

CITY OF GEARY
Geary, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2016

**CITY OF GEARY
Geary, Oklahoma**

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Geary, Oklahoma

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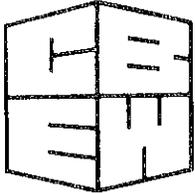
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INDEPENDENT AUDITOR'S REPORT

October 25, 2016

Honorable Board of City Commissioners
City of Geary
Geary, 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 Geary, 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.

Basis for Qualified Opinions

As discussed in Note 1 to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. The amount by which this departure affects reported assets and net position of the Governmental and Business-Type Activities and the Major Enterprise Fund is not readily determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities and the major enterprise fund of the City of Geary, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major governmental fund and the aggregate remaining fund information of the City of Geary, 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 pension exhibits and budgetary comparison information on pages 33 through 37 and the notes on page 38 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

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

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 schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is 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 October 25, 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 GEARY
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 347,210	\$ 297,628	\$ 644,838
Investments, at cost	-	23,500	23,500
Receivables (net of allowance for uncollectibles):			
Accounts receivable	86,786	174,146	260,932
Court fines receivable	9,917	-	9,917
Grants receivable	17,005	-	17,005
Unbilled revenues	-	94,421	94,421
Restricted assets:			
Cash & cash equivalents	-	25,252	25,252
Net pension asset	38,216	-	38,216
Prepaid costs	6,807	16,139	22,946
Capital assets:			
Land	17,024	-	17,024
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	1,276,987	1,971,011	3,247,998
Total assets	<u>1,799,952</u>	<u>2,602,097</u>	<u>4,402,049</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	117,145	-	117,145
Total deferred outflows	<u>117,145</u>	<u>-</u>	<u>117,145</u>
Liabilities:			
Current liabilities:			
Accounts payable	52,530	48,433	100,963
Accrued payroll	-	14,400	14,400
Accrued compensated absences payable (Note 1)	-	16,914	16,914
Accrued sales tax	-	2,227	2,227
Interest payable	-	18,595	18,595
Meter deposits	-	76,210	76,210
Notes payable (Notes 2 & 3)	-	68,566	68,566
Revenue bonds payable (Notes 2 & 3)	-	38,124	38,124
Non-current liabilities:			
Net pension liability	28,303	-	28,303
Notes payable (Notes 2 & 3)	-	220,396	220,396
Revenue bonds payable (Notes 2 & 3)	-	1,558,508	1,558,508
Total liabilities	<u>80,833</u>	<u>2,062,373</u>	<u>2,143,206</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	52,729	-	52,729
Total deferred inflows	<u>52,729</u>	<u>-</u>	<u>52,729</u>
Net position:			
Net Investment in capital assets	1,294,011	85,417	1,379,428
Restricted	336,216	25,252	361,468
Unrestricted	153,308	429,055	582,363
Total net position	<u>\$ 1,783,535</u>	<u>\$ 539,724</u>	<u>\$ 2,323,259</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF GEARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
General government	\$ 218,891	\$ 2,775	\$ -	\$ 189,149	\$ (26,967)
Total general government	<u>218,891</u>	<u>2,775</u>	<u>-</u>	<u>189,149</u>	<u>(26,967)</u>
Public safety and judiciary:					
Fire and ambulance	40,045	-	-	-	(40,045)
Municipal court	15,717	66,314	-	-	50,597
Police	669,085	-	-	-	(669,085)
Total public safety and judiciary	<u>724,847</u>	<u>66,314</u>	<u>-</u>	<u>-</u>	<u>(658,533)</u>
Transportation:					
Streets	129,452	-	35,098	-	(94,354)
Total transportation	<u>129,452</u>	<u>-</u>	<u>35,098</u>	<u>-</u>	<u>(94,354)</u>
Cultural, parks and recreation:					
Library	31,482	-	2,563	-	(28,919)
Cemetery	8,093	13,125	-	-	5,032
Parks	31,517	6,317	-	-	(25,200)
Total cultural, parks and recreation	<u>71,092</u>	<u>19,442</u>	<u>2,563</u>	<u>-</u>	<u>(49,087)</u>
Unallocated depreciation*	50,551	-	-	-	(50,551)
Total governmental activities	<u>1,194,833</u>	<u>88,531</u>	<u>37,661</u>	<u>189,149</u>	<u>(879,492)</u>
Business-type activities					
Electric	680,582	1,989,022	-	-	1,308,440
Water	369,086	-	-	-	(369,086)
Sewer	9,158	-	-	-	(9,158)
Sanitation	126,187	-	-	-	(126,187)
Gas	132,912	-	-	-	(132,912)
Unallocated depreciation*	146,665	-	-	-	(146,665)
Financing costs	50,477	-	-	-	(50,477)
Total business-type activities	<u>1,515,067</u>	<u>1,989,022</u>	<u>-</u>	<u>-</u>	<u>473,955</u>
Total	<u>\$ 2,709,900</u>	<u>\$ 2,077,553</u>	<u>\$ 37,661</u>	<u>\$ 189,149</u>	<u>\$ (405,537)</u>

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(879,492)	473,955	(405,537)
General revenues:			
Taxes:			
Sales, use and cigarette taxes	497,588	-	497,588
Franchise taxes	3,276	-	3,276
Intergovernmental	27,760	-	27,760
Investment earnings	891	872	1,763
Miscellaneous	45,871	-	45,871
Gain/(loss) on sale of asset	-	-	-
Pension change	20,358	-	20,358
Royalties	33,832	-	33,832
Transfers	604,838	(604,838)	-
Total general revenues and transfers	<u>1,234,414</u>	<u>(603,966)</u>	<u>630,448</u>
Change in net position	354,922	(130,011)	224,911
Net position - beginning of year - restated	<u>1,428,613</u>	<u>669,735</u>	<u>2,098,348</u>
Net position - end of year	<u>\$ 1,783,535</u>	<u>\$ 539,724</u>	<u>\$ 2,323,259</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF GEARY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund (Major)</u>	<u>Special Revenue Street & Alley Fund (Non-major)</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 284,913	\$ 62,297	\$ 347,210
Investments, at cost	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts receivable	86,786	-	86,786
Court fines receivable	788	-	788
Grants receivable	17,005	-	17,005
Prepaid costs	6,807	-	6,807
Total assets	<u>\$ 396,299</u>	<u>\$ 62,297</u>	<u>\$ 458,596</u>
Liabilities:			
Accounts payable	\$ 52,530	-	\$ 52,530
Accrued payroll	-	-	-
Payable from restricted assets:			
Appearance bonds	-	-	-
Total liabilities	<u>52,530</u>	<u>-</u>	<u>52,530</u>
Fund balances:			
Restricted for:			
Street	-	62,297	62,297
Committed to:			
Cemetery	36,883	-	36,883
Animal shelter	177	-	177
Park renovation	-	-	-
Construction	216,013	-	216,013
CDBG	1,176	-	1,176
Drug & alcohol	165	-	165
Library	19,505	-	19,505
Unassigned	<u>69,850</u>	<u>-</u>	<u>69,850</u>
Total fund balances	<u>343,769</u>	<u>62,297</u>	<u>406,066</u>
Total liabilities and fund balances	<u>\$ 396,299</u>	<u>\$ 62,297</u>	<u>\$ 458,596</u>

The accompanying notes are an integral part of the basic financial statements.

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

Total Fund Balances - Total Governmental Funds \$ 406,066

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset	38,216
Pension related deferred outflows	117,145
Net pension liability	(28,303)
Pension related deferred inflows	(52,729)

Some of the City's revenue will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in governmental funds: Fines and forfeitures	9,129
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 17,024	
Buildings	1,273,318	
Equipment	4,478,888	
Vehicles	159,482	
Accumulated depreciation	(4,634,701)	
	1,294,011	

Net position of governmental activities \$ 1,783,535

The accompanying notes are an integral part of the basic financial statements.

CITY OF GEARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General Fund (Major)	Special Revenue Street & Alley Fund (non-major)	Total Governmental Funds
Revenues:			
Charges for services	\$ 6,317	\$ -	\$ 6,317
Cemetery	13,125	-	13,125
Cigarette taxes	5,586	-	5,586
Franchise fees	3,276	-	3,276
Fines and forfeits	62,846	-	62,846
Gain on sale of asset	-	-	-
Grant revenues	191,712	35,098	226,810
Interest	740	151	891
Intergovernmental programs	15,858	11,902	27,760
Licenses and permits	2,775	-	2,775
Miscellaneous revenue	43,759	2,112	45,871
Royalties	33,832	-	33,832
Sales and use taxes	492,002	-	492,002
Total revenues	<u>871,828</u>	<u>49,263</u>	<u>921,091</u>
Expenditures:			
Current:			
General government	218,891	-	218,891
Public safety	724,848	-	724,848
Highways & roads	86,198	43,254	129,452
Cultural and recreational	71,092	-	71,092
Capital outlay	410,215	-	410,215
Total expenditures	<u>1,511,244</u>	<u>43,254</u>	<u>1,554,498</u>
Excess of revenues over (under) expenditures	(639,416)	6,009	(633,407)
Other financing uses:			
Operating transfers in (out)	604,838	-	604,838
Excess of revenues over (under) expenditures & transfers	(34,578)	6,009	(28,569)
Fund balance - beginning of year	<u>378,347</u>	<u>56,288</u>	<u>434,635</u>
Fund balance - end of year	<u>\$ 343,769</u>	<u>\$ 62,297</u>	<u>\$ 406,066</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF GEARY
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	\$	(28,569)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.</p>		20,358
<p>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 revenue differs between the two statements. The following represents the net change in deferred revenue for: Fines and forfeitures (net of allowance for uncollectibility)</p>		3,469
<p>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.</p>		(50,551)
<p>Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, 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.</p>		<u>410,215</u>
Change in Net Position of Governmental Activities	\$	<u><u>354,922</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF GEARY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2016

Business-type Activities - Enterprise Funds

	<u>Geary Utility Authority</u>	<u>Totals</u>
Assets:		
Cash and investments:		
Cash & cash equivalents (Note 1)	\$ 297,628	\$ 297,628
Investments, at cost	23,500	23,500
Receivables (net of allowance for uncollectibles):		
Accounts receivable	174,146	174,146
Unbilled revenues	94,421	94,421
Prepaid costs	16,139	16,139
Restricted assets:		
Cash & cash equivalents (Note 1)	25,252	25,252
Capital assets:		
Depreciable buildings, property, equipment and infrastructure (Notes 1 & 2)	<u>1,971,011</u>	<u>1,971,011</u>
Total assets	<u>2,602,097</u>	<u>2,602,097</u>
Deferred outflows of resources:		
Total deferred outflows	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities:		
Accounts payable	48,433	48,433
Accrued expenses	14,400	14,400
Accrued compensated absences payable	16,914	16,914
Accrued sales tax	2,227	2,227
Interest payable	18,595	18,595
Meter deposits	76,210	76,210
Notes payable (Notes 2 & 3)	68,566	68,566
Revenue bonds payable (Notes 2 & 3)	38,124	38,124
Non-current liabilities:		
Notes payable (Notes 2 & 3)	220,396	220,396
Revenue bonds payable (Notes 2 & 3)	<u>1,558,508</u>	<u>1,558,508</u>
Total liabilities	<u>2,062,373</u>	<u>2,062,373</u>
Deferred inflows of resources:		
Total deferred inflows	<u>-</u>	<u>-</u>
Net position:		
Net Investment in capital assets	85,417	85,417
Restricted	25,252	25,252
Unrestricted	<u>429,055</u>	<u>429,055</u>
Total net position	<u>\$ 539,724</u>	<u>\$ 539,724</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF GEARY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

Business-type Activities - Enterprise Funds

	Geary Utility Authority	Totals
Revenues:		
Charges for services	\$ 1,989,022	\$ 1,989,022
Miscellaneous revenue	-	-
Total revenues	<u>1,989,022</u>	<u>1,989,022</u>
Operating expense:		
Depreciation	146,665	146,665
Electric service	680,582	680,582
Water service	369,086	369,086
Sewer service	9,158	9,158
Garbage service	126,187	126,187
Gas expense	132,912	132,912
Total operating expense	<u>1,464,590</u>	<u>1,464,590</u>
Income before non-operating revenues, expenses & transfers	<u>524,432</u>	<u>524,432</u>
Non-operating revenues (expenses):		
Interest revenue	872	872
Interest expense	(50,477)	(50,477)
Gain/(loss) on sale of asset	-	-
Total	<u>(49,605)</u>	<u>(49,605)</u>
Income (loss) before operating transfers	<u>474,827</u>	<u>474,827</u>
Transfers in (out)	<u>(604,838)</u>	<u>(604,838)</u>
Change in net position	(130,011)	(130,011)
Net position - beginning of year	<u>669,735</u>	<u>669,735</u>
Net position - end of year	<u>\$ 539,724</u>	<u>\$ 539,724</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF GEARY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

Business-type Activities - Enterprise Funds

	Geary Utility Authority	Totals
Cash flows from operating activities:		
Cash received from customers & service users	\$ 1,969,561	\$ 1,969,561
Cash payments for goods & services & employees	(1,297,421)	(1,297,421)
Net cash provided by operating activities	672,140	672,140
Cash flows from noncapital financing activities:		
Change in due to/from accounts	-	-
Change in meter deposits	(2,392)	(2,392)
Operating transfers in (out) to other funds	(604,838)	(604,838)
Net cash provided (used) for noncapital financing activities	(607,230)	(607,230)
Cash flows from capital and related financing activities:		
Acquisition & construction of capital assets	(95,966)	(95,966)
Proceeds from loans	249,200	249,200
Principal paid on debt	(92,058)	(92,058)
Interest paid on debt	(50,467)	(50,467)
Net cash provided (used) for capital and related financing activities	10,709	10,709
Cash flows from investing activities:		
(Purchase) liquidation of investments - unrestricted	-	-
Interest on investments	872	872
Net cash provided by investing activities	872	872
Net increase (decrease) in cash & cash equivalents	76,491	76,491
Cash and cash equivalents - beginning of year	246,389	246,389
Cash and cash equivalents - end of year	\$ 322,880	\$ 322,880
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 524,432	\$ 524,432
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	146,665	146,665
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(19,461)	(19,461)
(Increase) decrease in prepaid costs	(256)	(256)
Increase (decrease) in accounts payable	8,287	8,287
Increase (decrease) in accrued expenses	12,473	12,473
Total adjustments	147,708	147,708
Net cash provided by operating activities	\$ 672,140	\$ 672,140

The accompanying notes are an integral part of the basic financial statements.

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Geary, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Geary, Oklahoma, was organized under the statutes of the State of Oklahoma. The City provides the following services as authorized by state statutes: general government, public safety (fire and police), streets, Geary Utility, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Geary, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

In evaluating how to define the City of Geary, Oklahoma, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's 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 by appropriate fund type to constitute the primary government presentation. A discretely presented component in it is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

Blended Component Units/Trusts:

The Geary Utility Authority (GUA) was created pursuant to a Trust Indenture for the benefit of the City of Geary, Oklahoma. GUA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, gas and electric facilities for the City of Geary. The water, sanitary sewer, electric, gas, and solid waste disposal systems owned by the City have been leased to GUA until such date that all indebtedness of the Authority is retired or provided for. GUA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. GUA is exempt from State and Federal Income taxes. GUA is reported as an enterprise fund.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the main operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley. Management has elected to report this fund as a major within the financial statements.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the City's major enterprise fund:

Geary Utility Authority – accounts for the operations of providing Geary Utility to the City.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City does not have a fiduciary fund.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. 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 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. 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.

4. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

5. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

6. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500. The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings & Improvements	40 - 100 years	40 - 100 years
Plants & Facilities	40 - 100 years	40 - 100 years
Furniture & Major Movable Equipment	10 - 40 years	10 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. The amount by which this departure would affect the assets, net position, and expenses of the Governmental and Business-Type Activities is not readily determinable.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time and part 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. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

8. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Long-term Obligations (Continued)

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Net Position/Fund Balance (Continued)

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

10. 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.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2016, the City held deposits of approximately \$693,590 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by 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 U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State 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 anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2016 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of deposit	N/A	23,500	23,500
Total investments		\$ 23,500	\$ 23,500
Reconciliation to Statement of Net Position			
			\$ -
			23,500
			\$ 23,500

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificates of deposit (\$23,500).

B. Fair Value Measurements

Fair value disclosures are provided as required by GASB Statement No. 72, *Fair Value Measurement and Application*. This standard established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Fair Value Measurements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2016:

Assets at Fair Value
as of June 30, 2016

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 23,500	\$ -	\$ -	\$ 23,500
Total assets at fair value	\$ 23,500	\$ -	\$ -	\$ 23,500

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

Governmental Activities	Balance 6/30/2015	Additions	Disposals	Balance 6/30/2016
Depreciable Assets				
Land	\$ 17,024	\$ -	\$ -	\$ 17,024
Vehicles	330,306	3,250	-	333,556
Buildings	876,548	396,770	-	1,273,318
Equipment	4,218,796	10,195	-	4,228,991
Capitalized Leases	75,824	-	-	75,824
Total Depreciable Assets	<u>5,518,498</u>	<u>410,215</u>	<u>-</u>	<u>5,928,713</u>
Less Accumulated Depreciation				
Vehicles	(98,059)	(5,265)	-	(103,324)
Buildings	(493,269)	(27,419)	-	(520,688)
Equipment	(3,951,134)	(12,031)	-	(3,963,165)
Capitalized Leases	(41,689)	(5,836)	-	(47,525)
Total Accumulated Depreciation	<u>(4,584,151)</u>	<u>(50,551)</u>	<u>-</u>	<u>(4,634,702)</u>
Net Governmental Assets	<u>934,347</u>	<u>359,664</u>	<u>-</u>	<u>1,294,011</u>
Depreciable Assets				
Buildings	410,850	-	-	410,850
Equipment	1,120,107	10,584	-	1,130,691
Vehicles	240,380	6,800	-	247,180
Infrastructure	9,857,558	78,582	-	9,936,140
Total Depreciable Assets	<u>11,628,895</u>	<u>95,966</u>	<u>-</u>	<u>11,724,861</u>
Less Accumulated Depreciation				
Buildings	(437,982)	(8,919)	-	(446,901)
Equipment	(1,049,561)	(4,720)	-	(1,054,281)
Vehicles	(211,204)	(32,668)	-	(243,872)
Infrastructure	(7,908,440)	(100,358)	-	(8,008,798)
Total Accumulated Depreciation	<u>(9,607,187)</u>	<u>(146,665)</u>	<u>-</u>	<u>(9,753,852)</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 2,021,708</u>	<u>\$ (50,699)</u>	<u>\$ -</u>	<u>\$ 1,971,009</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt

Long-term debt of the City consists of notes payable. Debt service requirements for notes are payable solely from fund balance and future revenues of the Geary Utility Authority. The following briefly describes these notes payable:

(1) Note payable to Cornerstone Bank, Watonga, Oklahoma, collateralized by the garbage truck. Note is dated January 4, 2012 with monthly payments of \$2,593 through January 2018 with interest at 5.49% until maturity.	47,774
(2) Note payable to Bank of Western Oklahoma, Geary, Oklahoma, collateralized by the K-9 unit. Note is dated May 13, 2013 with monthly payments of \$664 through May 13, 2018 with interest at 6% until maturity.	14,392
(3) A note payable to Oklahoma Water Resources Board, secured by utility revenues and accounts, contract rights and other assets owned by the Geary Utilities Authority. The note is payable beginning March 15, 2013 in monthly installments of \$8,415 including interest and administrative fee at 3.99%.	1,596,632
(4) A note payable to Travis Harrison, collateralized by the mini excavator. Note is dated July 6, 2015 with monthly payments of \$1,195 through July 6, 2015 with 0% interest.	15,555
(5) A note payable to Welch State Bank, collateralized by fire station. Note is dated October 8, 2015 with monthly payments of \$2,286.43 through November 15, 2025 with interest at 4.48% until maturity.	<u>211,241</u>
Total Proprietary Fund long-term debt	<u>\$ 1,885,594</u>

The following is a summary of long-term debt transactions of the proprietary fund:

	Original Amount	Balance Outstanding 7/1/15	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/16	Current Portion
Geary Utilities Authority:						
OWRB	\$ 1,775,000	\$ 1,631,763	\$ -	\$ (35,131)	\$ 1,596,632	\$ 38,124
Cornerstone Bank	158,453	75,417	-	(27,643)	47,774	29,222
Welch State Bank	220,500	-	220,500	(9,259)	211,241	17,698
Travis Harrison	28,700	-	28,700	(13,145)	15,555	14,340
Bank of Western OK	34,355	21,272	-	(6,880)	14,392	7,306
Total	<u>\$ 2,217,008</u>	<u>\$ 1,728,452</u>	<u>\$ 249,200</u>	<u>\$ (92,058)</u>	<u>\$ 1,885,594</u>	<u>\$ 106,690</u>

**CITY OF GEARY
Geary, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Totals
2017	\$ 106,690	\$ 75,150	\$ 181,840
2018	85,662	70,721	156,383
2019	61,299	67,115	128,414
2020	63,876	64,537	128,413
2021	66,597	61,816	128,413
2022-2026	363,912	264,440	628,352
2027-2031	307,929	196,955	504,884
2032-2036	375,792	129,092	504,884
2037-2041	453,837	44,573	498,410
Total debt service requirements	<u>\$ 1,885,594</u>	<u>\$ 974,399</u>	<u>\$ 2,859,993</u>

3. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

B. Contingent Liabilities

The City is a defendant in ongoing litigation and various legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Other Benefit Plans

The City participates in two employee pension systems as follows:

Oklahoma Firefighters Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund--(OkMRF) Agent Multiple Employer – Defined Benefit Plan

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The City of Geary, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & 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 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 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 years 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.

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

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. Contributions to the pension plan from the City were \$960 (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 liability of \$28,303 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 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 liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City's proportion was 0.002667%.

For the year ended June 30, 2016, the City recognized pension expense of \$2,404. 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	\$ 559	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,003	3,113
Changes in proportion and differences between City contributions and proportionate share of contributions	-	5,309
City contributions subsequent to the measurement date	<u>1,200</u>	<u>-</u>
Total	<u>\$ 2,762</u>	<u>\$ 8,423</u>

\$1,200 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (2,276)
2018	(2,276)
2019	(2,276)
2020	139
2021	29
Thereafter	<u>(201)</u>
	<u>\$ 6,861</u>

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

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 healthy 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

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-percent point lower (6.5%) or 1-percent 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>
Employers' net pension liability (asset)	\$36,755	\$28,303	\$21,223

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

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.

Oklahoma Municipal Retirement Fund – Defined Benefit

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/14 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	7 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 7 years of service -Disability retirement upon disability with 7 years of service -Death benefit with 7 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-1.875% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years' Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Employees Covered by Benefit Terms

Active Employees	21
Deferred Vested Former Employees	1
Retirees or Retiree Beneficiaries	<u>4</u>
Total	<u>26</u>

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11; Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 6.81% of covered payroll. For the year ended June 30, 2015, the City recognized \$46,233 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$678,880. Employees contribute a fixed 6% to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2015
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Rates by age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Additional rates per thousand are added during the first 5 years:

Year 1: 215
Year 2: 140
Year 3: 95
Year 4: 65
Year 5: 40

j. Date of last experience study September 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	<u>0%</u>	0.00%	<u>0.00%</u>
TOTAL	<u>100%</u>		

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Average Real Return	4.75%
Inflation	<u>3.00%</u>
Long-term expected return	<u>7.75%</u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Employers' net pension liability (asset)	\$ 142,525	\$ (38,216)	\$ (185,607)

The City reported \$27,998 pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 18,651	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	49,499	44,306
City contributions subsequent to the measurement date	<u>46,232</u>	<u>-</u>
Total	<u>\$ 114,382</u>	<u>\$ 44,306</u>

\$46,232 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, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 337
2018	337
2019	338
2020	15,105
2021	2,731
Thereafter	<u>4,996</u>
	<u>\$ 23,844</u>

CITY OF GEARY
Geary, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits

Plan Description: 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 are referenced only in a few sentences in the administrative policy manual. 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 projected pay-as-you-go financing requirements. For fiscal year 2015, the City contributed 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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision 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.

**CITY OF GEARY
Geary, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2016**

CITY OF GEARY
Geary, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2016

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:

Fire

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

Defined Benefit Agent Multi-Employer Plan

OKMRF

Schedule of change in net pension liability & related ratios

Schedule of employer contributions

Budgetary Comparison Schedule – General & Special Revenue Funds

CITY OF GEARY
Geary, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016

Exhibit 1
Schedule of the City of Geary's Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability	0.0032%	0.002667%
City's proportionate share of the net pension liability	\$33,017	\$28,303
City's covered-employee payroll	\$ -	\$ -
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%
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 last 2 current fiscal years are presented because 10-year data is not yet available

Exhibit 2
Schedule of City Contributions
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years

	<u>2014</u>	<u>2015</u>
Statutorily required contribution	\$1,200	\$1,020
Contributions in relation to the statutorily required contribution	<u>1,200</u>	<u>1,020</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	\$60 per volunteer	

Notes to Schedule:

Only the last 2 current fiscal years are presented because 10-year data is not yet available

CITY OF GEARY
Geary, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016

Exhibit 3
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Year

	<u>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 52,457	\$ 65,564
Interest	70,790	73,739
Changes of benefit terms	-	-
Differences between expected and actual experience	-	21,382
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	<u>(39,334)</u>	<u>(25,889)</u>
Net change in total pension liability	83,912	134,796
Total pension liability – beginning	<u>880,259</u>	<u>964,172</u>
Total pension liability - ending (a)	<u>\$ 964,172</u>	<u>\$ 1,098,968</u>
Plan fiduciary net position		
Contributions - employer	\$ 45,352	\$ 51,112
Contributions - member	19,397	21,915
Net investment income	147,097	30,088
Benefit payments, including refunds of member contributions	(39,334)	(25,889)
Administrative expense	(2,180)	(2,235)
Other	-	-
Net change in plan fiduciary net position	<u>170,332</u>	<u>74,991</u>
Plan fiduciary net position – beginning	<u>891,861</u>	<u>1,062,193</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,062,193</u>	<u>\$ 1,137,184</u>
Net pension liability - ending (a) - (b)	<u>\$ (98,022)</u>	<u>\$ (38,216)</u>
Plan fiduciary net position as a percentage of the total pension liability	110.17%	103.48%
Covered employee payroll	\$ 671,208	\$ 675,048
Net pension liability as a percentage of covered employee payroll	-14.60%	-5.66%

Notes to Schedule:

Only the last 2 current fiscal years are presented because 10-year data is not yet available

CITY OF GEARY
Geary, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016

Exhibit 4
Required Supplementary Information
Oklahoma Municipal Retirement Fund
Schedule of Employer Contributions Last Fiscal Year

	2014	2015
Actuarially determined contribution	\$ 65,291	\$ 46,232
Contributions in relation to the actuarially determined contribution	65,291	46,232
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 671,208	\$ 678,880
Contributions as a percentage of covered-employee payroll	10.63%	6.81%

Notes to Schedule:

1. Only the last 2 current fiscal years are presented because 10-year data is not yet available
2. Latest Valuation Date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2013 and July 1, 2014
January 2014 through June 2014 contributions were at a rate of 9.28%.
July 2014 through December 2014 contributions were at a rate of 9.26%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 29 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.50%

CITY OF GEARY
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2016
 (Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Charges for services	\$ 17,883	\$ 17,883	\$ 6,317	\$ (11,566)
Cemetery	8,398	8,398	13,125	4,727
Cigarette taxes	5,541	5,541	5,586	45
Franchise fees	4,333	4,333	3,276	(1,057)
Fines and forfeits	126,840	126,840	62,846	(63,994)
Gain on sale of asset	-	-	-	-
Grant revenues	150,000	150,000	191,712	41,712
Interest	735	735	740	5
Intergovernmental programs	16,025	16,025	15,858	(167)
Licenses and permits	745	745	2,775	2,030
Miscellaneous revenue	8,127	8,127	43,759	35,632
Royalties	21,654	21,654	33,832	12,178
Sales and use taxes	579,894	579,894	492,002	(87,892)
Total revenues	<u>940,175</u>	<u>940,175</u>	<u>871,828</u>	<u>(68,347)</u>
Expenditures:				
Current:				
General government	221,262	221,262	218,891	2,371
Public safety	727,158	727,158	724,848	2,310
Highways & roads	86,086	86,086	86,198	(112)
Cultural & recreational	71,599	71,599	71,092	507
Capital outlay	411,000	411,000	410,215	785
Total expenditures	<u>1,517,105</u>	<u>1,517,105</u>	<u>1,511,244</u>	<u>5,861</u>
Excess of revenue over (under) expenditures	(576,930)	(576,930)	(639,416)	(62,486)
Other financing sources (uses):				
Operating transfers in (out)	610,000	610,000	604,838	(5,162)
Net changes in fund balance	33,070	33,070	(34,578)	(67,648)
Fund balance - beginning of year	<u>378,347</u>	<u>378,347</u>	<u>378,347</u>	<u>-</u>
Fund balance at end of year	<u>\$ 411,417</u>	<u>\$ 411,417</u>	<u>\$ 343,769</u>	<u>\$ (67,648)</u>

CITY OF GEARY
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2016
 (Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest	-	-	151	151
Grant revenues	-	-	35,098	35,098
Intergovernment programs	12,386	12,386	11,902	(484)
Miscellaneous	-	-	2,112	2,112
Total revenues	<u>12,386</u>	<u>12,386</u>	<u>49,263</u>	<u>36,877</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways, roads, & airport	43,254	43,254	43,254	-
Cultural & recreational	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>43,254</u>	<u>43,254</u>	<u>43,254</u>	<u>-</u>
Excess of revenue over (under) expenditures	(30,868)	(30,868)	6,009	36,877
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Net changes in fund balance	(30,868)	(30,868)	6,009	36,877
Fund balance - beginning of year	<u>56,288</u>	<u>56,288</u>	<u>56,288</u>	<u>-</u>
Fund balance - end of year	<u>\$ 25,420</u>	<u>\$ 25,420</u>	<u>\$ 62,297</u>	<u>\$ 36,877</u>

CITY OF GEARY
Geary, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
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.

Prior to July 1, the City Administrator (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

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 cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**CITY OF GEARY
Geary, Oklahoma**

**OTHER SUPPLEMENTARY INFORMATION
June 30, 2016**

CITY OF GEARY
Geary, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

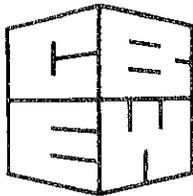
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
CDBG	14.228	150,000	150,000	150,000
<u>U.S. Department of Homeland Security:</u>				
<u>Passed through the Oklahoma Department of Emergency Management:</u>				
Winter Ice Storms	97.036	<u>72,247</u>	<u>72,247</u>	<u>72,247</u>
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	<u>2,563</u>	<u>2,563</u>	<u>2,563</u>
Total of Expenditures of Federal Awards		\$ <u>224,810</u>	\$ <u>224,810</u>	\$ <u>224,810</u>

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

Note B - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported using modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF GEARY
Geary, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2016**



CBEW
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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**

October 25, 2016

Honorable Board of City Commissioners
City of Geary
Geary, 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 Geary, 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 Geary, Oklahoma's basic financial statements, and have issued our report thereon dated October 25, 2016. Our opinions on the governmental and business-type activities and major enterprise fund were qualified because of the lack of fixed asset records. Additionally, the City did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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*.

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 report is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

**CITY OF GEARY
Geary, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

None.