

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**CITY OF CUSHING**  
**Cushing, Oklahoma**

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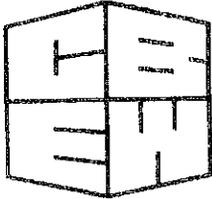
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## INDEPENDENT AUDITOR'S REPORT

September 27, 2016

Honorable Board of City Commissioners  
City of Cushing  
Cushing, 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 Cushing, Oklahoma, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension exhibits and budgetary comparison information on pages 3 – 9 and 55 – 61 and the notes on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are 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 September 27, 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



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

As management of the City of Cushing (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

The total net position of the City funds increased \$7,365,547 this year. Net position of governmental activity funds increased \$3,206,397 or 12.91% over the fiscal year.

General revenues accounted for \$6,863,383 or 72.83% of total governmental activities revenue. Program specific revenues accounted for \$2,560,941 or 27.17% of total governmental activities revenue.

Governmental activities capital assets, net-decreased \$427,996, included are additions to the airport; police vehicles; equipment for parks; equipment for street department; equipment for youth center; vehicles for fire department; and depreciation. Business-type activities capital assets, net-increased \$1,429,313, included are electric improvements, sewer equipment & improvements, computers and software, CEFA school project and depreciation.

The City had \$8,581,100 in expenses related to governmental activities; \$2,560,941 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$6,020,159 were offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of \$6,863,383. An additional transfer from the other funds (primarily the business-type activities) of \$909,306 was needed to offset any additional expenses including capital expenses.

Net position for the business-type activities, which are made up of the Municipal Authority and Educational Facilities Authority increased over the fiscal year by \$3,555,587 or 7.78%.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information as well as other supplementary information.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (fire, ambulance and police), streets, judicial, airport, health and social services, culture, parks and recreation, public improvements and planning and zoning. The business-type activities of the City include public works (electric, water, sewer and refuse) and low-income apartment rentals for the geographical area.

The government-wide financial statements can be found on pages 10–12 of this report.

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

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

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

The City maintains nine individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Hospital Authority funds, all of which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds and Capital Improvement Funds. Budgetary comparison schedules have been provided for the General Fund, Special Revenue Funds and Capital Improvement Funds that adopts a budget to demonstrate compliance with the budget and are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 13–16 of this report.

**Proprietary Funds** – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer and refuse, low-income apartment rental operations and provide educational, recreational and cultural facilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management and health and disability programs. Because services accounted for in internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Cushing Municipal Authority and the Cushing Educational Facilities Authority since they are considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 17–20 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 22–44 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension exhibits, budgetary comparisons and corresponding notes. Required supplementary information can be found on pages 55-62 of this report.

**Other Information** – The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 63-65 of this report.

**Governmental-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cushing, assets exceed liabilities by \$93,562,172 as of June 30, 2016.

A large portion of the City's net position (63.35%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

**City of Cushing's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Current and other assets	\$ 16,198,732	\$ 14,394,736	\$ 26,091,045	\$ 24,952,479	\$ 42,289,777	\$ 39,347,215
Capital assets	35,674,604	36,102,600	52,554,180	51,119,866	88,228,784	87,222,466
Total assets	<u>51,873,336</u>	<u>50,497,336</u>	<u>78,645,225</u>	<u>76,072,345</u>	<u>130,518,561</u>	<u>126,569,681</u>
Deferred outflows	1,968,751	5,432,415	-	-	1,968,751	5,432,415
Long-term liabilities	-	610,000	28,955,328	29,719,714	28,955,328	30,329,714
Other liabilities	8,024,906	13,036,995	967,041	1,185,363	8,991,947	14,222,358
Total liabilities	<u>8,024,906</u>	<u>13,646,995</u>	<u>29,922,369</u>	<u>30,905,077</u>	<u>37,947,275</u>	<u>44,552,072</u>
Deferred inflows	977,865	1,253,400	-	-	977,865	1,253,400
Net position:						
Net investment in capital assets	35,674,604	35,492,600	23,598,852	21,400,152	59,273,456	56,892,752
Restricted	25,056,283	24,242,619	713,410	2,683,466	25,769,693	26,926,085
Unrestricted	(15,891,571)	(18,705,863)	24,410,594	21,083,650	8,519,023	2,377,787
Total net position	<u>\$ 44,839,316</u>	<u>\$ 41,029,356</u>	<u>\$ 48,722,856</u>	<u>\$ 45,167,268</u>	<u>\$ 93,562,172</u>	<u>\$ 86,196,624</u>

As of June 30, 2016, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for the year ended June 30, 2016 with comparative totals for the year ended June 30, 2015. Governmental activities increased the City of Cushing's net position by \$3,80,960, accounting for 51.73% of the total growth in net position. Business-type activities increased the City's net position by \$3,555,587, accounting for 48.27% of the total growth in net position.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

**City of Cushing's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 2,158,332	\$ 2,313,100	\$ 15,989,700	\$ 16,571,375	\$ 18,148,032	\$ 18,884,475
Operating grants and contributions	99,071	60,803	3,988	6,200	103,059	67,003
Capital grants and contributions	303,538	161,842	-	-	303,538	161,842
<b>General revenues:</b>						
Sales, use and cigarette taxes	6,128,343	7,110,054	-	-	6,128,343	7,110,054
Hotel/motel taxes	97,391	120,594	-	-	97,391	120,594
Franchise fees	127,635	141,850	-	-	127,635	141,850
Intergovernmental	98,452	100,750	-	-	98,452	100,750
Investment earnings	59,097	53,072	135,777	197,664	194,874	250,736
Miscellaneous	308,485	219,875	86,362	289,868	394,847	509,743
Oil and gas royalty	34,320	94,084	-	-	34,320	94,084
Lease receipts	9,660	8,855	-	-	9,660	8,855
Sale of property	-	-	66,107	-	66,107	-
Workmen's compensation refund	-	-	-	195,373	-	195,373
Change in OPEB liability	-	-	-	-	-	-
Pension charges	2,057,350	4,407,612	-	-	2,057,350	4,407,612
Late charges	-	-	192,452	63,539	192,452	63,539
<b>Total revenues</b>	<b>11,481,674</b>	<b>14,792,491</b>	<b>16,474,386</b>	<b>17,324,019</b>	<b>27,956,060</b>	<b>32,116,510</b>
<b>Expenses:</b>						
General government	846,968	924,616	-	-	846,968	924,616
Public safety and judiciary	4,054,453	4,152,320	-	-	4,054,453	4,152,320
Transportation	520,750	885,812	-	-	520,750	885,812
Cultural, parks and recreation	1,312,292	1,347,111	-	-	1,312,292	1,347,111
Hospital/economic development	313,683	254,872	-	-	313,683	254,872
Unallocated depreciation	1,532,954	1,467,907	762,940	713,947	2,295,894	2,181,854
Apartment housing	-	-	-	-	-	-
Utilities	-	-	11,135,413	17,495,595	11,135,413	17,495,595
Financing	-	-	111,060	136,172	111,060	136,172
<b>Total expenses</b>	<b>8,581,100</b>	<b>9,032,638</b>	<b>12,009,413</b>	<b>18,345,714</b>	<b>20,590,513</b>	<b>27,378,352</b>
<b>Increases in net position</b>						
before transfers	2,900,574	5,759,853	4,464,973	(1,021,695)	7,365,547	4,738,158
Transfers	909,386	753,414	(909,386)	(753,414)	-	-
<b>Increase in net position</b>	<b>3,809,960</b>	<b>6,513,267</b>	<b>3,555,587</b>	<b>(1,775,109)</b>	<b>7,365,547</b>	<b>4,738,158</b>
Net position - beginning of year	41,029,356	34,516,089	45,167,269	46,942,378	86,196,625	81,458,467
<b>Net position - end of year</b>	<b>\$ 44,839,316</b>	<b>\$ 41,029,356</b>	<b>\$ 48,722,856</b>	<b>\$ 45,167,269</b>	<b>\$ 93,562,172</b>	<b>\$ 86,196,625</b>

**Financial Analysis of the Government's Funds**

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

At the end of the current fiscal year, the City of Cushing's governmental funds reported combined ending net position balances of \$30,243,669. Approximately 17.15% of the total amount \$5,187,386 constitutes unreserved net position. The remainder of the net position is reserved to indicate that it is not available for new spending because it has already been committed 1) for hospital reacquisition (\$282,547), 2) for Special Projects (\$3,375,382), 3) for Youth Center (\$47,072), 4) for economic development (\$26,369) and 5) for the Hospital Authority (\$21,324,913).

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2016**  
**Unaudited**

**Proprietary Funds** – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the respective proprietary funds is CMA – \$24,410,594.

**Capital Assets**

The City of Cushing's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$88,228,783 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements and infrastructure. Major capital asset events during the current fiscal year included the following:

Governmental activities include: additions to the airport; police vehicles; equipment for parks; equipment for street department; equipment for youth center; and vehicles for fire department.

Business-type activities include: electric improvements, sewer equipment & improvements, computers and software, Christmas decorations, CEFA school project.

**Capital Assets at Year-end Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Land	\$ 2,937,819	\$ 2,937,819	\$ 787,661	\$ 768,946	\$ 3,725,480	\$ 3,706,765
CEFA - Building	-	-	25,169,512	23,198,480	25,169,512	23,198,480
Buildings & Improvement	25,500,831	26,109,724	25,232,644	25,709,193	50,733,475	51,818,917
Furniture & Equipment	1,202,306	1,261,138	1,141,640	1,182,413	2,343,946	2,443,551
Vehicles	1,641,552	1,379,180	222,722	260,834	1,864,274	1,640,014
Infrastructure	4,392,096	4,414,739	-	-	4,392,096	4,414,739
<b>Total</b>	<b>\$ 35,674,604</b>	<b>\$ 36,102,600</b>	<b>\$ 52,554,179</b>	<b>\$ 51,119,866</b>	<b>\$ 88,228,783</b>	<b>\$ 87,222,466</b>

Additional information on the City of Cushing's capital assets can be found in note 2 on pages 33–34 of this report.

**Debt Administration**

At the end of the current fiscal year, the City of Cushing had total bonded debt and notes payable of \$3,125,328. Of this amount, \$210,000 comprises the bonded debt backed by the full faith and credit of the government, \$2,915,328 represents notes secured solely by CMA revenues.

**Outstanding Debt at Year-end Bonds and Notes Payable**

	Governmental Activities		Business-Type Activities		Total	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Revenue bonds payable	\$ -	\$ 610,000	\$ 210,000	\$ 635,000	\$ 210,000	\$ 1,245,000
Notes payable	-	-	2,915,328	3,524,714	2,915,328	3,524,714
<b>Total</b>	<b>\$ -</b>	<b>\$ 610,000</b>	<b>\$ 3,125,328</b>	<b>\$ 4,159,714</b>	<b>\$ 3,125,328</b>	<b>\$ 4,769,714</b>

Additional information on the City of Cushing's long-term debt can be found in footnote 2 on pages 36-37 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

**Economic Factors and Next Year's Budgets and Rates**

In the 2016-17 Budget, General fund revenues and transfers in are budgeted to increase from the 2015-16 budget year with sales taxes making up about 60% of general fund budgeted revenues and transfers in. The City's budgets for all funds have benefited from a strong local economy in the past few years but the economy has decreased due to lower oil prices, sales tax receipts are expected to decrease in the same manner. This revenue source is the most volatile and subject to decline if an economic slowdown happens.

In the 2016-17 Budget, the Municipal Authority is budgeted to operate at a net profit after transfers. This is possible due to recent growth of the economy which allows the Municipal Authority to transfer less funds to the general fund.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact Steve Spears, City Manager, P.O. Box 311, Cushing, OK 74023, or call 918-225-2394.

CITY OF CUSHING  
STATEMENT OF NET POSITION  
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 8,157,770	\$ 11,114,238	\$ 19,272,008
Investments, at cost	7,920,970	9,081,584	17,002,554
Receivables (net of allowance for uncollectibles):			
Services	850,625	1,207,528	2,058,153
Unbilled revenues	-	1,059,621	1,059,621
Taxes	959,408	-	959,408
Interest	1,543	4,044	5,587
Due to/from other funds (Note 2D)	(2,825,698)	2,825,698	-
Notes receivable	50,000	-	50,000
Grants receivable	5,431	(9,013)	(3,582)
Prepaid expenses	1,995	17,398	19,393
Net pension asset	723,756	-	723,756
Restricted assets:			
Accrued interest receivable on bond funds	375	-	375
Bond fund/cash & investments (Notes 3 & 4)	-	789,947	789,947
<b>Capital assets:</b>			
Land and work in process	2,937,819	25,957,173	28,894,992
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	32,736,785	26,597,007	59,333,792
<b>Other:</b>			
Inventory receivable (Note 2)	352,557	-	352,557
<b>Total assets</b>	<b>\$ 51,873,336</b>	<b>\$ 78,645,225</b>	<b>\$ 130,518,561</b>
<b>Deferred outflows of resources:</b>			
Deferred amounts related to pensions	1,968,751	-	1,968,751
<b>Total deferred outflows</b>	<b>1,968,751</b>	<b>-</b>	<b>1,968,751</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 263,033	\$ 807,424	\$ 1,070,457
Accrued payroll	42,779	22,082	64,861
Deferred compensation (Note 4)	916,447	-	916,447
Deferred revenue	65,227	-	65,227
Accrued compensated absences payable (Note 1)	286,349	111,344	397,693
Interest payable	-	-	-
Estimated insurance and unemployment benefits payable	102,253	-	102,253
Payable from restricted assets:			
Interest payable	-	26,191	26,191
Appearance bonds	7,184	-	7,184
Notes payable (Note 3)	-	350,306	350,306
Revenue bonds payable (Notes 3 & 4)	-	210,000	210,000
Non-current liabilities:			
OPEB liability	2,406,278	-	2,406,278
Net pension liability	3,935,356	-	3,935,356
Notes payable (Note 3)	-	2,565,022	2,565,022
Revenue bonds payable (Notes 3 & 4)	-	25,830,000	25,830,000
<b>Total liabilities</b>	<b>8,024,906</b>	<b>29,922,369</b>	<b>37,947,275</b>
<b>Deferred inflows of resources:</b>			
Deferred amounts related to pensions	977,865	-	977,865
<b>Total deferred inflows</b>	<b>977,865</b>	<b>-</b>	<b>977,865</b>
<b>Net position:</b>			
Net investment in capital assets	35,674,604	23,598,852	59,273,456
Restricted	25,056,283	713,410	25,769,693
Unrestricted	(15,891,571)	24,410,594	8,519,023
<b>Total net position</b>	<b>\$ 44,839,316</b>	<b>\$ 48,722,856</b>	<b>\$ 93,562,172</b>

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

**CITY OF CUSHING**  
**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	
<b>Governmental activities:</b>					
General government:					
City clerk	\$ 95,534	\$ -	\$ -	\$ -	\$ (95,534)
City manager	171,657	-	-	-	(171,657)
City treasurer	129,295	-	-	-	(129,295)
General government	450,482	55,892	100	-	(394,490)
Total general government	<u>846,968</u>	<u>55,892</u>	<u>100</u>	<u>-</u>	<u>(790,976)</u>
Public safety and judiciary:					
City attorney	156,429	-	-	-	(156,429)
Code enforcement	347,314	-	-	-	(347,314)
Fire and ambulance	1,945,226	534,708	44,565	-	(1,365,953)
Municipal court	46,966	222,182	-	-	175,216
Police	1,533,775	-	7,745	-	(1,526,030)
Civil emergency management	24,743	-	17,500	-	(7,243)
Total public safety and judiciary	<u>4,054,453</u>	<u>756,890</u>	<u>69,810</u>	<u>-</u>	<u>(3,227,753)</u>
Transportation:					
Airport	42,023	20,118	-	303,538	281,633
Streets	478,727	-	-	-	(478,727)
Total transportation	<u>520,750</u>	<u>20,118</u>	<u>-</u>	<u>303,538</u>	<u>(197,094)</u>
Cultural, parks and recreation:					
Lake	2,520	3,026	-	-	506
Library/Quadraplex	290,096	2,865	4,249	-	(282,982)
Parks	389,476	-	-	-	(389,476)
Senior citizens center	133,054	-	3,550	-	(129,504)
Swimming pool	143,929	124,598	-	-	(19,331)
Youth center	353,217	49,496	-	-	(303,721)
Total cultural, parks and recreation	<u>1,312,292</u>	<u>179,985</u>	<u>7,799</u>	<u>-</u>	<u>(1,124,508)</u>
Hospital/economic development					
Hospital activities	195,493	1,145,447	21,362	-	971,316
Economic development	118,190	-	-	-	(118,190)
Total hospital/economic development	<u>313,683</u>	<u>1,145,447</u>	<u>21,362</u>	<u>-</u>	<u>853,126</u>
Unallocated depreciation*	1,532,954	-	-	-	(1,532,954)
<b>Total governmental activities</b>	<u>8,581,100</u>	<u>2,158,332</u>	<u>99,071</u>	<u>303,538</u>	<u>(6,020,159)</u>
<b>Business-type activities</b>					
CEFA	3,000	28,845	-	-	25,845
Billing & collection	494,129	-	-	-	(494,129)
General operations	314,608	-	3,988	-	(310,620)
General manager	200,680	-	-	-	(200,680)
Electric	7,785,694	11,544,000	-	-	3,758,306
Water	755,419	1,755,713	-	-	1,000,294
Sewer	681,144	1,340,453	-	-	659,309
Sanitation	900,739	1,050,644	-	-	149,905
Financing costs	111,060	-	-	-	(111,060)
Prison	-	270,045	-	-	270,045
Unallocated depreciation*	762,940	-	-	-	(762,940)
<b>Total business-type activities</b>	<u>12,009,413</u>	<u>15,989,700</u>	<u>3,988</u>	<u>-</u>	<u>3,984,275</u>
<b>Total</b>	<u>\$ 20,590,513</u>	<u>\$ 18,148,032</u>	<u>\$ 103,059</u>	<u>\$ 303,538</u>	<u>\$ (2,035,884)</u>

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

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

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

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(6,020,159)	3,984,275	(2,035,884)
<b>General revenues:</b>			
Taxes:			
Sales, use and cigarette taxes	6,128,343	-	6,128,343
Hotel/motel taxes	97,391	-	97,391
Franchise taxes	127,635	-	127,635
Intergovernmental	98,452	-	98,452
Investment earnings	59,097	135,777	194,874
Miscellaneous	308,485	86,362	394,847
Oil and gas royalty	34,320	-	34,320
Lease receipts	9,660	-	9,660
Sale of property	-	66,107	66,107
Late charges	-	192,452	192,452
Pension change	2,057,350	-	2,057,350
Transfers	909,386	(909,386)	-
<b>Total general revenues and transfers</b>	<u>9,830,119</u>	<u>(428,688)</u>	<u>9,401,431</u>
<b>Change in net position</b>	3,809,960	3,555,587	7,365,547
<b>Net position - beginning of year</b>	<u>41,029,356</u>	<u>45,167,269</u>	<u>86,196,625</u>
<b>Net position - end of year</b>	<u>\$ 44,839,316</u>	<u>\$ 48,722,856</u>	<u>\$ 93,562,172</u>

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

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

	General Fund	Permanent Fund Hospital Authority	Capital Improvement Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments:					
Cash & cash equivalents (Note 3)	\$ 1,755,840	\$ 3,138,758	\$ 1,823,698	\$ 1,439,474	\$ 8,157,770
Investments, at cost	3,122,142	1,698,000	282,000	2,818,828	7,920,970
Receivables (net of allowance for uncollectibles):					
Accounts receivable	844,619	-	-	6,006	850,625
Taxes	959,408	-	-	-	959,408
Interest	947	-	67	529	1,543
Due from other funds (Note 2D)	31,256	153,087	182,791	76,825	443,959
Notes receivable	-	-	-	50,000	50,000
Grants receivable	-	-	-	5,431	5,431
Prepaid expenses	1,995	-	-	-	1,995
Restricted assets:					
Accrued interest receivable on bond funds	-	375	-	-	375
Bond fund/cash & investments (Notes 3 & 4)	-	-	-	-	-
<b>Capital assets</b>					
Land and construction in progress	-	249,869	-	100,020	349,889
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	-	15,814,818	-	909	15,815,727
<b>Other:</b>					
Inventory receivable (Note 2)	-	352,557	-	-	352,557
<b>Total assets</b>	<u>\$ 6,716,207</u>	<u>\$ 21,407,464</u>	<u>\$ 2,288,556</u>	<u>\$ 4,498,022</u>	<u>\$ 34,910,249</u>
<b>Liabilities:</b>					
Accounts payable	\$ 106,408	\$ -	\$ 10,352	\$ 146,273	\$ 263,033
Due to other funds (Note 3)	413,427	17,324	2,805,355	33,551	3,269,657
Accrued payroll	42,779	-	-	-	42,779
Deferred compensation (Note 4)	-	-	-	916,447	916,447
Deferred revenue	-	65,227	-	-	65,227
Interest payable	-	-	-	-	-
Estimated insurance and unemployment benefits payable	102,253	-	-	-	102,253
Payable from restricted assets:					
Interest payable	-	-	-	-	-
Appearance bonds	7,184	-	-	-	7,184
Revenue bonds payable (Notes 3 & 4)	-	-	-	-	-
<b>Total liabilities</b>	<u>672,051</u>	<u>82,551</u>	<u>2,815,707</u>	<u>1,096,271</u>	<u>4,666,580</u>
<b>Fund balance:</b>					
<b>Restricted for:</b>					
Economic development	-	-	-	26,369	26,369
Capital projects	-	-	-	-	-
Hospital	282,547	21,324,913	-	-	21,607,460
Youth center	47,072	-	-	-	47,072
Other purposes	-	-	-	3,375,382	3,375,382
<b>Unassigned</b>	<u>5,714,537</u>	<u>-</u>	<u>(527,151)</u>	<u>-</u>	<u>5,187,386</u>
<b>Total fund balance</b>	<u>6,044,156</u>	<u>21,324,913</u>	<u>(527,151)</u>	<u>3,401,751</u>	<u>30,243,669</u>
<b>Total liabilities and fund equity</b>	<u>\$ 6,716,207</u>	<u>\$ 21,407,464</u>	<u>\$ 2,288,556</u>	<u>\$ 4,498,022</u>	<u>\$ 34,910,249</u>

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

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

**Total Fund Balances - Total Governmental Funds** \$ 30,243,669

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

Net pension asset	723,756
Pension related deferred outflows	1,968,751
Net pension liability	(3,935,356)
Pension related deferred inflows	(977,865)
Accrued compensated absences payable	(286,349)
OPEB liability	(2,406,279)

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

Land	\$ 2,587,930	
Construction in process	-	
Buildings & Improvements	23,780,005	
Furniture & Equipment	6,594,458	
Infrastructure	12,081,527	
Vehicles	5,266,585	
Accumulated Depreciation	<u>(30,801,516)</u>	
Total		<u>19,508,989</u>

**Net position of governmental activities** \$ 44,839,316

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

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

	General Fund	Permanent Fund Hospital Authority	Capital Projects Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Charges for services	\$ 734,811	\$ -	\$ -	\$ -	\$ 734,811
Licenses and permits	55,892	-	-	-	55,892
Interest	26,154	18,823	1,511	12,609	59,097
Franchise fees	127,635	-	-	-	127,635
Hotel/motel taxes	97,391	-	-	-	97,391
Intergovernmental programs	30,308	-	-	365,311	395,619
Fines and forfeits	222,182	-	-	-	222,182
Lease receipts	9,660	1,145,447	-	-	1,155,107
Miscellaneous revenue	290,491	-	-	-	290,491
Taxes	6,128,343	-	-	72,434	6,200,777
Oil and gas royalties	34,320	-	-	-	34,320
Reimbursements	17,997	-	-	-	17,997
Workmen's compensation refund	-	-	-	-	-
Sale of property	-	-	-	-	-
Donations and other	11,645	21,362	-	-	33,007
<b>Total revenues</b>	<u>7,786,829</u>	<u>1,185,632</u>	<u>1,511</u>	<u>450,354</u>	<u>9,424,326</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	814,504	-	-	2,958	817,462
Economic development	-	-	-	59,955	59,955
Public safety	4,049,366	-	1,310	3,777	4,054,453
Highways roads and airport	481,489	-	-	39,261	520,750
Cultural and recreational	1,301,484	-	-	10,808	1,312,292
Administrative	-	1,500	-	-	1,500
Interest expense	-	193,993	58,235	-	252,228
Capital outlay	79,834	4,200	583,694	437,230	1,104,958
<b>Total expenditures</b>	<u>6,726,677</u>	<u>199,693</u>	<u>643,239</u>	<u>553,989</u>	<u>8,123,598</u>
<b>Excess of revenues over (under) expenditures</b>	1,060,152	985,939	(641,728)	(103,635)	1,300,728
<b>Other financing uses:</b>					
Operating transfers in (out)	(157,620)	(409,194)	1,133,036	343,164	909,386
<b>Total other financing uses</b>	<u>(157,620)</u>	<u>(409,194)</u>	<u>1,133,036</u>	<u>343,164</u>	<u>909,386</u>
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	902,532	576,745	491,308	239,529	2,210,114
<b>Fund balance - beginning of year</b>	<u>5,141,624</u>	<u>20,748,168</u>	<u>(1,018,459)</u>	<u>3,162,222</u>	<u>28,033,555</u>
<b>Fund balance - end of year</b>	<u>\$ 6,044,156</u>	<u>\$ 21,324,913</u>	<u>\$ (527,151)</u>	<u>\$ 3,401,751</u>	<u>\$ 30,243,669</u>

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

CITY OF CUSHING  
 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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	2,210,114
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.		2,057,350
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.		(29,508)
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.		1,104,958
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		<u>(1,532,954)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>3,809,960</u></u></b>

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

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	CEFA (Major)	Totals
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 3)	\$ 10,400,831	\$ 713,407	\$ 11,114,238
Investments, at cost	9,081,584	-	9,081,584
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,207,528	-	1,207,528
Unbilled revenues	1,059,621	-	1,059,621
Interest	4,041	3	4,044
Due from other funds	2,825,698	-	2,825,698
Grants receivable	(9,013)	-	(9,013)
Bond fund/cash & investments (Notes 3 & 4)	789,947	-	789,947
Prepaid expenses	17,398	-	17,398
<b>Capital assets:</b>			
Land and work in process	787,661	25,169,512	25,957,173
Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 3)	26,597,007	-	26,597,007
<b>Total assets</b>	<u>\$ 52,762,303</u>	<u>\$ 25,882,922</u>	<u>\$ 78,645,225</u>
<b>Deferred outflows of resources:</b>			
<b>Total deferred outflows</b>	-	-	-
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 807,424	\$ -	\$ 807,424
Due to other funds	-	-	-
Accrued payroll	22,082	-	22,082
Accrued compensated absences payable (Note 1)	111,344	-	111,344
Payable from restricted assets:			
Interest payable	26,191	-	26,191
Notes payable (Note 3)	350,306	-	350,306
Revenue bonds payable (Notes 3 & 4)	210,000	-	210,000
Non-current liabilities:			
Notes payable (Note 3)	2,565,022	-	2,565,022
Revenue bonds payable (Notes 3 & 4)	-	25,830,000	25,830,000
<b>Total liabilities</b>	<u>4,092,369</u>	<u>25,830,000</u>	<u>29,922,369</u>
<b>Deferred inflows of resources:</b>			
<b>Total deferred inflows</b>	-	-	-
<b>Net position:</b>			
Net investment in capital assets	24,259,340	(660,488)	23,598,852
Restricted	-	713,410	713,410
Unrestricted	24,410,594	-	24,410,594
<b>Total net position</b>	<u>\$ 48,669,934</u>	<u>\$ 52,922</u>	<u>\$ 48,722,856</u>

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

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

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	CEFA (Major)	Totals
<b>Revenues:</b>			
Water revenue	\$ 1,755,713	\$ -	\$ 1,755,713
Sewer revenue	1,340,453	-	1,340,453
Garbage revenue	1,050,644	-	1,050,644
Electric revenue	11,544,000	-	11,544,000
Late charges	192,452	-	192,452
Management fees	-	28,845	28,845
Miscellaneous revenue	86,362	-	86,362
Grant revenue	-	-	-
Telephone & gas revenue	270,045	-	270,045
Sale of property and materials	66,107	-	66,107
<b>Total revenues</b>	<b>16,305,776</b>	<b>28,845</b>	<b>16,334,621</b>
<b>Utility operations expense:</b>			
Billing and collection	494,129	-	494,129
General and administrative	314,608	3,000	317,608
General manager	200,680	-	200,680
Electric service	7,785,694	-	7,785,694
Water service	755,419	-	755,419
Sewer service	681,144	-	681,144
Garbage service	900,739	-	900,739
Gas expense	-	-	-
<b>Total utility operations expense</b>	<b>11,132,413</b>	<b>3,000</b>	<b>11,135,413</b>
<b>Other expense:</b>			
Depreciation expense	762,940	-	762,940
<b>Total rental expense</b>	<b>762,940</b>	<b>-</b>	<b>762,940</b>
<b>Total operating expenses</b>	<b>11,895,353</b>	<b>3,000</b>	<b>11,898,353</b>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>4,410,423</b>	<b>25,845</b>	<b>4,436,268</b>
<b>Non-operating revenues (expenses):</b>			
Interest revenue	135,646	131	135,777
Interest expense	(91,721)	-	(91,721)
Gain / (loss) on sale of asset	-	-	-
Donations	3,988	-	3,988
Loan administration fee	(15,839)	-	(15,839)
Trustee fees	(3,500)	-	(3,500)
<b>Total</b>	<b>28,574</b>	<b>131</b>	<b>28,705</b>

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

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

(Continued)	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	CEFA (Major)	Totals
Income (loss) before operating transfers	4,438,997	25,976	4,464,973
Transfers in (out)	(884,386)	(25,000)	(909,386)
Change in net position	3,554,611	976	3,555,587
Net position at beginning of year	45,115,323	51,946	45,167,269
Net position at end of year	\$ 48,669,934	\$ 52,922	\$ 48,722,856

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

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

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Municipal Authority (Major)</b>	<b>CEFA (Major)</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers & service users	\$ 16,410,979	\$ 28,845	\$ 16,410,979
Cash payments for goods & services & employees	(11,335,493)	(3,000)	(11,335,493)
Other operating revenues	66,107	-	66,107
<b>Net cash provided by operating activities</b>	<u>5,141,593</u>	<u>25,845</u>	<u>5,141,593</u>
<b>Cash flows from noncapital financing activities:</b>			
Net change in due to/due from other funds	559,317	-	559,317
Operating transfers out to other funds	(1,087,460)	(25,000)	(1,087,460)
Operating transfers in from other funds	203,074	-	203,074
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(325,069)</u>	<u>(25,000)</u>	<u>(325,069)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition & construction of capital assets	(221,220)	(1,971,032)	(221,220)
Principal paid on debt	(764,386)	-	(764,386)
Interest paid on debt	(101,777)	-	(101,777)
Proceeds from new debt	-	-	-
Donations	3,988	-	3,988
Loan administration fee	(15,839)	-	(15,839)
Trustee fees	(3,500)	-	(3,500)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(1,102,734)</u>	<u>(1,971,032)</u>	<u>(1,102,734)</u>
<b>Cash flows from investing activities:</b>			
(Purchase) liquidation of investments - unrestricted	(2,500,000)	-	(2,500,000)
Interest on investments	196,525	132	196,525
<b>Net cash provided by investing activities</b>	<u>(2,303,475)</u>	<u>132</u>	<u>(2,303,475)</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	1,410,315	(1,970,055)	1,410,315
<b>Cash and cash equivalents - beginning of year</b>	<u>9,780,463</u>	<u>2,683,462</u>	<u>9,780,463</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 11,190,778</u>	<u>\$ 713,407</u>	<u>\$ 11,190,778</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 4,410,423	\$ 25,845	\$ 4,410,423
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	762,940	-	762,940
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	162,297	-	162,297
(Increase) decrease in grants receivable	9,013	-	9,013
(Increase) decrease in prepaid expenses	5,186	-	5,186
Increase (decrease) in accounts payable	(202,695)	-	(202,695)
Increase (decrease) in accrued expenses	(5,571)	-	(5,571)
<b>Total adjustments</b>	<u>731,170</u>	<u>-</u>	<u>731,170</u>
<b>Net cash provided by operating activities</b>	<u>\$ 5,141,593</u>	<u>\$ 25,845</u>	<u>\$ 5,141,593</u>

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

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

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments at cost	\$ <u>860,388</u>
<b>Total assets</b>	\$ <u><u>860,388</u></u>
<b>Liabilities:</b>	
Deposits	\$ <u>860,388</u>
<b>Total liabilities</b>	\$ <u><u>860,388</u></u>

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

**CITY OF CUSHING**  
**Cushing, Oklahoma**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cushing, 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 Cushing, 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, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning, and low income apartment rentals for the geographical area organized as the City of Cushing, 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 and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, 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 Cushing Municipal Authority (CMA) was created pursuant to a Trust Indenture dated January 1, 1973, for the benefit of the City of Cushing, Oklahoma. CMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, electrical and hospital facilities for the City of Cushing. The water, sanitary sewer, electricity, and solid waste disposal systems owned by the City have been leased to CMA until such date that all indebtedness of the Authority is retired or provided for. CMA 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. CMA is exempt from State and Federal Income taxes. CMA is reported as an enterprise fund.

The Cushing Hospital Authority (CHA) was created pursuant to a Trust Indenture dated August 1, 1978, for the benefit of the City of Cushing, Oklahoma. CHA was established to plan, finance, establish, develop, construct, enlarge, remodel, improve, make alterations, extend, maintain, equip, operate, lease, furnish and regulate hospitals, extended care facilities, clinics, community mental health centers, geriatrics facilities, and related facilities for the City of Cushing. CHA 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. CHA is exempt from State and Federal Income taxes. CHA is reported as a permanent fund.

The Cushing Industrial Authority (CIA) was created February 15, 1967, for the benefit of the City of Cushing, Oklahoma. CIA was created to promote the development of industry and to provide additional employment in the Cushing, Oklahoma, area. 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 appointed by the City Council. CIA is exempt from State and Federal Income taxes. CIA is reported as a permanent fund.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units/Trusts (Continued):

The Cushing Educational Facilities Authority (CEFA) was created by Trust Indenture dated September 13, 2013, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive. The Trust was created generally to promote the development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities which will benefit and strengthen culture and the economy of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority will issued 2013 General Obligation Bonds for the purpose of constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites.

Other Component Units/Trusts:

The Cushing Agri-Civic Center Authority was created by Trust Indenture dated December 30, 1974, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to construct, operate and maintain the Agri-Civic Center for the benefit of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The land and building owned by the Agri-Civic Center Authority were transferred to the Cushing School District in 1992 and the remaining funds were subsequently disbursed to local community 501 (c) (3) organizations and to the City of Cushing. There are currently no assets or liabilities of the Cushing Agri-Civic Center Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

The Cushing Home Finance Authority was created by Trust Indenture dated January 21, 1983, under the provisions of Title 60, Oklahoma Statutes 1968, Sections 176 to 180, inclusive. The Trust was created generally to provide resources for the purpose of promoting the development of decent, safe and sanitary residential housing facilities for families of low to moderate income or lower income tenants residing within the territorial limits of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. In 1983 the Authority issued 1983 Series A-Multifamily Housing Revenue Bonds in the amount of \$2,100,000 for the purpose of providing funds to finance qualified multifamily residential project loans. Final maturity of those bonds was 1993. There are currently no assets or liabilities of the Cushing Home Finance Authority and there were no activities during the year. The City of Cushing, as beneficiary, has elected to preserve the legal structure of this Authority for a potential future use.

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

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

**Government-wide Financial Statements** – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF CUSHING**  
**Cushing, 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)**

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

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

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

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

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.

CITY OF CUSHING  
Cushing, 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)

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.

Cushing Hospital Authority – is a permanent fund that accounts for the revenue and expenditures related to the leasing of the hospital and surrounding properties.

Sale Tax Fund – is a capital project fund that accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

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, Airport and Grant Funds.

Capital Projects Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Library/Quadruplex and Special Capital Improvement Fund.

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's other permanent fund is composed of the Cushing Industrial Authority.

**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 City's major enterprise fund is the Cushing Municipal Authority, which accounts for the operations of providing public works (electric, water, sewer, and refuse) to the City and the Cushing Educational Facilities Authority, which accounts for the promotion of development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities.

**CITY OF CUSHING**  
Cushing, 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 funds are 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, Construction Accounts, and Sales Tax Revenue 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. Estimates**

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

**4. 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.

**CITY OF CUSHING**  
**Cushing, 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" (i.e., the current portion of inter-fund loans) or "advances to/from other funds (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

**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 \$4,000 for the governmental and proprietary funds.

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 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.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

The financial statements of the Cushing Hospital Authority include property and equipment owned by the City of Cushing and leased to the Cushing Hospital Authority. Depreciation was charged in prior years when the fund was accounted for as an enterprise fund. The fund was reclassified as a permanent fund when it was sub-leased in 1995 (See Note 4), thus no depreciation has been recognized since 1995.

**CITY OF CUSHING**  
Cushing, Oklahoma

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**7. Capital Assets (Continued)**

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures and Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	20 - 100 years	20 - 100 years

**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. Generally, after six consecutive months of service, employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 72 days but employees are not compensated for unused sick leave upon termination. At the option of the employee, compensatory time off may be taken in lieu of cash payment for overtime worked. Amounts may be accumulated to a maximum of 240 hours (480 hours for certain emergency response activities or seasonal activities). The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

**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 statement of net position. 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 statement of net position. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

CITY OF CUSHING  
Cushing, 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

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

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

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

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

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

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

**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.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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 \$37,929,897 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

*Investment Interest Rate Risk*

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

*Investment Credit Risk*

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

**CITY OF CUSHING**  
Cushing, Oklahoma

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

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

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	\$ 20,365,344	\$ 20,365,344
Stocks & bonds			916,447	916,447
Certificate of deposit	12.00	N/A	16,648,106	16,648,106
<b>Total investments</b>			<u>\$ 37,929,897</u>	<u>\$ 37,929,897</u>
<u>Reconciliation to Statement of Net Position</u>				
			\$ 16,078,740	
			20,990,769	
			860,388	
			<u>\$ 37,929,897</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: 44% in Certificates of deposit (\$16,648,106), 2% in stocks and bonds (\$916,447) and 54% in Money Market funds (\$20,365,344).

**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).

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

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**CITY OF CUSHING**  
Cushing, Oklahoma

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

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Fair Value Measurements**

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

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

**Assets at Fair Value  
as of June 30, 2016**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Certificates of deposit	\$ 16,648,106	\$ -	\$ -	\$ 16,648,106
Stocks and bonds	916,447	-	-	916,447
<b>Total assets at fair value</b>	<b>\$ 17,564,553</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,564,553</b>

**C. Uncollectible Accounts**

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

	General Fund	Cushing Municipal Authority
Ambulance	\$ 239,848	\$ -
Other misc.	173,822	96,096
Fines	112,760	-
Water	-	8,679
Refuse	-	3,676
Sewer	-	7,049
Electric	-	75,009
Late fees	-	5,511
Sales tax	-	1,359
Refuse tax	-	2
<b>Total</b>	<b>\$ 526,430</b>	<b>\$ 197,381</b>

**CITY OF CUSHING**  
Cushing, 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:

<b>Governmental Activities:</b>	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
<b>Non-depreciable assets:</b>				
Land	\$ 2,937,819	\$ -	\$ -	\$ 2,937,819
Construction in process	-	-	-	-
<b>Total non-depreciable assets</b>	<u>2,937,819</u>	<u>-</u>	<u>-</u>	<u>2,937,819</u>
<b>Depreciable assets:</b>				
Buildings and improvements	40,968,475	-	-	40,968,475
Furniture, fixtures and equipment	12,066,435	145,857	-	12,212,292
Vehicles	4,696,646	584,388	-	5,281,034
Infrastructure	11,543,913	374,713	-	11,918,626
<b>Total depreciable assets</b>	<u>69,275,469</u>	<u>1,104,958</u>	<u>-</u>	<u>70,380,427</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(14,858,751)	(608,893)	-	(15,467,644)
Furniture, fixtures and equipment	(10,805,297)	(204,689)	-	(11,009,986)
Vehicles	(3,317,466)	(322,016)	-	(3,639,482)
Infrastructure	(7,129,174)	(397,356)	-	(7,526,530)
<b>Total accumulated depreciation</b>	<u>(36,110,688)</u>	<u>(1,532,954)</u>	<u>-</u>	<u>(37,643,642)</u>
<b>Net depreciable assets</b>	<u>33,164,781</u>	<u>(427,996)</u>	<u>-</u>	<u>32,736,785</u>
<b>Net governmental activities capital assets</b>	<u>\$ 36,102,600</u>	<u>\$ (427,996)</u>	<u>\$ -</u>	<u>\$ 35,674,604</u>

**CITY OF CUSHING**  
Cushing, Oklahoma

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

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**D. Capital Assets (Continued)**

<b>Business-Type Activities:</b>	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
Non-depreciable assets:				
Land	\$ 768,946	\$ 18,715	\$ -	\$ 787,661
CEFA - Building	23,198,480	1,971,032	-	25,169,512
Total non-depreciable assets	<u>23,967,426</u>	<u>1,989,747</u>	<u>-</u>	<u>25,957,173</u>
Depreciable assets:				
Buildings and improvements	47,519,710	88,888	-	47,608,598
Furniture, fixtures and equipment	3,168,124	92,933	-	3,261,057
Vehicles	972,167	20,684	-	992,851
Total depreciable assets	<u>51,660,001</u>	<u>202,505</u>	<u>-</u>	<u>51,862,506</u>
				77,819,679
Less accumulated depreciation:				
Buildings and improvements	(21,805,517)	(570,437)	-	(22,375,954)
Furniture, fixtures and equipment	(1,985,711)	(133,706)	-	(2,119,417)
Vehicles	(711,333)	(58,796)	-	(770,129)
Total accumulated depreciation	<u>(24,502,561)</u>	<u>(762,939)</u>	<u>-</u>	<u>(25,265,500)</u>
Net depreciable assets	<u>27,157,440</u>	<u>(560,434)</u>	<u>-</u>	<u>26,597,006</u>
Net business-type activities capital assets	<u>\$ 51,124,866</u>	<u>\$ 1,429,313</u>	<u>\$ -</u>	<u>\$ 52,554,179</u>

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

**E. Deferred Inventory Receivable**

According to the lease agreement, Hospital inventories of supplies, drugs and other consumables are reflected as a deferred inventory receivable that the lessee has agreed to maintain for duration of the lease.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Inter-fund Receivables and Payables

The following schedule reflects the City's inter-fund due from and due to other governmental funds, which have been eliminated in the statement of net position presentation in accordance with GASB 34:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Cushing Hospital Authority	\$ 17,324	\$ 153,087
Library/Quadrplex	-	45,698
Cushing Industrial Authority	-	31,127
Sales Tax Fund	-	182,791
Cushing Municipal Authority	31,256	724
Capital Improvement Funds:		
Library/Quadrplex:		
General Fund	45,698	-
Sales Tax Fund:		
General Fund	182,791	-
Cushing Municipal Authority	-	2,798,795
Capital Improvement Fund		
Cushing Municipal Authority	-	8,855
Enterprise Funds:		
Cushing Municipal Authority:		
General Fund	724	31,256
Sales Tax Fund	2,798,795	-
Capital Improvement Fund	8,855	-
Permanent Funds:		
Cushing Hospital Authority:		
General Fund	153,087	-
Cushing Municipal Authority	-	17,324
Cushing Industrial Authority:		
General Fund	31,127	-
Total all funds	<u>\$ 3,269,657</u>	<u>\$ 3,269,657</u>

**CITY OF CUSHING**  
Cushing, Oklahoma

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

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**G. Leases**

Pursuant to an election held on the 6th day of June, 1978, the City of Cushing leased its existing and thereafter acquired water, sanitary sewer, electric and solid waste disposal systems to the Cushing Municipal Authority for a term of fifty (50) years or to such date as all indebtedness incurred by the Authority has been paid pursuant to a lease agreement dated August 1, 1978. In accordance with the Lease Agreement and Operation and Maintenance Contract, the City will operate the systems on a cost reimbursement basis. Any funds remaining with the Authority after all operating expenses and debt service requirements have been satisfied can be transferred to the City General Fund and used for any lawful purpose, at the discretion of the Authority. Gross Revenues generated and lease payments made to the City from these systems are as follows:

	Solid Waste Disposal System	Water System	Sewer System	Electric System
Gross revenues	\$ 1,050,644	\$ 1,755,713	\$ 1,340,453	\$ 11,544,000
Operating expenses	<u>900,739</u>	<u>755,419</u>	<u>681,144</u>	<u>7,785,694</u>
Net	149,905	1,000,294	659,309	3,758,306
Debt service requirements	-	-	(219,925)	(443,463)
Transfer to general fund	-	-	-	-
Net fund retained	<u>\$ 149,905</u>	<u>\$ 1,000,294</u>	<u>\$ 439,384</u>	<u>\$ 3,314,843</u>

**H. 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
Cushing Municipal Authority:							
OWRB - SRF (interest @ 2.63%)	9/15/2023	\$ 6,500,000	\$ 3,197,943	\$ -	\$ (333,136)	\$ 2,864,807	\$ 344,026
Sewer System - CDBG (interest @ 0%)	8/1/2024	125,000	56,771	-	(6,250)	50,521	6,250
Utility system - 2003 (interest @ 3.5%)	7/1/2016	5,715,000	635,000	-	(425,000)	210,000	210,000
Cushing Education Facilities Authority (Non-commitment debt):							
Tax-exempt bond (interest @ 3-5%)	9/30/2013	\$ 25,830,000	\$ 25,830,000	\$ -	-	\$ 25,830,000	-
Cushing Hospital Authority:							
Sales tax - 2004 (interest @ 5.72%)	7/1/2015	9,950,000	610,000	-	(610,000)	-	-
Total		<u>\$ 48,120,000</u>	<u>\$ 30,329,714</u>	<u>\$ -</u>	<u>\$ (1,374,386)</u>	<u>\$ 28,955,328</u>	<u>\$ 560,276</u>

**CITY OF CUSHING**  
Cushing, Oklahoma

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

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**H. 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,	CMA Debt	CEFA Debt	Total
2017	\$ 652,214	\$ 7,220,200	\$ 7,872,414
2018	438,539	875,400	1,313,939
2019	438,539	6,835,400	7,273,939
2020	438,539	637,000	1,075,539
2021	438,539	7,137,000	7,575,539
2022-2025	<u>1,099,995</u>	<u>7,931,000</u>	<u>9,030,995</u>
Total principal & interest	3,506,365	30,636,000	34,142,365
Less interest	<u>381,037</u>	<u>4,806,000</u>	<u>5,187,037</u>
Total Liability	<u>\$ 3,125,328</u>	<u>\$ 25,830,000</u>	<u>\$ 28,955,328</u>

Principal, redemption premium, and interest on CMA debt are payable from the gross revenues of the water, sanitary sewer, electric, and solid waste disposal systems, and from other funds established by the bond indentures. CHA debt is payable from pledged sales tax revenues and other available sources. Library/Quadrplex debt is payable from pledged sales tax revenues and other available sources. Detail information on long-term debt is reflected in Note 4.

**3. AUTHORITIES**

**A. Cushing Municipal Authority (A Blended Component Unit)**

**UTILITY OPERATIONS:**

The operations of the utility departments of the City (electric, water, sewer and refuse) were transferred to the Cushing Municipal Authority effective July 1, 1994. The Municipal Authority provides utility services for its customers including the City of Cushing and its related departments. Utility charges for infrastructure (street lights, etc.) and general activities of the City of Cushing (City Hall, Senior Citizens, Youth 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 Municipal Authority is structured like a private enterprise, the effect of this policy is to understate the gross revenues of the Municipal Authority and to understate the operating expenses of the various using departments of the City. The intent is for the Municipal Authority to provide cost free services to the City of Cushing.

**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 CUSHING**  
Cushing, Oklahoma

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

**3. AUTHORITIES (Continued)**

**A. Cushing Municipal Authority (A Blended Component Unit) (Continued)**

REVENUE BONDS:

On May 21, 2003, the Authority issued its \$5,715,000 Cushing Municipal Authority Utility Systems Revenue Bonds, Series 2003. Proceeds from this bond issue were used to defease the previous Utility System Revenue Bonds, Series 1993 and gain a more favorable interest rate. Interest on the bond is payable semi-annually on July 1 and January 1 of each fiscal year until the bond is paid. Bond redemption began July 1, 2004, with final maturity on July 1, 2016. The gross revenues of the CMA have been pledged to secure the bonds.

NOTES PAYABLE:

On April 24, 2002, the CMA issued a note payable in the amount of \$6,500,000 to the Oklahoma Water Resources Board. The proceeds of the note were used to complete the wastewater treatment plant. Interest only payments are due on the note at a rate of 2.63% on March 15 and September 15, until March 15, 2004 at which time principal and interest payments are due on March 15 and September 15 of each year for a period of 20 years. The gross utility revenues of the CMA have been pledged to secure the note.

On April 22, 2004, the CMA, through the Cushing Industrial Authority, issued a Community Development Block Grant note payable in the amount of \$125,000 to the Oklahoma Department of Commerce, Office of Community Development. The proceeds of the note were used for sewer lines and manhole construction. The note is to be paid in 240 monthly installments of \$521 beginning September 1, 2004 with final maturity on August 1, 2024. The note is non-interest bearing. The gross utility revenues of the CMA have been pledged to secure the note.

**B. Cushing Hospital Authority (A Permanent Fund)**

The City of Cushing owns the Hospital facility, including buildings and equipment. On August 1, 1978, it was leased to the Cushing Hospital Authority for a term of thirty years, or until such time that all indebtedness of the Authority was either paid or provision for payment was made.

SUB-LEASE AGREEMENT:

Effective September 1, 2004, AHS Cushing Hospital, LLC ("CRH") a Delaware limited liability company and wholly owned subsidiary of Ardent Health Services, Inc. ("AHS") (a for profit corporation) subleased the campus, the hospital, the name, the additional premises, and the equipment of Cushing Hospital Authority, d.b.a. Cushing Regional Hospital from the Cushing Hospital Authority, Cushing Municipal Authority, and the City of Cushing. The sub-lease agreement provides that operating assets (cash, investments, receivables, inventories and prepaid expenses) and operating liabilities (accounts payable and operating loans, excluding bonded debt) were assumed by CRH. The initial term of the sublease is for ten years with an option of extending the lease for an additional ten years. CRH will pay rent in the amount of \$637,519 per year during the term of the sub-lease. If the sub-lease is not extended for an additional 10 years, and if there has been no default caused by CHA, CMA or the City of Cushing, CRH will pay to CHA the amount of all remaining scheduled payments of principal and interest due with respect to the bonds secured by the indenture. It is the intent of this agreement that the remaining bonds in the amount of \$8,915,000 will be paid from the rent proceeds. The purpose of the sublease agreement is to enable CRH to execute and perform necessary activities to maintain and operate the Hospital for the mutual benefit of CRH, AHS, CHA, CMA, the City of Cushing and the surrounding community. At the end of the lease, all inventories of supplies, drugs and other consumables are returned to the Hospital Authority.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

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

**3. AUTHORITIES (Continued)**

**B. Cushing Hospital Authority (A Permanent Fund) (Continued)**

SPECIAL TRUST FUNDS:

Under the terms and provisions of the Bond Indentures, special trust funds of the Authority have been created 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. Such funds will be maintained so long as any bonds issued under any indenture are outstanding. Monies contained in the funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates the monies in said funds will be required for the purposes intended by the trust indenture. Sales tax collections transferred from the City of Cushing in excess of amounts required for debt service may be used for operations.

REVENUE BONDS:

On September 1, 2004, the Cushing Hospital Authority issued its \$9,950,000 Sales Tax Revenue Bonds, Series 2004. Proceeds from this bond issue were used to defease the previous Cushing Hospital Authority Sales Tax Revenue Bonds, Refunding Series 2003 and to pay off the Medical Office Building note with the Bank of Cushing. The City of Cushing has pledged Sales Tax Revenue to the Cushing Hospital Authority pursuant to a loan agreement and all of the lease payments from CRH will be used to finance the bond. This bond paid off in the current year.

**C. Cushing Industrial Authority (A Permanent Fund)**

The primary purpose of the Authority is to promote the development of industry within and without the territorial limits of the City of Cushing and to provide additional employment, which will benefit and strengthen the economy of the City of Cushing and the State of Oklahoma.

The Authority was created to provided local industry with resources for construction and renovation of plant facilities, equipment acquisitions and working capital. Funds were provided as either direct loans to the industry or through leases with favorable purchase options extended. There are no leases or notes that remain outstanding at year-end.

The Authority entered into a contract (CEDC Contract) with the City effective July 1, 1996, which has been renewed annually, to provide a program to enhance the industrial and economic strength, development and growth of the City. The contract provides for the City to appropriate a sum annually, to be paid to the Authority in twelve (12) equal monthly installments. The contract provides that any such sum not expended during the fiscal year be retained by the Authority and budgeted for economic development for the following year. The Authority created an advisory committee known as the Cushing Economic Development Council (CEDC) composed of five members to assist the Authority in accomplishing its purpose. The powers, duties and responsibilities of the CEDC members are advisory in nature. The contract was not renewed for the current year but plan to renew it when a new economic director is hired.

The following is a summary of the current year transactions represented by the CEDC Contract:

Contract contributions from the City	\$	-
Economic Development Expenditures		(6,005)
Excess revenues over (under) expenditures		(6,005)
Interest allocation		112
Carry-over funds from prior year		42,098
Designated fund balance for economic development	\$	<u>36,205</u>

**CITY OF CUSHING**  
**Cushing, Oklahoma**

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

**3. AUTHORITIES (Continued)**

**D. Cushing Educational Facilities Authority (An Enterprise Fund)**

The Cushing Educational Facilities Authority (CEFA) was created by Trust Indenture dated September 13, 2013, under the provisions of Title 60, Oklahoma Statutes 2011, Sections 176 to 180.3, inclusive. The Trust was created generally to promote the development of educational, recreational and cultural activities within and near the territorial limits of the City and to thereby provide educational, recreational and cultural facilities which will benefit and strengthen culture and the economy of the City of Cushing, Oklahoma. The Authority is exempt from State and Federal Income taxes. The Authority will issued 2013 General Obligation Bonds for the purpose of constructing, equipping, repairing and remodeling school buildings, acquiring school furniture, fixtures and equipment and acquiring and improving school sites.

*Non-Commitment Debt:*

This debt is considered non-commitment (conduit) debt to the City and Authority since the debt payments are made solely from direct financing lease payments. Payments are made by the Cushing Public Schools to trustee banks that pay the bondholders. In the event of default by the Schools, the City or Authority has no obligation, legally and in substance, to make any payments on the debt since the lease receivable, financing agreements and mortgages on the property with the School are the security for the debt.

The Cushing Educational Facilities Authority (CEFA) issued \$25,830,000 of the Educational Facilities Lease Revenue Bonds on September 30, 2013, for the benefit of the Cushing Public Schools. The property, upon which the Project is located, together with improvements, is leased by the School District to the Authority and then subsequently subleased by the Authority back to the District. The bonds are secured by an assignment of the lease revenues and the property leased and subleased. Debt service on the bonds is payable solely from the lease revenues described above. The bond is reported as a liability within the financial statements.

Outstanding balance at June 30, 2016 is \$25,830,000

**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 has provides for the General Fund and Cushing Municipal Authority to account for and finance its uninsured risks of loss. Under this program, these funds provides coverage for combined employee health claims up to a maximum of \$2,300,479, based on plan participants at the beginning of the contract period, July 1, 2015. The City purchases commercial insurance for health claims in excess of the coverage provided by the funds and for other risks of loss. Settled claims did not exceed the commercial coverage during the year. The City is liable for all sustained unemployment claims.

The General Fund and the Cushing Municipal Authority participate in this program and make payments based on management's estimates of the amounts needed to pay premiums and for prior and current year claims. The City does not maintain a reserve for catastrophe losses. Those are budgeted within the each fund. The claims liability of \$102,253 reported in the General Fund at June 30, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

Changes in the claims liability amount in fiscal year 2016 were as follows:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance of Fiscal Year End
\$ 164,236	\$ 1,721,177	\$ 1,783,160	\$ 102,253

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

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

B. Concentrations of Risk

The City operates its own electrical power plant and provides electrical power to the City. The electric utility industry in general has become, and is expected to be, increasingly competitive due to regulatory changes and market developments. Competition among suppliers for sales of electric energy is expected to have a profound effect on the electric utility industry.

Historically, electric utilities have operated in a highly regulated environment, which has provided them some protection against competition in their service area. In a deregulated market, it is anticipated that customers in a particular service area will be permitted to choose among competing electric suppliers, which could result in some risk of loss of revenues for the City. In April 1997, the Governor of the State of Oklahoma signed the *Electric Restructuring Act of 1997*, which calls for the deregulation of the State's electric utility industry and permits electricity customers to choose their power supplier by the year 2002. Although the City and other "public power" utilities are specifically excluded from the mandates of this act, additional legislation has been introduced which could have an impact on the City. Additionally, bills have been introduced in the United States Congress providing for a Federal mandate of retail choice as well as legislation and tax regulations relating to public bond issues. Management is currently unable to predict whether any of these bills will become law or the effect passage would have on the City.

Management is developing a plan to position the City to compete effectively in the changing competitive environment. While the City is taking this and other actions to prepare for a deregulated market, management cannot predict what effects increased competition will have on the operations and financial condition of the City.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

**C. Contingent Liabilities**

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Internal Revenue Code Section 148 requires calculation of an arbitrage rebate within 60 days following each five-year period from inception of each bond issue. Arbitrage is present whenever investment income is in excess of yield of the bond issue. The City has complied with this provision and has determined that no arbitrage rebate is due at this time.

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.

**D. Deferred Compensation Plan**

The Cushing Municipal Authority (CMA) and the City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all CMA and City employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination of employment, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the CMA's and City's management that CMA and City have no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

**E. Employee Retirement System and Other Benefit Plans**

The City participates in three employee pension systems as follows:

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

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

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

**Oklahoma Police Pension and Retirement Plan**

**Plan description** – The City of Cushing, 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](http://www.ok.gov/OPPRS).

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

**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.

**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 \$86,075. 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 \$8,919 for its proportionate share of the net pension liability. The net pension asset 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 0.2187%.

**CITY OF CUSHING**  
Cushing, Oklahoma

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

**4. OTHER INFORMATION (Continued)**

**E. Employee Retirement System and Other Benefit Plans (Continued)**

For the year ended June 30, 2016, the City recognized pension expense of \$34,073. 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	\$ -	\$ 49,320
Changes of assumptions	3,235	-
Net difference between projected and actual earnings on pension plan investments	159,830	194,151
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>86,075</u>	<u>-</u>
Total	<u>\$ 249,140</u>	<u>\$ 243,471</u>

\$86,075 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	\$ (36,441)
2018	(36,441)
2019	(36,441)
2020	29,426
2021	<u>(509)</u>
	<u>\$ (80,406)</u>

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

Inflation:	3%
Salary increases:	4.5% to 17.0% 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.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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.

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

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability (asset)	\$535,936	\$8,919	(\$435,393)

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

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

**Oklahoma Firefighters Pension & Retirement Plan**

**Plan Description** – The City of Cushing, 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](http://www.ok.gov/fprs).

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

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

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

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

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

**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 \$142,931 (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.

CITY OF CUSHING  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

**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 \$3,926,437 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, 2014. Based upon this information the City's proportion was 0.369927%.

For the year ended June 30, 2016, the City recognized pension expense of \$348,300. 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	\$ 77,574	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	139,194	431,882
Changes in proportion and differences between City contributions and proportionate share of contributions	78,441	-
City contributions subsequent to the measurement date	142,931	-
<b>Total</b>	<u>\$ 438,140</u>	<u>\$ 431,882</u>

\$142,931 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	\$ (90,825)
2018	(90,825)
2019	(90,825)
2020	53,135
2021	4,003
Thereafter	514
	<u>\$ (214,823)</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.

CITY OF CUSHING  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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%

**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)	\$5,098,066	\$3,926,437	\$2,943,785

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Oklahoma Municipal Retirement Fund – Defined Benefit**

**Plan Description** – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: [www.okmrf.org/reports.html](http://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.

CITY OF CUSHING  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/15 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	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 60 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 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	-2.625% 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.

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

Employees Covered by Benefit Terms

Active Employees	92
Deferred Vested Former Employees	14
Retirees or Retiree Beneficiaries	<u>78</u>
Total	<u>184</u>

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 8.54% of covered payroll. For the year ended June 30, 2016, the City recognized \$322,017 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$3,546,512. 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

CITY OF CUSHING  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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

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

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

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	<u>0%</u>	0.00%	<u>0.00%</u>
TOTAL	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

**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 (asset). The following table reports the components of changes in net pension liability:

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the City, calculated using the discount rate of 7.75 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)	\$1,369,898	(\$723,756)	(\$2,492,947)

The City reported \$98,271 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	\$ 29,228	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	930,226	302,512
City contributions subsequent to the measurement date	<u>322,017</u>	<u>-</u>
Total	<u>\$ 1,281,471</u>	<u>\$ 302,512</u>

\$322,017 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	\$ 141,661
2018	141,661
2019	141,063
2020	232,555
2021	<u>2</u>
	<u>\$ 656,942</u>

CITY OF CUSHING  
Cushing, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

F. Other Post-Employment Benefits

*Plan Description:* City provides post-retirement 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 in the administrative policy manual. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-employment benefits if they reach normal retirement age while working for the City. As of June 30, 2016, approximately 22 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 \$1,778,011 to the plan. Plan members receiving benefits contributed \$107,200, or approximately 100 percent of the total premiums, through their required contribution of \$350.00 per month for retiree-only coverage and \$450.00 for retiree and spouse medical coverage, these amounts include dental and vision coverage.

*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 following shows the components of the City's annual OPEB cost and the City's net OPEB obligation for the year ended June 30, 2016:

Current Service Cost (\$209,256) + Amortization Amount (\$141,364) = Total Contribution (\$350,620).  
OPEB obligation for retired employees as determined by Actuarial is \$87,576 and for active employees is \$2,318,072 with a total obligation of \$2,406,278.

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. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

F. Other Post-Employment Benefits (Continued)

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
6/30/2015	\$ -	Actuarial	\$ 2,406,278	\$ 2,406,278	0.0%

*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. In the June 30, 2016, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 4.5% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2016, was twenty-eight years.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2016**

CITY OF CUSHING  
Cushing, 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 & Capital Projects Funds**

**CITY OF CUSHING**  
Cushing, Oklahoma

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

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

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability(asset)	0.2148%	0.2187%
City's proportionate share of the net pension liability (asset)	(\$72,330)	\$8,919
City's covered-employee payroll	\$626,524	\$662,114
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.54%)	1.347%
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 last 2 current fiscal 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>2014</u>	<u>2015</u>
Statutorily required contribution	\$81,448	\$86,075
Contributions in relation to the statutorily required contribution	<u>81,448</u>	<u>86,075</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$626,524	\$662,114
Contributions as a percentage of covered-employee payroll	13.0%	13.0%

**Notes to Schedule:**

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

**CITY OF CUSHING  
Cushing, Oklahoma**

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

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

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability	0.3619%	0.369927%
City's proportionate share of the net pension liability	\$3,721,459	\$3,926,437
City's covered-employee payroll	\$1,024,379	\$1,020,936
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	363.29%	384.59%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

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

**Notes to Schedule:**

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

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

	<u>2014</u>	<u>2015</u>
Statutorily required contribution	\$ 143,413	\$ 142,931
Contributions in relation to the statutorily required contribution	<u>143,413</u>	<u>142,931</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,024,379	1,020,936
Contributions as a percentage of covered-employee payroll	14.0%	14.0%

**Notes to Schedule:**

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

CITY OF CUSHING  
Cushing, 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>2014</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 271,475	\$ 306,478
Interest	1,326,991	1,359,425
Changes of benefit terms	-	-
Differences between expected and actual experience	-	39,170
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	<u>(890,923)</u>	<u>(926,722)</u>
<b>Net change in total pension liability</b>	<b>707,543</b>	<b>778,351</b>
<b>Total pension liability – beginning</b>	<u>17,288,138</u>	<u>17,995,680</u>
<b>Total pension liability - ending (a)</b>	<u><b>\$17,995,680</b></u>	<u><b>\$18,774,031</b></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 712,392	\$ 6,690,268
Contributions - member	-	-
Net investment income	514,386	583,901
Benefit payments, including refunds of member contributions	(890,923)	(926,722)
Administrative expense	(30,986)	(37,390)
Other	-	-
<b>Net change in plan fiduciary net position</b>	<u>304,869</u>	<u>6,310,057</u>
<b>Plan fiduciary net position – beginning</b>	<u>12,882,861</u>	<u>13,187,730</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><b>\$13,187,730</b></u>	<u><b>\$19,497,787</b></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><b>\$ 4,807,950</b></u>	<u><b>(\$ 723,756)</b></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	95.93%	103.86%
<b>Covered employee payroll</b>	\$ 3,531,034	\$3,546,512
<b>Net pension liability as a percentage of covered employee payroll</b>	20.73%	(20.41%)

**Notes to Schedule:**

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

CITY OF CUSHING  
Cushing, 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**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 470,113	\$ 322,017
Contributions in relation to the actuarially determined contribution	<u>470,113</u>	<u>322,017</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$3,531,034	\$3,770,691
Contributions as a percentage of covered-employee payroll	13.31%	8.54%

**Notes to Schedule:**

1. Only the current fiscal year is 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, 2014 and July 1, 2015  
January 2015 through June 2015 contributions were at a rate of 13.31%.  
July 2015 through December 2015 contributions were at a rate of 8.54%
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 - 28 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 CUSHING  
REQUIRED SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016  
(Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Charges for services	\$ 879,500	\$ 838,465	\$ 734,811	\$ (103,654)
Licenses & permits	64,650	65,265	55,892	(9,373)
Interest	24,700	33,400	26,154	(7,246)
Franchise fees	150,000	117,750	127,635	9,885
Fines & forfeits	90,000	190,000	222,182	32,182
Lease receipts	9,345	9,345	9,660	315
Taxes	7,553,500	6,075,000	6,128,343	53,343
Hotel/motel taxes	120,000	90,000	97,391	7,391
Intergovernment programs	30,000	29,290	30,308	1,018
Oil and gas royalties	120,000	29,500	34,320	4,820
Reimbursements	30,000	25,000	17,997	(7,003)
Donations and other	3,000	12,795	11,645	(1,150)
Workmen's compensation refund	-	-	-	-
Miscellaneous	226,200	284,848	290,491	5,643
<b>Total revenues</b>	<u>9,300,895</u>	<u>7,800,658</u>	<u>7,786,829</u>	<u>(13,829)</u>
<b>Expenditures:</b>				
Current:				
General government	775,525	946,848	814,504	132,344
Public safety	4,702,225	4,578,515	4,049,366	529,149
Highways, roads, & airport	528,660	519,625	481,489	38,136
Cultural & recreational	1,642,152	1,428,498	1,301,484	127,014
Administrative	-	-	-	-
Capital outlay	-	79,834	79,834	-
<b>Total expenditures</b>	<u>7,648,562</u>	<u>7,553,320</u>	<u>6,726,677</u>	<u>826,643</u>
<b>Excess of revenue over (under) expenditures</b>	1,652,333	247,338	1,060,152	812,814
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	(1,642,245)	(236,938)	(157,620)	79,318
<b>Total other financing sources</b>	<u>(1,642,245)</u>	<u>(236,938)</u>	<u>(157,620)</u>	<u>79,318</u>
<b>Net changes in fund balance</b>	10,088	10,400	902,532	892,132
<b>Fund balance at beginning of year</b>	<u>5,141,624</u>	<u>5,141,624</u>	<u>5,141,624</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 5,151,712</u>	<u>\$ 5,152,024</u>	<u>\$ 6,044,156</u>	<u>\$ 892,132</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF CUSHING  
 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		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Taxes	75,000	75,000	72,434	(2,566)
Intergovernment programs	467,621	569,560	365,311	(204,249)
Donations and other	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>542,621</u>	<u>644,560</u>	<u>437,745</u>	<u>(206,815)</u>
<b>Expenditures:</b>				
Current:				
Economic development	-	-	-	-
Public safety	4,000	4,000	3,777	223
Highways, roads, & airport	340,000	340,000	39,261	300,739
Cultural & recreational	4,000	4,000	3,818	182
Capital outlay	241,948	401,607	396,718	4,889
<b>Total expenditures</b>	<u>589,948</u>	<u>749,607</u>	<u>443,574</u>	<u>306,033</u>
<b>Excess of revenue over (under) expenditures</b>	(47,327)	(105,047)	(5,829)	99,218
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	-	250,671	250,671
<b>Net changes in fund balance</b>	(47,327)	(105,047)	244,842	349,889
<b>Fund balance at beginning of year</b>	<u>404,775</u>	<u>404,775</u>	<u>404,775</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 357,448</u>	<u>\$ 299,728</u>	<u>\$ 649,617</u>	<u>\$ 349,889</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF CUSHING  
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)

CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Interest	\$ 4,000	\$ 4,000	\$ 4,345	\$ 345
Intergovernment programs	-	-	-	-
Donations and other	-	-	-	-
Miscellaneous	5,345	5,345	-	(5,345)
<b>Total revenues</b>	<u>9,345</u>	<u>9,345</u>	<u>4,345</u>	<u>(5,000)</u>
<b>Expenditures:</b>				
General government	-	3,000	2,958	42
Public safety	1,500	1,500	1,310	190
Cultural & recreational	-	7,000	6,990	10
Interest expense	59,000	59,000	58,235	765
Capital outlay	2,135,916	1,413,450	624,206	789,244
<b>Total expenditures</b>	<u>2,196,416</u>	<u>1,483,950</u>	<u>693,699</u>	<u>790,251</u>
<b>Excess of revenue over (under) expenditures</b>	(2,187,071)	(1,474,605)	(689,354)	785,251
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	1,680,000	1,419,000	1,135,451	(283,549)
<b>Net changes in fund balance</b>	(507,071)	(55,605)	446,097	501,702
<b>Fund balance at beginning of year</b>	<u>(236,358)</u>	<u>(236,358)</u>	<u>(236,358)</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ (743,429)</u>	<u>\$ (291,963)</u>	<u>\$ 209,739</u>	<u>\$ 501,702</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CITY OF CUSHING**  
**Cushing, 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 Manager (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 which includes general government; public safety; highways, roads & airport; cultural & recreational; and administrative; and included within each department it is divided by 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 CUSHING**  
**Cushing, Oklahoma**

**OTHER SUPPLEMENTARY INFORMATION**  
**June 30, 2016**

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

	Special Revenue		Debt Service	Capital Projects			Permanent Funds		Total Non-Major Governmental Funds
	Street & Alley Fund	Airport		Grant	Sinking Fund	Library Quadrangle	Capital Improvement	Deferred Compensation	
<b>Assets:</b>									
Cash and equivalents	\$ 308,050	\$ 283,930	\$ 50,092	\$ 51,412	\$ 184,811	\$ 39,886	\$ -	\$ 521,293	\$ 1,439,474
Investments at cost	-	-	-	1,190,000	500,000	-	916,447	212,381	2,818,828
Accounts receivable, net	6,006	-	-	-	-	-	-	-	6,006
Land	-	-	-	-	-	-	-	100,020	100,020
Depreciable assets	-	-	-	-	-	-	-	909	909
Due from other funds	-	-	-	-	45,698	-	-	31,127	76,825
Notes receivable	-	-	-	-	-	-	-	50,000	50,000
Grants receivable	-	-	5,431	-	-	-	-	-	5,431
Interest receivable	-	-	-	426	46	-	-	57	529
<b>Total assets</b>	<b>\$ 314,056</b>	<b>\$ 283,930</b>	<b>\$ 55,523</b>	<b>\$ 1,241,838</b>	<b>\$ 730,555</b>	<b>\$ 39,886</b>	<b>\$ 916,447</b>	<b>\$ 915,787</b>	<b>\$ 4,498,022</b>

<b>Liabilities:</b>	
Accounts payable	\$ 3,399
Accrued compensated absences payable	-
Plan participants	-
Due to other funds	-
<b>Total liabilities</b>	<b>\$ 3,399</b>

<b>Fund balances:</b>	
Restricted	310,657
<b>Total fund balances</b>	<b>\$ 310,657</b>

<b>Total liabilities and fund balances</b>	<b>\$ 314,056</b>
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CITY OF CUSHING  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016

	Special Revenue		Debt Service		Capital Projects			Permanent Funds		Total Non-Major Governmental Funds
	Street & Alley Fund	Airport	Grant	Sinking Fund	Library Quadrangle	Capital Improvement	Deferred Compen- sation	Cushing Industrial Authority		
Revenues:	\$ 72,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,434	
Taxes										
Intergovernmental programs	-	303,538	61,773	-	-	-	-	-	365,311	
Donations	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	7,365	2,834	-	-	2,410	12,609	
Sale of property	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	
<b>Total revenues</b>	<b>\$ 72,434</b>	<b>\$ 303,538</b>	<b>\$ 61,773</b>	<b>\$ 7,365</b>	<b>\$ 2,834</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,410</b>	<b>\$ 450,354</b>	
Expenditures:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,955	\$ 59,955	
Economic development	-	-	-	-	-	2,958	-	-	2,958	
General government	-	-	-	-	-	-	-	-	-	
Public safety	-	-	3,777	-	-	-	-	-	3,777	
Highways, roads & airport	39,261	-	-	-	-	-	-	-	39,261	
Cultural & recreation	-	-	3,818	-	6,990	-	-	-	10,808	
Interest expense	-	-	-	-	-	-	-	-	-	
Capital outlay	-	357,723	38,995	-	-	40,512	-	-	437,230	
<b>Total expenditures</b>	<b>\$ 39,261</b>	<b>\$ 357,723</b>	<b>\$ 46,590</b>	<b>\$ -</b>	<b>\$ 6,990</b>	<b>\$ 43,470</b>	<b>\$ -</b>	<b>\$ 59,955</b>	<b>\$ 553,989</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>33,173</b>	<b>(54,185)</b>	<b>15,183</b>	<b>7,365</b>	<b>(4,156)</b>	<b>(43,470)</b>	<b>-</b>	<b>(57,545)</b>	<b>(103,635)</b>	
Other financing uses:	253,771	-	(3,100)	(7,312)	-	2,415	-	97,390	343,164	
Operating transfers in (out)										
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>286,944</b>	<b>(54,185)</b>	<b>12,083</b>	<b>53</b>	<b>(4,156)</b>	<b>(41,055)</b>	<b>-</b>	<b>39,845</b>	<b>239,529</b>	
<b>Fund balance-beginning of year</b>	<b>23,713</b>	<b>338,115</b>	<b>42,947</b>	<b>1,241,785</b>	<b>710,015</b>	<b>72,086</b>	<b>-</b>	<b>733,561</b>	<b>3,162,222</b>	
<b>Fund balance-end of year</b>	<b>\$ 310,657</b>	<b>\$ 283,930</b>	<b>\$ 55,030</b>	<b>\$ 1,241,838</b>	<b>\$ 705,859</b>	<b>\$ 31,031</b>	<b>\$ -</b>	<b>\$ 773,406</b>	<b>\$ 3,401,751</b>	

CITY OF CUSHING  
Cushing, Oklahoma

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

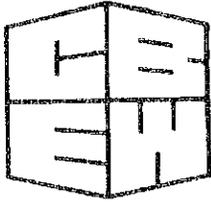
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<b><u>U.S. Department of Transportation:</u></b>				
Federal Aviation Administration - Airport Improvement Program	20.106	382,800	303,539	303,539
<b><u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u></b>				
<b><u>Passed through the Oklahoma Department of Libraries:</u></b>				
State Library Program	45.310	4,249	4,249	4,249
<b><u>U.S. Department of Homeland Security:</u></b>				
<b><u>Passed through the Oklahoma Department of Emergency Management:</u></b>				
Emergency Management Assistance	97.042	30,000	17,500	17,500
Equipment Support Grant	97.073	24,500	24,500	24,500
<b>Sub-total U.S. Department of Homeland Security</b>		<b>54,500</b>	<b>42,000</b>	<b>42,000</b>
<b>Total of Expenditures of Federal Awards</b>		<b>\$ 441,549</b>	<b>\$ 349,788</b>	<b>\$ 349,788</b>

**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 the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF CUSHING**  
**Cushing, Oklahoma**

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



**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

WALTER H. WEBB, CPA  
JANE FRAZIER, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 27, 2016

Honorable Board of City Commissioners  
City of Cushing  
Cushing, 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 Cushing, 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 Cushing, Oklahoma's basic financial statements, and have issued our report thereon dated September 27, 2016

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF CUSHING**  
**Cushing, Oklahoma**

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

**FINDINGS - FINANCIAL STATEMENT AUDIT**

1. None