,974	124,052	(37,078)
Emergency Reserve	<u>3,066,633</u>	<u>3,038,179</u>	<u>644,439</u>	<u>2,393,740</u>
Total Charges to Operations	<u>8,179,174</u>	<u>8,179,174</u>	<u>5,042,149</u>	<u>3,137,025</u>
Ending Budgetary Fund Balances	<u>\$ --</u>	<u>\$ --</u>	4,009,978	<u>\$4,009,978</u>
Adjustments to reconcile to balance sheet				
Increase in beginning fund balance			566,994	
Increase in grant receivable			1,562	
Increase (decrease) in taxes receivable			19,475	
Increase (decrease) in fines receivable			(35,793)	
(Increase) decrease in payables related to accrued taxes			<u>36,562</u>	
Fund Balance			<u>\$ 4,598,778</u>	

CITY OF CATOOSA, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2016
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

The City, for this current budget, had not adopted Oklahoma's Title 11 budget act, enacted in 1978 and is still operating under the old budget method as prescribed before this act. The City's General Fund is allowed to budget 90% of prior year revenues plus 100% of carryover from the previous year. This carryover consist of cash less certain current liabilities. An Estimate of Needs form is filed with Rogers County, were Catoosa is located, by August 22nd of the new budget year. This form indicates if property tax assessments are needed to fund current obligations, but Catoosa has never required an assessment to complete their budget.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are canceled and reissued during the following year.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

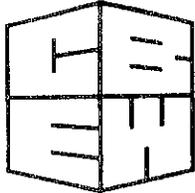
- Combining Statements - Nonmajor governmental funds

CITY OF CATOOSA, OKLAHOMA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2016

	911 Enhancement Fund	Cemetery Fund	Technology Fund	Fire Department Special Fund	A&D Fund	Retirement Fund	Police Training Fund	Library Contribution Fund	Total Non-major Governmental Funds
Assets									
Cash, including time deposits	\$28,682	\$46,432	\$101,066	\$31,650	\$28,460	\$114,203	\$53,572	\$17,462	\$421,527
Taxes receivable	—	—	—	—	—	—	—	—	0
Grants receivable	—	—	—	—	—	—	—	—	0
Total assets	\$28,682	\$46,432	\$101,066	\$31,650	\$28,460	\$114,203	\$53,572	\$17,462	\$421,527
Liabilities									
Accounts payable	—	—	—	—	—	—	—	739	739
Accrued expenses	—	—	—	—	—	—	—	—	0
Due other funds	—	—	—	—	—	—	1,097	3,030	4,127
Total liabilities	—	—	—	—	—	—	1,097	3,769	4,866
Fund balances									
Restricted	—	46,432	—	31,650	—	—	—	13,693	91,775
Committed	—	—	—	—	—	—	—	—	0
Assigned	28,682	—	101,066	—	28,460	114,203	52,475	—	324,886
Total fund balances	28,682	46,432	101,066	31,650	28,460	114,203	52,475	13,693	416,661
Total liabilities and fund balances	\$28,682	\$46,432	\$101,066	\$31,650	\$28,460	\$114,203	\$53,572	\$17,462	\$421,527

CITY OF CATOOSA, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2016

	911 Enhancement Fund	Cemetery Fund	Technology Fund	Fire Department Special Fund	A&D Fund	Retirement Fund	Police Training Fund	Library Contribution Fund	Total Non-major Governmental Funds
Revenues									
Fines and forfeits	\$	\$	\$23,220	\$	\$3,000	\$	\$12,030	\$	\$38,250
Sales tax				8,790				7,569	0
Grants and contributions						708	171	61	16,359
Interest	92	159	328	94	95				1,708
Fees and service		1,725							1,725
Miscellaneous	4,741						5,323		10,264
Total revenues	4,833	1,884	23,548	8,884	3,095	708	17,724	7,630	68,306
Expenditures									
Library								8,189	8,189
Other recreation									0
Police						10,515	4,106		14,621
Fire Department									0
General Government			1,576						1,576
Cemetery									0
Capital outlay									0
Total expenditures		0	1,576	0		10,515	4,106	8,189	24,386
Excess (deficiency) of revenues over expenditures	4,833	1,884	21,972	8,884	3,095	(9,807)	13,618	(559)	43,920
Other financing sources (uses)									
Transfers in									0
Transfers out									0
Total other financing sources and uses									0
Net change in fund balances	4,833	1,884	21,972	8,884	3,095	(9,807)	13,618	(559)	43,920
Fund balances - beginning	23,849	44,548	79,094	22,766	25,365	124,010	38,857	14,252	372,741
Fund balances - ending	\$28,682	\$46,432	\$101,066	\$31,650	\$28,460	\$114,203	\$52,475	\$13,693	\$416,661



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

November 9, 2016

Honorable Board of City Council Members
City of Catoosa
Catoosa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Catoosa, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Catoosa, Oklahoma's basic financial statements, and have issued our report thereon dated November 9, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as finding 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF CATOOSA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2016

2016-001. Internal Control -- Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the city's assets and ensure accurate financial reporting.

Condition: Presently the same individual is responsible for issuing purchase orders, writing checks, posting transactions, and reconciles the monthly bank statements, while another individual is responsible for receiving payments and making deposits. This condition was also reported in 2015.

Cause: The city's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and depositing activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts.

Responsible Official's Response: The city concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the city will strive to make changes in procedures that will improve the overall lack of segregation of duties.