

**CITY OF MANNFORD
Mannford, Oklahoma**

**BASIC FINANCIAL STATEMENTS
June 30, 2016**

**CITY OF MANNFORD
Mannford, Oklahoma**

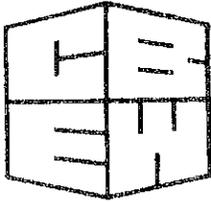
CONTENTS

	Page No.
Independent Auditor's Report	1-3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities	9
Statement of Fund Net Position - Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Statement of Fiduciary Net Position	13
Notes to the Basic Financial Statements	14-38
Required Supplemental Information:	
Exhibit 1 – Schedule of Share of Net Pension Liability (Asset) – Police Pension	39
Exhibit 2 – Schedule of City Contributions – Police Pension & Retirement System	39
Exhibit 3 – Schedule of Share of Net Pension Liability – Firefighter's System	40
Exhibit 4 – Schedule of City Contributions – Firefighter's Pension & Retirement	40
Exhibit 5 – Schedule of Changes in Net Pension Liability and Related Ratios – OMRF	41
Exhibit 6 – Schedule of Employer Contributions – OMRF	42
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	43-44

**CITY OF MANNFORD
Mannford, Oklahoma**

CONTENTS

	Page No.
Notes to Required Supplemental Information	45
Other Supplementary Information:	
Combining Balance Sheet – Non-Major Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	47
Schedule of Expenditures of Federal Awards	48
Reports Required by <i>Government Auditing Standards</i>:	
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 <i>Government Auditing Standards</i>	49-50
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	51-52
Schedule of Findings and Questioned Costs	53-55
Summary Schedule of Prior Audit Findings	56
Corrective Action Plan	57



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INDEPENDENT AUDITOR'S REPORT

August 30, 2016

Honorable Board of City Commissioners
City of Mannford
Mannford, 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 Mannford, 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. Also, the City has elected to not report depreciation on these capital assets. The amount by which these departures affect the reported assets and net position of the Governmental and Business-Type Activities and 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 Mannford, 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 Mannford, 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 39 through 44 and the notes on page 45 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.

City of Mannford
August 30, 2016

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 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 MANNFORD
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 897,596	\$ 1,381,575	\$ 2,279,171
Investments, at cost	40,781	855,224	896,005
Receivables (net of allowance for uncollectibles):			
Accounts receivable	35,299	446,228	481,527
Unbilled revenues	-	225,712	225,712
Taxes	237,724	-	237,724
Interest	113	4,187	4,300
Restricted assets:			
Cash & cash equivalents	157,038	-	157,038
Bond fund/cash & investments (Note 1)	-	-	-
Tenant security deposits	-	22,550	22,550
Net pension asset	-	-	-
Inventory	-	26,812	26,812
Capital assets:			
Land	-	1,693,473	1,693,473
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	4,934,083	20,395,656	25,329,739
Other assets:			
Prepaid costs	-	-	-
Total assets	<u>6,302,634</u>	<u>25,051,417</u>	<u>31,354,051</u>
Deferred outflows of resources:			
Deferred amounts related to pensions	400,168	-	400,168
Total deferred outflows	<u>400,168</u>	<u>-</u>	<u>400,168</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,307,854	427,063	1,734,917
Accrued payroll	31,906	28,755	60,661
Accrued interest payable	-	474	474
Accrued sales tax	653	5,005	5,658
Payable from restricted assets:			
Interest payable	-	27,918	27,918
Appearance bonds	7,080	-	7,080
Deposits	-	22,550	22,550
Notes payable (Notes 2 & 3)	-	440,000	440,000
Revenue bonds payable (Notes 2 & 3)	-	390,000	390,000
Non-current liabilities:			
Accrued compensated absences payable (Note 1)	49,038	42,242	91,280
Net pension liability	973,881	-	973,881
Notes payable (Notes 2 & 3)	-	118,750	118,750
Revenue bonds payable (Notes 2 & 3)	-	2,220,000	2,220,000
Total liabilities	<u>2,370,412</u>	<u>3,722,757</u>	<u>6,093,169</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	213,530	-	213,530
Total deferred inflows	<u>213,530</u>	<u>-</u>	<u>213,530</u>
Net position:			
Net investment in capital assets	4,934,083	17,158,141	22,092,224
Restricted	323,631	-	323,631
Unrestricted	(1,138,854)	4,170,519	3,031,665
Total net position	<u>\$ 4,118,860</u>	<u>\$ 21,328,660</u>	<u>\$ 25,447,520</u>

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

CITY OF MANNFORD
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:					
City clerk	\$ 1,500	\$ -	\$ -	\$ -	\$ (1,500)
City treasurer	1,500	-	-	-	(1,500)
General government	364,684	14,020	-	-	(350,664)
Total general government	367,684	14,020	-	-	(353,664)
Public safety and judiciary:					
Code enforcement	-	-	-	-	-
Fire and ambulance	385,359	372,009	81,449	-	68,099
Municipal court	20,220	246,503	-	-	226,283
911 fund	9,564	18,201	-	-	8,637
Police	666,553	-	10,000	-	(656,553)
Total public safety and judiciary	1,081,696	636,713	91,449	-	(353,534)
Transportation:					
Streets	178,224	-	168,148	-	(10,076)
Total transportation	178,224	-	168,148	-	(10,076)
Cultural, parks and recreation:					
Activity center	182,639	108,428	-	-	(74,211)
Library	142,502	5,387	4,543	-	(132,572)
Sr Citizens Center	-	-	-	4,710,623	4,710,623
New Mannford ramp	83,469	121,128	-	-	37,659
Salt Creek North	-	-	-	-	-
Parks	39,735	1,765	-	-	(37,970)
Total cultural, parks and recreation	448,345	236,708	4,543	4,710,623	4,503,529
Total governmental activities	2,075,949	887,441	264,140	4,710,623	3,786,255
Business-type activities					
Electric	2,613,078	2,956,515	-	-	343,437
Water	571,849	467,540	-	-	(104,309)
Sewer	231,826	243,456	-	-	11,630
Sanitation	199,572	210,140	-	-	10,568
Gas	647,758	970,420	-	-	322,662
Sr housing	16,207	-	-	-	(16,207)
Building operations	19,118	61,307	-	-	42,189
Financing costs	341,874	-	-	-	(341,874)
Keystone Development Authority	190,496	204,823	-	-	14,327
Pawnee Rural Water	65,746	76,072	-	-	10,326
Total business-type activities	4,897,524	5,190,273	-	-	292,749
Total	\$ 6,973,473	\$ 6,077,714	\$ 264,140	\$ 4,710,623	\$ 4,079,004

Net (expense)/revenue	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General revenues:	3,786,255	292,749	4,079,004
Taxes:			
Sales, use and cigarette taxes	1,277,113	-	1,277,113
Franchise taxes	18,542	-	18,542
Intergovernmental	46,034	-	46,034
Investment earnings	1,965	17,632	19,597
Miscellaneous	67,825	199,355	267,180
Gain/(loss) on sale of asset	(196,246)	(139)	(196,385)
Pension change	185,962	-	185,962
Late charges	-	41,576	41,576
Transfers	(5,341,749)	5,341,749	-
Total general revenues and transfers	(3,940,554)	5,600,173	1,659,619
Change in net position	(154,299)	5,892,922	5,738,623
Net position - beginning of year	4,273,159	15,435,738	19,708,897
Net position - end of year	\$ 4,118,860	\$ 21,328,660	\$ 25,447,520

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

**CITY OF MANNFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue CDBG SR Citizen Housing</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments:				
Cash & cash equivalents	\$ (37,388)	\$ 747,152	\$ 187,832	\$ 897,596
Investments, at cost	40,781	-	-	40,781
Receivables (net of allowance for uncollectibles):				
Accounts receivable	28,197	-	7,102	35,299
Taxes	237,724	-	-	237,724
Interest	113	-	-	113
Restricted assets:				
Cash & cash equivalents	157,038	-	-	157,038
Total assets	<u>\$ 426,465</u>	<u>\$ 747,152</u>	<u>\$ 194,934</u>	<u>\$ 1,368,551</u>
Liabilities:				
Accounts payable	\$ 24,189	\$ 1,268,336	\$ 15,329	\$ 1,307,854
Accrued sales tax	-	-	653	653
Accrued payroll	28,109	-	3,797	31,906
Payable from restricted assets:				
Appearance bonds	7,080	-	-	7,080
Total liabilities	<u>59,378</u>	<u>1,268,336</u>	<u>19,779</u>	<u>1,347,493</u>
Fund balances:				
Restricted for:				
E-911 services	93,986	-	-	93,986
Other purposes	-	-	175,155	175,155
Committed to:				
Police training	54,490	-	-	54,490
Assigned to:				
Police equipment	626	-	-	626
Library	856	-	-	856
Unassigned	<u>217,129</u>	<u>(521,184)</u>	<u>-</u>	<u>(304,055)</u>
Total fund balances	<u>367,087</u>	<u>(521,184)</u>	<u>175,155</u>	<u>21,058</u>
Total liabilities and fund balances	<u>\$ 426,465</u>	<u>\$ 747,152</u>	<u>\$ 194,934</u>	<u>\$ 1,368,551</u>

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

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

Total Fund Balances - Total Governmental Funds \$ 21,058

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

Net pension asset	-
Pension related deferred outflows	400,168
Accrued compensated absences payable	(49,038)
Net pension liability	(973,881)
Pension related deferred inflows	(213,530)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	10,000	
Buildings & Improvements		2,374,242	
Furniture & Equipment		672,806	
Infrastructure		482,082	
Vehicles		1,394,953	
		<u>4,934,083</u>	

Net position of governmental activities **\$ 4,118,860**

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

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

	<u>Special Revenue</u>			Total Governmental Funds
	General Fund	CDBG SR Citizen Housing	Other Governmental Funds	
Revenues:				
Charges for services	\$ 382,508	\$ -	\$ 230,609	\$ 613,117
Cigarette taxes	13,707	-	-	13,707
Franchise fees	18,542	-	-	18,542
Fines and forfeits	246,503	-	-	246,503
Grant revenues	87,159	4,710,622	176,982	4,974,763
Interest	1,965	-	-	1,965
Intergovernmental programs	19,640	-	26,394	46,034
Licenses and permits	9,620	-	-	9,620
Miscellaneous revenue	11,355	-	56,470	67,825
911 revenues	18,201	-	-	18,201
Sales and use taxes	1,263,406	-	-	1,263,406
Total revenues	<u>2,072,606</u>	<u>4,710,622</u>	<u>490,455</u>	<u>7,273,683</u>
Expenditures:				
Current:				
General government	343,427	-	15,456	358,883
Public safety	1,080,282	-	1,414	1,081,696
Highways roads and airport	-	-	178,224	178,224
Cultural and recreational	177,545	-	273,319	450,864
Capital outlay	53,730	-	190,643	244,373
Lease payments	-	-	-	-
Total expenditures	<u>1,654,984</u>	<u>-</u>	<u>659,056</u>	<u>2,314,040</u>
Excess of revenues over (under) expenditures	417,622	4,710,622	(168,601)	4,959,643
Other financing uses:				
Operating transfers in (out)	(450,521)	(5,141,228)	250,000	(5,341,749)
Excess of revenues over (under) expenditures & transfers	(32,899)	(430,606)	81,399	(382,106)
Fund balance - beginning of year	<u>399,986</u>	<u>(90,578)</u>	<u>93,756</u>	<u>403,164</u>
Fund balance - end of year	<u>\$ 367,087</u>	<u>\$ (521,184)</u>	<u>\$ 175,155</u>	<u>\$ 21,058</u>

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

CITY OF MANNFORD
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 \$ (382,106)

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

Governmental Funds report sale of assets as income. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the gain/(loss) is reported in the current period. (196,246)

Government-Wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period. (6,282)

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. 244,373

Change in Net Position of Governmental Activities \$ (154,299)

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

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

	Business-type Activities - Enterprise Funds				Totals
	Public Works Authority (Major)	Mannford Housing Authority (Major)	Keystone Development Authority (Non-major)	Pawnee Rural Water (Non-major)	
Assets:					
Cash and investments:					
Cash & cash equivalents (Note 1)	\$ 1,089,864	\$ 177,701	\$ 58,408	\$ 55,602	\$ 1,381,575
Investments, at cost	813,128	-	15,000	27,096	855,224
Receivables (net of allowance for uncollectibles):					
Accounts receivable	441,314	-	4,002	912	446,228
Unbilled revenues	202,146	-	16,492	7,074	225,712
Interest	4,024	-	48	115	4,187
Restricted Assets:					
Bond fund/cash & investments	-	-	-	-	-
Tenant security deposits	-	-	22,550	-	22,550
Inventory	26,812	-	-	-	26,812
Capital assets:					
Land	1,693,473	-	-	-	1,693,473
Depreciable buildings, property, equipment and infrastructure (Notes 1 & 2)	14,390,629	5,543,565	392,697	68,765	20,395,656
Other assets:					
Prepaid costs	-	-	-	-	-
Total assets	18,661,390	5,721,266	509,197	159,564	25,051,417
Liabilities:					
Current liabilities:					
Accounts payable	411,786	-	12,199	3,078	427,063
Accrued payroll	28,755	-	-	-	28,755
Accrued interest payable	474	-	-	-	474
Accrued sales tax	4,986	-	19	-	5,005
Payable from restricted assets:					
Interest payable	27,918	-	-	-	27,918
Deposits	-	-	22,550	-	22,550
Notes payable (Notes 2 & 3)	440,000	-	-	-	440,000
Revenue bonds payable (Notes 2 & 3)	390,000	-	-	-	390,000
Non-current liabilities:					
Accrued compensated absences payable	42,242	-	-	-	42,242
Notes payable (Notes 2 & 3)	118,750	-	-	-	118,750
Revenue bonds payable (Notes 2 & 3)	2,220,000	-	-	-	2,220,000
Total liabilities	3,684,911	-	34,768	3,078	3,722,757
Net position:					
Net investment in capital assets	11,221,879	5,543,565	392,697	-	17,158,141
Unrestricted	3,754,600	177,701	81,732	156,486	4,170,519
Total net position	\$ 14,976,479	\$ 5,721,266	\$ 474,429	\$ 156,486	\$ 21,328,660

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

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

	Business-type Activities - Enterprise Funds				Totals
	Public Works Authority (Major)	Mannford Housing Authority (Major)	Keystone Development Authority (Non-major)	Pawnee Rural Water (Non-major)	
Revenues:					
Water revenue	\$ 435,859	\$ -	\$ 109,042	\$ 76,072	\$ 620,973
Sewer revenue	243,456	-	25,761	-	269,217
Garbage revenue	210,140	-	40,457	-	250,597
Electric revenue	2,956,515	-	-	-	2,956,515
Gas revenue	970,420	-	12,322	-	982,742
Late charges	37,846	-	2,912	818	41,576
Administrative fees	31,681	-	-	-	31,681
Ambulance utility	-	-	16,887	-	16,887
Permits	-	-	354	-	354
Grant revenue	-	-	-	-	-
Rental revenue	61,307	-	-	-	61,307
Miscellaneous revenue	2,170	196,245	880	60	199,355
Total revenues	<u>4,949,394</u>	<u>196,245</u>	<u>208,615</u>	<u>76,950</u>	<u>5,431,204</u>
Operating expense:					
Ambulance fees	-	-	16,740	-	16,740
Administrative	205,838	-	-	-	205,838
Building operations	19,118	16,207	-	-	35,325
Electric service	2,613,078	-	-	-	2,613,078
Water service	571,849	-	136,375	65,745	773,969
Sewer service	231,826	-	-	-	231,826
Garbage service	199,572	-	37,382	-	236,954
Gas expense	647,758	-	-	-	647,758
Total operating expense	<u>4,489,039</u>	<u>16,207</u>	<u>190,497</u>	<u>65,745</u>	<u>4,761,488</u>
Income before non-operating revenues, expenses & transfers	<u>460,355</u>	<u>180,038</u>	<u>18,118</u>	<u>11,205</u>	<u>669,716</u>
Non-operating revenues (expenses):					
Interest revenue	16,886	-	331	415	17,632
Interest expense	(134,536)	-	-	-	(134,536)
Gain/(loss) on sale of asset	(139)	-	-	-	(139)
Trustee fees	(1,500)	-	-	-	(1,500)
Total	<u>(119,289)</u>	<u>-</u>	<u>331</u>	<u>415</u>	<u>(118,543)</u>
Income (loss) before operating transfers	<u>341,066</u>	<u>180,038</u>	<u>18,449</u>	<u>11,620</u>	<u>551,173</u>
Transfers in (out)	<u>(199,479)</u>	<u>5,541,228</u>	<u>-</u>	<u>-</u>	<u>5,341,749</u>
Change in net position	141,587	5,721,266	18,449	11,620	5,892,922
Net position - beginning of year	<u>14,834,892</u>	<u>-</u>	<u>455,980</u>	<u>144,866</u>	<u>15,435,738</u>
Net position - end of year	<u>\$ 14,976,479</u>	<u>\$ 5,721,266</u>	<u>\$ 474,429</u>	<u>\$ 156,486</u>	<u>\$ 21,328,660</u>

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

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

	Business-type Activities - Enterprise Funds				Totals
	Public Works Authority (Major)	Mannford Housing Authority (Major)	Keystone Development Authority (Non-major)	Pawnee Rural Water (Non-major)	
Cash flows from operating activities:					
Cash received from customers & service users	\$ 4,977,561	\$ 196,245	\$ 206,777	\$ 76,843	\$ 5,457,426
Cash payments for goods & services & employees	(4,394,938)	(16,207)	(186,284)	(66,914)	(4,664,343)
Net cash provided by operating activities	<u>582,623</u>	<u>180,038</u>	<u>20,493</u>	<u>9,929</u>	<u>793,083</u>
Cash flows from noncapital financing activities:					
Tenant security deposits	-	-	2,700	-	2,700
Operating transfers in (out) to other funds	(199,479)	5,541,228	-	-	5,341,749
Net cash provided (used) for noncapital financing activities	<u>(199,479)</u>	<u>5,541,228</u>	<u>2,700</u>	<u>-</u>	<u>5,344,449</u>
Cash flows from capital and related financing activities:					
Acquisition & construction of capital assets	(546,075)	(5,543,565)	(3,843)	(3,842)	(6,097,325)
Proceeds from sale of asset	6,970	-	-	-	6,970
Note proceeds	-	-	-	-	-
Principal paid on debt	(390,000)	-	-	-	(390,000)
Interest paid on debt	(138,074)	-	-	-	(138,074)
Trustee fees	(1,500)	-	-	-	(1,500)
Net cash provided (used) for capital and related financing activities	<u>(1,068,679)</u>	<u>(5,543,565)</u>	<u>(3,843)</u>	<u>(3,842)</u>	<u>(6,619,929)</u>
Cash flows from investing activities:					
(Purchase) liquidation of investments - unrestricted	(1,118)	-	-	(294)	(1,412)
Interest on investments	16,601	-	327	408	17,336
Net cash provided by investing activities	<u>15,483</u>	<u>-</u>	<u>327</u>	<u>114</u>	<u>15,924</u>
Net increase (decrease) in cash & cash equivalents	(670,052)	177,701	19,677	6,201	(466,473)
Cash and cash equivalents - beginning of year	<u>1,759,916</u>	<u>-</u>	<u>61,281</u>	<u>49,401</u>	<u>1,870,598</u>
Cash and cash equivalents - end of year	<u>\$ 1,089,864</u>	<u>\$ 177,701</u>	<u>\$ 80,958</u>	<u>\$ 55,602</u>	<u>\$ 1,404,125</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 460,355	\$ 180,038	\$ 18,118	\$ 11,205	\$ 478,473
Adjustments to reconcile operating income to net cash provided by operating activities:					
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	28,167	-	(1,838)	(107)	26,329
(Increase) decrease in inventory	3,132	-	-	-	3,132
(Increase) decrease in prepaid costs	-	-	-	-	-
Increase (decrease) in accounts payable	85,572	-	4,204	(1,169)	89,776
Increase (decrease) in accrued expenses	5,397	-	9	-	5,406
Total adjustments	<u>122,268</u>	<u>-</u>	<u>2,375</u>	<u>(1,276)</u>	<u>124,643</u>
Net cash provided by operating activities	<u>\$ 582,623</u>	<u>\$ 180,038</u>	<u>\$ 20,493</u>	<u>\$ 9,929</u>	<u>\$ 603,116</u>

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

CITY OF MANNFORD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	<u>Agency Funds</u>
Assets:	
Cash and investments at cost	\$ <u>122,705</u>
Total assets	\$ <u><u>122,705</u></u>
Liabilities:	
Deposits	\$ <u>122,705</u>
Total liabilities	\$ <u><u>122,705</u></u>

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

**CITY OF MANNFORD
Mannford, Oklahoma**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mannford, 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 Mannford, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, natural gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Mannford, 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.

Blended Component Units/Trusts:

The Mannford Public Works Authority (Authority) was created pursuant to a Trust Indenture, for the benefit of the City of Mannford, Oklahoma. The Authority was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer and facilities for the City of Mannford. The water, sanitary sewer, electric, natural gas and solid waste disposal systems owned by the City have been leased to the Authority until such date that all indebtedness of the Authority is retired or provided for. The Authority 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. The Authority is exempt from State and Federal Income taxes. The Authority is reported as an enterprise fund.

The Keystone Development Authority (KDA) was annexed in as part of the City and is operated by the City of Mannford. The KDA was established to provide country living outside the City of Mannford. The KDA provides water, sewer and sanitation services for the residences. Since being annexed, the KDA is governed by a board consisting of five trustees identical with the City Council. The KDA is exempt from State and Federal Income taxes. The KDA is reported as an enterprise fund.

The Pawnee Rural Water, Pawnee County, Oklahoma (PRW), was originally created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members it serves. PRW is operated by the Mannford Public Works Authority and is presented as a separate enterprise fund. PRW is exempt from federal and state income taxes.

The Mannford Housing Authority (Authority) was created pursuant to a Trust Indenture, for the benefit of the City of Mannford, Oklahoma. The Authority was established to construct, develop, equip, operate, maintain, repair, enlarge senior housing facilities for the City of Mannford. The Authority 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. The Authority is exempt from State and Federal Income taxes. The Authority is reported as an enterprise fund.

CITY OF MANNFORD
Mannford, 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.

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

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 normally 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 MANNFORD
Mannford, 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.

CDBG Sr. Citizens – is a special revenue fund that accounts for revenues and expenses associated with the construction of the Senior Citizen Housing project.

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, Police Drug and Education, Police Reserve Officer, City Gap Insurance, Fire Department Reserve, Library, Library Grants, Mannford New Ramp, Salt Creek North, CDBG Sr. Housing, CDBG/REAP Paving Grant and Activity Center.

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:

Mannford Public Works Authority – accounts for the operations of providing public works (electric, natural gas, water, sewer, refuse and building rental) to the City.

Mannford Housing Authority – accounts for the operations of providing senior housing to the City.

The other enterprise funds of the City do not meet the percentage criteria for major funds but the City has elected to treat the following two non-major funds as though they were major funds for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements.

Keystone Development Authority – accounts for the operations of providing public works (water, sewer, and refuse) to the area known as Lake Country.

Pawnee Rural Water – accounts for the operations of providing water to the customers of PRW.

CITY OF MANNFORD
Mannford, 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)

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's only fiduciary fund is agency funds that are composed of customer deposit funds.

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. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in Bond Fund Reserve Accounts, Bond Fund Principal Accounts, Bond Fund Interest Accounts and Bond Fund Construction Accounts. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. 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.

4. 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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. 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".

6. 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.

7. 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.

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 \$1,500. 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.

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. Documentation supporting historical cost was not readily available to determine these amounts. Also, the City has elected to not reflect accumulated depreciation and depreciation expense at this time. 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.

8. 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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. 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.

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.

10. 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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance (Continued)

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.

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.

11. 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 \$3,477,469 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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

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

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 2,501,464	\$ 2,501,464
Certificate of deposit	14.00	N/A	976,005	976,005
Total investments			<u>\$ 3,477,469</u>	<u>\$ 3,477,469</u>
<u>Reconciliation to Statement of Net Position</u>				
			\$ 1,095,415	
			2,259,349	
			122,705	
			<u>\$ 3,477,469</u>	

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: 28% in Certificates of deposit (\$976,005) and 72% in Money Market funds (\$2,259,349).

B. Fair Value Measurements

Fair value disclosures are provided as required by FASB ASC 820-10 *Fair Value Measurements*. 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).

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Fair Value 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

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
CDs and bonds	\$ 976,005	\$ -	\$ -	\$ 976,005
Total assets at fair value	\$ 976,005	\$ -	\$ -	\$ 976,005

C. Uncollectible Accounts

The City's estimate of uncollectible accounts receivable by fund and activity is as follows:

	General Fund	Public Works Authority	Keystone Development Authority	Pawnee Rural Water
Ambulance	\$ 180,086	\$ -	\$ -	\$ -
Fire	76,467	-	-	-
Water	-	51,204	15,013	2,516
Electric	-	165,884	-	-
Gas	-	75,534	-	-
Total	\$ 256,553	\$ 292,622	\$ 15,013	\$ 2,516

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capital Assets

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

Governmental Activities:	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
Buildings and improvements	\$ 2,570,488	\$ -	196,245	\$ 2,374,243
Land	10,000	-	-	10,000
Furniture, fixtures and equipment	633,580	39,225	-	672,805
Infrastructure	313,934	168,148	-	482,082
Vehicles	1,357,953	37,000	-	1,394,953
Total capital assets	\$ 4,885,955	\$ 244,373	\$ 196,245	\$ 4,934,083

Business-Type Activities:	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
Buildings and improvements	\$ 10,902,718	\$ -	\$ 7,109	\$ 10,895,609
Land	1,700,582	467,661	-	2,168,243
Infrastructure	2,451,278	-	-	2,451,278
Senior housing	-	5,025,936	-	5,025,936
Furniture, fixtures and equipment	652,336	20,598	-	672,934
Vehicles	292,001	65,500	-	357,501
Total capital assets	\$ 15,998,915	\$ 5,579,695	\$ 7,109	\$ 21,571,501

The City has elected to not reflect accumulated depreciation and depreciation expense at this time.

E. Long-term Debt

The City is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trusts of the City:

	Date of Last Maturity	Original Amount	Balance Outstanding 7/1/15	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/16	Current Portion
Mannford Public Works Authority:							
Utility system - 2007 (interest @ 4.35%)	04/01/22	\$ 3,855,000	\$ 2,985,000	\$ -	\$ (375,000)	\$ 2,610,000	\$ 390,000
Mannford Plaza - 2015 (interest @ 3.04%)	03/15/16	425,000	425,000	-	-	425,000	425,000
Electric System - CDBG (interest @ 0%)	08/01/24	300,000	148,750	-	(15,000)	133,750	15,000
Total		\$ 4,580,000	\$ 3,558,750	\$ -	\$ (390,000)	\$ 3,168,750	\$ 830,000
Accrued compensated absences - long-term						\$ 91,281	

**CITY OF MANNFORD
Mannford, Oklahoma**

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

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. 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	\$ 830,000	\$ 109,403	\$ 939,403
2018	420,000	92,220	512,220
2019	440,000	74,385	514,385
2020	455,000	55,680	510,680
2021	480,000	36,214	516,214
2022-2025	543,750	15,878	559,628
Total debt service requirements	<u>\$ 3,168,750</u>	<u>\$ 383,780</u>	<u>\$ 3,552,530</u>

Principal, redemption premium, and interest on the Authority debt are payable from the gross revenues of the water, sanitary sewer, electric, natural gas and solid waste disposal systems, and from other funds established by the bond indentures. Detail information on long-term debt is reflected in Note 3.

The City's debt service coverage ratio for June 30, 2016 is 89.04%.

3. MANNFORD PUBLIC WORKS AUTHORITY (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the City (electric, natural gas, water, sewer and refuse) were transferred to the Mannford Public Works Authority. The Public Works Authority provides utility services for its customers including the City of Mannford and its related departments. Utility charges for general activities of the City of Mannford (City Hall, Activity Center, Library, maintenance departments, etc.) are metered but not billed or reflected as revenue. Likewise, the various departments of the City benefiting from these services are not charged for the services. This factor for gratis services has been incorporated in the current rate structure charged by the Authority. Since the Authority is structured like a private enterprise, the effect of this policy is to understate the gross revenues of the Authority and to understate the operating expenses of the various using departments of the City. The intent is for the Authority to provide cost free services to the City of Mannford.

RESTRICTED FUNDS:

Under the terms and provisions of the Bond Indenture, special accounts and reserve funds of the Authority are maintained with the trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any creditors of the Authority. These accounts and reserve funds are to be maintained so long as any bonds are outstanding.

Monies contained in the accounts and reserve funds held by the trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. MANNFORD PUBLIC WORKS AUTHORITY (Continued)

REVENUE BONDS:

On April 1, 2007, the Authority issued its \$3,855,000 Mannford Public Works Authority Sales Tax and Utility Revenue Bonds, 2007. Proceeds from this bond issue were used to defease the previous Sale Tax and Utility System Revenue Bonds, Series 2004 and gain a more favorable interest rate. Principal and interest on the bond is payable semi-annually on October 1 and April 1 of each fiscal year until the bond is paid. Bond redemption begins October 1, 2007, with final maturity on April 1, 2022. The gross revenues of the Authority have been pledged to secure the bonds.

NOTES PAYABLE:

On October 14, 2004, the Authority issued a Community Development Block Grant note payable in the amount of \$300,000 to the Oklahoma Department of Commerce, Office of Community Development. The proceeds of the note were used to improve the electrical infrastructure of the City. The note is to be paid in 240 monthly installments of \$1,250 beginning July 1, 2005 with final maturity on June 1, 2025. The note is non-interest bearing. The gross revenues of the Authority have been pledged to secure the note.

On March 27, 2015, the Authority issued a note payable in the amount of \$425,000 to American Heritage Bank. The proceeds of the note were used to purchase the Mannford Plaza Center. The note is to be paid in 1 annual installment on March 15, 2016 and quarterly interest payments at 3.04% beginning July 15, 2015. The CD in the water fund has been pledged to secure the note.

4. 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 State Insurance Fund for the 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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. 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 four employee pension systems as follows:

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

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

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Contribution Plans

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

Oklahoma Police Pension and Retirement Plan

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

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

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

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

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$31,828. The State of Oklahoma also made on behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the 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 \$3,212 for its proportionate share of the net pension asset. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.0788%.

For the year ended June 30, 2016, the City recognized pension expense of \$12,026. 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	\$ -	\$ 17,761
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	57,558	69,918
Changes in proportion and differences between City contributions and proportionate share of contributions	-	4,150
City contributions subsequent to the measurement date	<u>31,828</u>	<u>-</u>
Total	<u>\$ 89,386</u>	<u>\$ 91,829</u>

\$28,947 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 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	\$ 13,275
2018	13,275
2019	13,275
2020	13,275
2021	<u>1,342</u>
	<u>\$ 54,442</u>

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. 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:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

Active employees (post-retirement) and nondisabled pensioners:
RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

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

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$193,003	\$3,212	(\$156,795)

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

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The City of Mannford, 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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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.

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 \$26,638 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 0.00251%.

For the year ended June 30, 2016, the City recognized pension expense of \$2,263. 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	\$ 526	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	945	2,930
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,141
City contributions subsequent to the measurement date	<u>1,140</u>	<u>-</u>
Total	<u>\$ 2,611</u>	<u>\$ 5,071</u>

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

\$1,140 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	\$	616
2018		616
2019		616
2020		(360)
2021		(27)
Thereafter		(2)
	<u>\$</u>	<u>1,459</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for 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, 2015, 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%

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employers' net pension liability (asset)	\$34,591	\$26,638	\$19,974

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 Contribution Plans

The City has also provided effective March 1, 1992, a defined contribution plan with the Oklahoma Municipal Retirement Fund. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 7 years of service. The City is currently contributing to two types of defined contribution plans. Under the Trust Money Purchase Pension plan, the participants are required to contribute from 8% of their compensation and the city is required to match 100% of the mandatory employee contribution. Under the Trust Profit Sharing plan, the city contributed 13% of covered payroll for department heads, 25.18% for city manager plus \$5,000 annual performance incentive. This percentage can vary from year to year. Participants are permitted to make voluntary deductible contributions to the plan.

For the year ended June 30, 2016, the following amounts related to the defined contribution plan:

City total payroll	\$1,525,356
Payroll for covered employees	\$184,801
Employer (City) contributions made	\$42,445

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

Department Head and City Manager Plans (the DH and CMO Plan)

DH Plan Description – Effective December 1, 2007, the City has also provided a defined contribution plan and trust known as the City of Mannford Department Head Retirement Plan and Trust (the DH Plan) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The defined contribution plan is available to all full-time employees defined as Department Head or City Manager except for the fire chief. Separate audited GAAP – basis financial statements are not available.

Funding Policy – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and must make a mandatory minimum pre-tax contribution of 8%. Employees are allowed to contribute in excess of the 8%. The employer makes variable contributions to the fund. For the current year, the employer contribution rate was 13%. The employee is fully vested upon employment. The authority to establish and amend the provisions of the plan rests with the City Council. Contributions to the plan for the year ended June 30, 2016, for employees and employer were \$5,969 and \$9,700 respectively, on a covered payroll of \$74,614.

CMO Plan Description and Funding Policy – Effective October 1, 2006, the City has also provided a defined contribution plan and trust known as the City of Mannford City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. This plan is similar to the Department Head with the following exceptions: This plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund. For the current year, the employer contribution rate is 25.18%. Contributions to the plan for the year ended June 30, 2016 were \$27,745 on a covered payroll of \$110,187.

Oklahoma Municipal Retirement Fund - Defined Benefit Plan

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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/15 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
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.
 <u>Employees Covered by Benefit Terms</u>	
Active Employees	20
Deferred Vested Former Employees	3
Retirees or Retiree Beneficiaries	<u>15</u>
Total	<u>38</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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 18.09% of covered payroll. For the year ended June 30, 2015, the City recognized \$150,910 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$834,217. 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
	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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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>		
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. The following table reports the components of changes in net pension liability:

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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 percent, 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 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employers' net pension liability (asset)	\$1,364,700	\$944,031	\$594,936

The City reported \$183,183 in 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 26,215	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	97,539	116,630
City contributions subsequent to the measurement date	<u>184,217</u>	<u>-</u>
Total	<u>\$ 308,171</u>	<u>\$ 116,630</u>

\$192,618 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	\$ (7,092)
2018	(7,092)
2019	(7,092)
2020	<u>28,600</u>
	<u>\$ 7,324</u>

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.

CITY OF MANNFORD
Mannford, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

4. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

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 2016, 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 MANNFORD
Mannford, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2016**

CITY OF MANNFORD
Mannford, 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:

Police

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

Schedule of City contributions

Fire

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

Schedule of City contributions

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 MANNFORD
Mannford, Oklahoma**

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

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

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability(asset)	0.0838%	0.0788%
City's proportionate share of the net pension liability (asset)	(\$28,217)	\$3,212
City's covered-employee payroll	\$222,670	\$244,831
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(12.67%)	1.31%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%

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

Notes to Schedule:

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

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

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$28,947	\$31,828
Contributions in relation to the statutorily required contribution	<u>28,947</u>	<u>31,828</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$222,670	\$244,831
Contributions as a percentage of covered-employee payroll	13.0%	13.0%

Notes to Schedule:

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

CITY OF MANNFORD
Mannford, Oklahoma

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

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

	2015	2016
City's proportion of the net pension liability	0.0027%	0.00251%
City's proportionate share of the net pension liability	\$28,065	\$26,638
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 current 2 years are presented because 10-year data is not yet available.

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

	2015	2016
Statutorily required contribution	\$960	\$1,140
Contributions in relation to the statutorily required contribution	960	1,140
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	\$60 per volunteer	

Notes to Schedule:

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

CITY OF MANNFORD
Mannford, Oklahoma

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

Exhibit 5
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Year

	<u>2015</u>	<u>2016</u>
Total pension liability		
Service cost	\$ 89,526	\$ 99,232
Interest	247,774	252,640
Changes of benefit terms	-	-
Differences between expected and actual experience	-	33,814
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(186,709)	(183,183)
Net change in total pension liability	<u>150,591</u>	<u>202,503</u>
Total pension liability – beginning	<u>3,199,168</u>	<u>3,349,759</u>
Total pension liability - ending (a)	<u>\$ 3,349,759</u>	<u>\$ 3,552,262</u>
Plan fiduciary net position		
Contributions - employer	\$ 139,570	\$ 150,910
Contributions - member	46,266	50,053
Net investment income	355,836	70,870
Benefit payments, including refunds of member contributions	(186,709)	(183,183)
Administrative expense	(5,268)	(5,249)
Other	-	-
Net change in plan fiduciary net position	<u>349,695</u>	<u>83,401</u>
Plan fiduciary net position – beginning	<u>2,175,135</u>	<u>2,524,830</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,524,830</u>	<u>\$ 2,608,231</u>
Net pension liability - ending (a) - (b)	<u>\$ 824,929</u>	<u>\$ 944,031</u>
Plan fiduciary net position as a percentage of the total pension liability	75.37%	73.42%
Covered employee payroll	\$ 773,874	\$ 780,991
Net pension liability as a percentage of covered-employee payroll	106.60%	120.88%

Notes to Schedule:

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

**CITY OF MANNFORD
Mannford, Oklahoma**

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

**Exhibit 6
Required Supplementary Information
Oklahoma Municipal Retirement Fund
Schedule of Employer Contributions Last Fiscal Year**

	2015	2016
Actuarially determined contribution	\$ 186,426	\$ 188,844
Contributions in relation to the actuarially determined contribution	186,426	188,844
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 773,874	\$ 780,991
Contributions as a percentage of covered-employee payroll	24.09%	24.18%

Notes to Schedule:

1. Only the current 2 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, 2015
 January 2015 through June 2015 contributions were at a rate of 9.28%.
 July 2015 through December 2015 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 MANNFORD
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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Charges for services	\$ 382,000	\$ 382,000	\$ 382,508	\$ 508
Cigarette taxes	14,000	14,000	13,707	(293)
Franchise fees	22,500	22,500	18,542	(3,958)
Fines and forfeits	250,000	250,000	246,503	(3,497)
Grant revenues	88,000	88,000	87,159	(841)
Interest	2,000	2,000	1,965	(35)
Intergovernmental programs	20,000	20,000	19,640	(360)
Licenses and permits	10,000	10,000	9,620	(380)
Miscellaneous revenue	15,000	15,000	11,355	(3,645)
911 revenues	-	-	18,201	18,201
Sales and use taxes	1,250,000	1,250,000	1,263,406	13,406
Total revenues	<u>2,053,500</u>	<u>2,053,500</u>	<u>2,072,606</u>	<u>19,106</u>
Expenditures:				
Current:				
General government	350,000	350,000	343,427	6,573
Public safety	1,100,000	1,100,000	1,080,282	19,718
Cultural & recreational	180,000	180,000	177,545	2,455
Capital outlay	55,000	55,000	53,730	1,270
Total expenditures	<u>1,685,000</u>	<u>1,685,000</u>	<u>1,654,984</u>	<u>30,016</u>
Excess of revenue over (under) expenditures	368,500	368,500	417,622	49,122
Other financing sources (uses):				
Operating transfers in (out)	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,521)</u>	<u>(521)</u>
Net changes in fund balance	(81,500)	(81,500)	(32,899)	48,601
Fund balance - beginning of year	<u>399,986</u>	<u>399,986</u>	<u>399,986</u>	<u>-</u>
Fund balance at end of year	<u>\$ 318,486</u>	<u>\$ 318,486</u>	<u>\$ 367,087</u>	<u>\$ 48,601</u>

CITY OF MANNFORD
 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	\$ 235,000	\$ 235,000	\$ 230,609	\$ (4,391)
Interest	-	-	-	-
Grant revenues	180,000	180,000	176,982	(3,018)
Intergovernment programs	26,000	26,000	26,394	394
Miscellaneous	60,000	60,000	56,470	(3,530)
Total revenues	<u>501,000</u>	<u>501,000</u>	<u>490,455</u>	<u>(10,545)</u>
Expenditures:				
Current:				
General government	16,000	16,000	15,456	544
Public safety	2,000	2,000	1,414	586
Highways, roads, & airport	180,000	180,000	178,224	1,776
Cultural & recreational	275,000	275,000	273,319	1,681
Capital outlay	200,000	200,000	190,643	9,357
Total expenditures	<u>673,000</u>	<u>673,000</u>	<u>659,056</u>	<u>13,944</u>
Excess of revenue over (under) expenditures	(172,000)	(172,000)	(168,601)	3,399
Other financing sources (uses):				
Operating transfers in (out)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net changes in fund balance	78,000	78,000	81,399	3,399
Fund balance - beginning of year	<u>93,756</u>	<u>93,756</u>	<u>93,756</u>	<u>-</u>
Fund balance - end of year	<u>\$ 171,756</u>	<u>\$ 171,756</u>	<u>\$ 175,155</u>	<u>\$ 3,399</u>

**CITY OF MANNFORD
Mannford, 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 MANNFORD
Mannford, Oklahoma

OTHER SUPPLEMENTARY INFORMATION
June 30, 2016

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

	Special Revenue Funds										Total Non-Major Governmental Funds
	Street & Alley Fund	Police Drug & Education	Police Reserve Officer	City Gap Insurance Fund	CDBG Senior Citizens	Fire Department Reserve	Library & Library Grants	New Mannford Ramp	Salt Creek North	Activity Center	
Assets:											
Cash and equivalents	\$ 49,636	\$ 9,514	\$ 1,193	\$ 10,383	\$ 1,455	\$ 24,436	\$ 13,482	\$ 34,411	\$ 37,872	\$ 5,450	\$ 187,832
Investments at cost	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	4,700	-	-	-	-	-	-	-	-	2,402	7,102
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 54,336	\$ 9,514	\$ 1,193	\$ 10,383	\$ 1,455	\$ 24,436	\$ 13,482	\$ 34,411	\$ 37,872	\$ 7,852	\$ 194,934
Liabilities:											
Accounts payable	\$ 2,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,192	\$ -	\$ 2,976	\$ 15,329
Accrued sales tax	-	-	-	-	-	-	-	-	-	653	653
Accrued payroll payable	-	-	-	-	-	-	-	-	-	3,797	3,797
Total liabilities	2,161	-	-	-	-	-	-	10,192	-	7,426	19,779
Fund balances:											
Restricted	52,175	9,514	1,193	10,383	1,455	24,436	13,482	24,219	37,872	426	175,155
Total fund balances	52,175	9,514	1,193	10,383	1,455	24,436	13,482	24,219	37,872	426	175,155
Total liabilities and fund balances	\$ 54,336	\$ 9,514	\$ 1,193	\$ 10,383	\$ 1,455	\$ 24,436	\$ 13,482	\$ 34,411	\$ 37,872	\$ 7,852	\$ 194,934

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

	Special Revenue											Total Non-Major Governmental Funds
	Street & Alley Fund	Police Drug & Education	Police Reserve Officer	City Gap Insurance Fund	CDBG Senior Citizens	Fire Department Reserve	Library & Library Grants	New Mannford Ramp	Salt Creek North	Activity Center		
Revenues:												
Intergovernmental programs	\$ 26,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,394
Charges for services	-	-	-	-	-	-	1,053	121,128	-	108,428	-	230,609
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenues	168,148	-	-	-	-	4,291	4,543	-	-	-	-	176,982
Miscellaneous revenue	51,768	3,442	-	-	-	-	-	-	-	1,260	-	56,470
Total revenues	\$ 246,310	\$ 3,442	\$ -	\$ -	\$ -	\$ 4,291	\$ 5,596	\$ 121,128	\$ -	\$ 109,688	\$ -	\$ 490,455
Expenditures:												
Public safety	\$ -	\$ 1,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,414
General government	-	-	-	15,456	-	-	-	-	-	-	-	15,456
Highways, roads & airport	178,224	-	-	-	-	-	-	-	-	-	-	178,224
Cultural & recreation	-	-	-	-	-	-	4,691	83,469	-	185,159	-	273,319
Capital outlay	168,148	-	-	-	-	-	-	22,495	-	-	-	190,643
Total expenditures	\$ 346,372	\$ 1,414	\$ -	\$ 15,456	\$ -	\$ -	\$ 4,691	\$ 105,964	\$ -	\$ 185,159	\$ -	\$ 659,056
Excess of revenues over (under) expenditures	(100,062)	2,028	-	(15,456)	-	4,291	905	15,164	-	(75,471)	-	(168,601)
Other financing uses:												
Operating transfers in (out)	150,000	-	-	21,000	-	-	-	-	-	79,000	-	250,000
Excess of revenues over (under) expenditures & transfers	49,938	2,028	-	5,544	-	4,291	905	15,164	-	3,529	-	81,399
Fund balance - beginning of year	2,237	7,486	1,193	4,839	1,455	20,145	12,577	9,055	37,872	(3,103)	-	93,756
Fund balance - end of year	\$ 52,175	\$ 9,514	\$ 1,193	\$ 10,383	\$ 1,455	\$ 24,436	\$ 13,482	\$ 24,219	\$ 37,872	\$ 426	\$ -	\$ 175,155

CITY OF MANNFORD
Mannford, Oklahoma

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

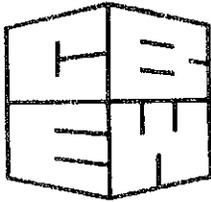
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
16294 CDBG 13	14.228	112,081	112,081	112,081
16295 CDBG 14	14.228	37,919	37,919	37,919
16227 CDBGDR 13	14.228	5,150,000	4,710,623	4,948,094
Sub-Total		<u>5,300,000</u>	<u>4,860,623</u>	<u>5,098,094</u>
<u>U.S. Department of Homeland Security:</u>				
<u>Passed through the Oklahoma Department of Emergency Management:</u>				
Disaster Assistance Grant - Fire	97.036	102,879	77,159	77,159
<u>U.S. Department of Justice:</u>				
<u>Passed through the Oklahoma District Attorneys Council:</u>				
JAG - Local Law Enforcement Grant	16.738	10,000	10,000	10,000
<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	4,543	4,543	4,543
Total of Expenditures of Federal Awards		\$ <u>5,417,422</u>	\$ <u>4,952,325</u>	\$ <u>5,189,796</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 accounting principles generally accepted in the United States of America. 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 MANNFORD
Mannford, Oklahoma

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



CBEW
Professional
Group, LLP
Certified Public Accountants

206 N. HARRISON • P.O. BOX 790 • CUSHING, OKLAHOMA 74023 • 918-225-4216 • FAX 918-225-4315

WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA
GABRIELLE CONCHOLA, CPA

**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**

August 30, 2016

Honorable Board of City Commissioners
City of Mannford
Mannford, 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 Mannford, 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 Mannford, Oklahoma's basic financial statements, and have issued our report thereon dated August 30, 2016. Our opinions on the governmental and business-type activities and major enterprise fund were qualified because of the lack of fixed asset records and failure to provide depreciation on those fixed assets. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as finding 2016-001.

Compliance and Other Matters

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

City's Response to Findings

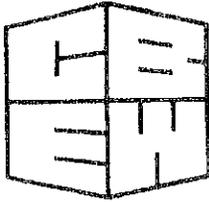
The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CBEW Professional Group, LLP

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Certified Public Accountants



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

August 30, 2016

Honorable Board of City Commissioners
City of Mannford
Mannford, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Mannford, Oklahoma (City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Mannford, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

CITY OF MANNFORD
Mannford, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Qualified opinion on the basic financial statements due to the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases and the City has elected to not report depreciation on these capital assets which is not in conformity with generally accepted accounting principles.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Significant Deficiencies identified not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Type of auditors report issued on compliance for major programs: Unmodified

Internal Control Over Major Programs:

Material Weakness(es) identified? Yes No

Significant Deficiencies identified not considered to be material weaknesses? None reported

Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section .510(a)? Yes No

Dollar threshold used to distinguish Type A and Type B programs \$750,000

Auditee Qualified as low-risk auditee? Yes No

Identification of Major Programs:

CFDA#

14.228 CDBGDR 16227

CITY OF MANNFORD
Mannford, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT

2016-001. Internal Control – Material Adjusting Journal Entries

Criteria: The City's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the City's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the City's accounting records. For trial balances to be both complete and accurate, the City must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, City management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The City manager and accounting staff individually and collectively possess the necessary skills and experience to prepare GAAP financial statements; however, management has chosen to present cash basis statements on an interim basis and request that the auditor prepare cash to accrual journal entries which they review and approve for the year-end audited financial statements. However, the City's trial balances for the year ended June 30, 2016, required a number of material adjusting journal entries (other than cash to accrual entries) in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: Court fund cash, capital assets, interest expense and gas inventory. This finding was also noted in 2015.

Cause: The accounting staff doesn't spend sufficient time in balancing and or reconciling specific accounts on a regular basis throughout the year to provide assurance that the trial balances used for preparing GAAP financial statements that are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, the City has not adhered to its internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP and instead placed reliance on its external auditors. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as required by the GAO "Yellow Book."

Recommendation: The City should reevaluate its internal controls over the completeness and accuracy of trial balances and adhere to its policies of regularly reviewing, balancing, and reconciling interim financial statements to insure that material adjusting journal entries are made timely. This process could be assigning to a specific staff person or persons, through employment of additional qualified accounting staff, or outsourced to a qualified external accounting firm, if necessary. Additionally, all accounting staff should strive to obtain and/or maintain their proficiency through continuing education courses relative to governmental accounting.

Responsible Official's Response: The City concurs with the recommendation, and will strive to identify, prepare and post material adjusting journal entries to the financial statements on a timely basis.

**CITY OF MANNFORD
Mannford, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

CITY OF MANNFORD
Mannford, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016

FINDINGS - FINANCIAL STATEMENT AUDIT

2015-001. Internal Control – Material Adjusting Journal Entries

Condition: The City manager and accounting staff individually and collectively possess the necessary skills and experience to prepare GAAP financial statements; however, management has chosen to present cash basis statements on an interim basis and request that the auditor prepare cash to accrual journal entries which they review and approve for the year-end audited financial statements. However, the City's trial balances for the year ended June 30, 2016, required a number of material adjusting journal entries (other than cash to accrual entries) in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: Court fund cash, capital assets, interest expense and gas inventory

Status: The City concurred with the recommendation, but hasn't been able to implement a way to prepare and post material adjusting journal entries to the financial statements on a timely basis

CITY OF MANNFORD
Mannford, Oklahoma

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The City will evaluate its internal controls over the completeness and accuracy of trial balances and adhere to its policies of regularly reviewing, balancing, and reconciling interim financial statements to insure that material adjusting journal entries are made timely. This process will be assigned to chief financial officer, and through employment of additional qualified accounting staff which will need to be hired. Additionally, all accounting staff will strive to obtain and/or maintain their proficiency through continuing education courses relative to governmental accounting.	12/31/2016	Mike Nunneley, City Manager

CBEW Professional Group, LLP
206 N Harrison
Cushing, OK 74023

09/15/2016

SALE Total: \$210.00

Visa xxxxxxxxxxxx9515
Exp. Date: xx / xx
Name: Nathan Clark

Auth. Code: 404510 QuickBooks Trans. No: 1052
Trans. ID: PG0058968053 Merchant No.: 5247710003383213

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Signature

I agree to pay the total amount shown above in compliance with the cardholder agreement

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Cushing, OK 74023

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